



2022 Port Otago Integrated Report

Staying the course

Using words we all understand

Presenting an Integrated Report that everyone understands can be tricky. Trying to satisfy reporting requirements can lead us down a path of unclear terminology, so we have prepared a key to Integrated Reporting terms used throughout this document.

Integrated Reporting: A relatively new type of reporting that tells our value creation story across the six capitals. It brings together financial and non-financial reporting, focusing on what's most important to our stakeholders and business.

Integrated Reporting terminology

Human capital
Social and relationship capital
Natural capital
Intellectual capital
Manufactured capital
Financial capital

Port Otago terminology

Our team
Our wider team
Our harbour taoka and beyond
Our know-how and skills
Our assets
Our financial value

Integrated thinking: A way of thinking and making decisions that takes into account the six capitals. We don't just consider the financials anymore, but also our people, stakeholders, the environment and the future.

Inputs: The resources and relationships we draw on to carry out our business activity (e.g. our workforce, energy, partnerships with customers).

Outputs: The results of our business activity - our services (e.g. shipping exports/imports between Otago and the rest of the world) and products (e.g. buildings leased out).

Our outcomes: These are the positive and negative consequences of our business activity and outputs. On the positive side of the ledger, outcomes are the value we are trying to create from our business

activity (e.g. being a good neighbour to our community and iwi). However, business activities can also result in value preservation or erosion (e.g. greenhouse gas emissions from our energy use, contributing to climate change).

Material issues: These are the most important issues, as determined by our stakeholders and our business.

Our goals: These are set in our strategy and aim to address our material issues.

Value creation: The process that results in increases, decreases or transformations of the six capitals caused by the organisation's business activities and outputs.

Work ons: We don't have everything right yet. Work ons are areas we need to improve, in order to create value.

Our harbour taoka has long been a source of shelter, kai and spiritual importance to our local Māori. It is a privilege to be part of such a culturally rich community and we particularly value the relationship we enjoy with Te Rūnanga o Ōtākou. Over the past two years, we have made a conscious effort to incorporate relevant Te Reo words into our every-day language at Port Otago. We have a long way to go, but we are steadily adding more Te Reo over time - introducing each word with care and respect. This table details Te Reo words used through this document, alongside English translations.

Te Reo

Hauora
Hui
Kaimahi
Kōrero
Rakatahi
Rūnaka
Taoka
Upoko
Whānau
Whanaukataka
Whare Rūnaka

English translation

Philosophy of health and wellbeing
Gathering, meeting, assembly
Worker, employee, staff
Speech, discussion, conversation
Young people
Council, tribal council, assembly
Treasure
Leader
Family
Relationship, kinship, sense of family connection
Meeting House



Welcome to Port Otago's third integrated report, *Staying the course*, outlining our efforts as we dig in for the long haul.

Last year, we took you through our *Strategy for a better business*, outlining our plans for the future. We were proud to be *On our way*, so that's what we called last year's Integrated Report. Like everyone, we hoped that supply chain disruption would subside during the year. This has not been the case - far from it. Our team has worked harder than ever with our customers, partners, suppliers and community to continue delivering for our shareholder, the Otago Regional Council, and the people of our region.

Disruption now seems guaranteed, making planning for the future even more important. And this, alongside getting our culture right, is critical to having the best team for the job.

This report summarises how we've tackled the past year and how we plan on *Staying the course*.

“Port Otago’s 2021 Annual Report showed a maturity of leadership that is comfortable to be examined.”

ORC
Port Liaison
Committee



Integrated Reporting <IR>

This is Port Otago’s third Integrated Report for stakeholders, driven by the Board and Leadership Team. This year, we have changed the front cover title from Annual Report to Integrated Report, as this approach to reporting becomes embedded in what we do. **We applaud supply chain partners who are already embracing integrated thinking and reporting, and encourage others to do the same.**

There are several elements that we are particularly proud of in this report, including more detailed climate change reporting, as we gather more data and increase our understanding of the challenges ahead (pages 69, 72-73). We have also made progress against our *Strategy for a better business* and outlined the planned steps towards our goals in the coming year (pages 24-25).

We undertook our third materiality process. This is now integral to how we engage with our stakeholders on what matters most to them and how we are tracking (pages 18-21). With our shareholder, community, iwi, customers, partners, suppliers, regulators and government, we identified 12 material issues which –

together with our strategy – form the basis of this report.

We continue using the Integrated Reporting <IR> Framework, moving a little closer each year to the leading Integrated Reports (IRs) to which we aspire.

There is much change underway in the world of reporting:

- Establishment of the International Sustainability Standards Board* (ISSB) and
- Draft standards on sustainability and climate change reporting.

We are paying close attention to these developments and remain encouraged by the ongoing global support for IR.

Paul Rea
Chair

Kevin Winders
Chief Executive

Transparency

Honesty is important to us and this report is no exception. In some areas, we had hoped to have more progress to report and more complimentary remarks to share, but in the spirit of openness, they are reported here “warts and all”.

Debbie Summers, Chair of Cruise NZ, highlighted the need for progress, despite ongoing challenges: “Covid-19 has hijacked progress. We have all been focused on Covid for two years and need to get back to climate change and the other priorities identified pre-Covid. The Chief Executive and Board need to drive strategic vision and culture in this space.” We agree. After a year of continued disruption, we are trying hard to stick to our long-term strategy, which is why we called this report *Staying the course*.

At the heart of *Staying the course* is strong relationships. The Otago Regional Council (ORC) Port Liaison Committee summed this up perfectly for us: “If a relationship isn’t strong, when things go wrong, how do you broker a way forward? Every bright idea should be tested with those that own you, those who will be affected by it and the people around you, and the port needs strong relationships to be able to do this.”

Feedback

Feedback on this report is welcome. Email info@portotago.co.nz

Integrated Reporting

More information can be found at www.valuereportingfoundation.org/wp-content/uploads/2021/07/InternationalIntegratedReportingFramework.pdf

Assurance

We appreciate that, as it stands, we are asking stakeholders to take this report at face value, without independent assurance. The port needs to reach a level of greater maturity with our data collation and reporting to be ready for an assurance audit of our non-financial information. We are getting there. Our plan is to look into this valuable tool for building credibility and trust in our report over the next couple of years.

* <https://www.ifrs.org/groups/international-sustainability-standards-board/>



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Our highs and lows



5.1

TRIFR down from 10.5 last year

166,200



TEU down from 175,000 last year

23

Noise complaints down from 45 last year



5635T



Carbon emissions down on last year by

\$6.4 billion

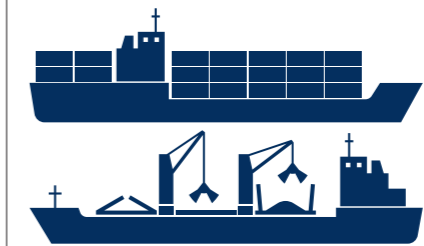
Exports/imports handled through our port

22



Empowered safety leaders

3%



59



Active sponsorships up from 46 last year

\$70.5m

Profit down from \$94.5m last year

1,002,742

Logs JAS down from 1.19m last year





Paul Rea (left), Chair and Kevin Winders, Chief Executive.

Full year review from the Chair and Chief Executive

Highlights and challenges

Solid NPAT of \$70 million

Underlying profit reflects diversity of earnings

Improved safety performance

Refinancing \$100 million via ORC

Inflationary cost pressures impact the business

Continued shipping disruption

Supply chain challenges

Labour and skills shortages

Our third Integrated Report

On pages 23-25, we present our *Strategy for a better business*, this time with some progress and some steps towards our goals for the coming year. These goals tackle our material issues (pages 20-21). Achieving them won't be easy, but we are committed to *Staying the course*, the theme of this report. That means steady progress, day-in, day-out, chipping away at our goals.

Transparent reporting is important to us. You will continue to see "work ons" highlighted throughout this report, along with quotes from stakeholders, keeping us honest about what we need to improve. We have been working hard to embed integrated thinking into our decisions and in three years we have come a long way. The decision making by our Leadership Team and Board is unrecognisable from when we started on this path, back in 2020. Incorporating carbon into our decision making, along with other non-financial considerations, is a step change of which we are very proud. More on that later!

Good news from the past year:

- Our team kept cargo flowing
- Our bulk business had another good year
- The property business had another great result
- We upped our communication with our customers, tackling supply chain disruption together
- We learnt how our staff wanted to improve their work-life balance as we work on our culture
- We started to make progress on IT, but it's a hard slog
- We refinanced \$100 million via the ORC to lower our cost of funds.

And the bad news:

- Continued shipping volatility impacted our operations and constrained our customers, at times, in the season
- Global supply chain issues impacted projects as parts/equipment were slow to arrive from overseas
- Building and retaining the best team for the job got tougher as labour and skills shortages impacted us all
- Our cost base was impacted by inflationary pressures requiring us to pass on cost increases to our customers
- Sad passing of Warren Lewis.

Reflecting on the year

Group financial results

Profit for the year of \$70.5 million was \$24.0 million lower than last year's record \$94.5 million result.

Included in this year's result was a \$59.8 million unrealised investment property revaluation increase, down from \$82.2 million last year. Although still strong, this year's revaluation increase reflects higher investment property capitalisation rates observed across the market due to increasing interest rates and market sentiment. Outweighing these issues, from a valuation perspective, is an increase in market rents due to low vacancy rates and strong demand.

Total group revenue of \$88.2 million was \$1.9 million lower as no land sales from the Te Rapa Gateway development settled, compared to land sales of \$2.4 million last year. We remain committed to ongoing investment in Te Rapa, to utilise the remaining land for warehouse builds to generate future rental income. Our property business not only provides a steady source of revenue from rental income, but also allows strategic planning with our customers. We are in the unique position to be able to partner with them using our property expertise and portfolio to help with their storage needs into the future.

International supply chain disruption continued to impact our marine and cargo services revenue which was down 7% to \$48.2 million. Container TEU throughput of 166,200 TEU was 5% lower, which was driven by lower tranship containers transiting through Port Otago. Regional export and import container cargo volumes remained similar to last year. Total bulk cargo volumes were also down at 1.7 million tonnes compared to 1.9 million

tonnes last year. Log exports of 1.0 million were 16% lower than last year as exporters managed in-market price fluctuations, particularly in the Chinese log market. On the plus side, property rentals were up 16% to \$31.4 million, due to new property investments and lease renewals.

Total operating costs, excluding last year's cost of sales of property inventories, were 2% favourable, although we are seeing significant cost increases in fuel, electricity and insurance. Staff costs of \$31.2 million were 3% lower, as we realised the benefit of restructuring initiatives during the Covid pandemic and lower activity in the container trade.

Underlying profit for the year of \$17.6 million was \$3.8 million lower than last year with two warehouse developments constructed, compared to three last year. The underlying profit measure is calculated as profit for the year less the unrealised investment property revaluation, adjusted for valuation increases resulting from development activities.

During the year, our shareholder, the Otago Regional Council, provided us access to debt facilities up to \$100 million, passed through from the Local Government Funding Authority (LGFA). The LGFA debt has a lower finance cost than debt funded from commercial banks and therefore we retired a portion of our ANZ facility with the proceeds. Total debt at June 2022 of \$108 million compares to \$79 million at June 2021, as we invested \$45 million in investment properties and port assets. Total group assets increased to \$842 million from \$747 million last year, with equity of \$694 million. The equity ratio is 82% at June 2022.

Dividends paid for the year of \$13 million were up \$2.9 million from last year's \$10.1 million and we remain committed to providing our shareholder a consistent dividend, growing as profitability increases.

Working on our culture

Our team responded extremely well to the continued challenges of Covid, successfully defending the community from Covid crossing the border at port, and dealing with weekly PCR testing through the first half of the year. As Covid spread through the community and we moved from defence to management of the impacts of Covid in our workplace, our team quickly adapted to using RATs, self-isolation protocols and how to return to work. Throughout this Covid period, we were able to service our customers without major disruption and without compromising the safety of our kaimahi. We acknowledge and thank our whole kaimahi for keeping the region's cargo flowing.

Our Head of People Leigh Carter, new to our team last year, kicked off face-to-face engagement sessions with our kaimahi over a three-month period. We wanted to understand the issues that were holding us back from building a better business and working on our culture. We had 96% of our kaimahi, 280 staff, engage in the process via 27 workshops, feedback sessions, deep dives and one-on-ones. The main themes were improving work-life balance in rostering our teams, having a single culture in the business, an increased focus on wellness, and improving communication. We have shared the

output from the engagement process with our kaimahi and we have a plan underway, acknowledging that change will take time.

We farewelled Kevin Kearney, our GM Operations, after a good shift of nearly 10 years at Port Otago. Kevin has been a key leader in the business with a challenging role, delivering significant change in how we safely operate our container business. We were sad to see Kevin go but we were pleased to welcome Jonny Cook to our team in July. Jonny brings over 25 years' operational experience in Malaysia and New Zealand ports and we are looking forward to a fresh pair of eyes challenging how we do business.

In March 2022, we farewelled Jane Taylor who stepped down as a Director after four years of service to the Port Otago team. Jane championed

Port Otago's journey to focus on sustainable outcomes, balancing economic outcomes alongside what's best for our wider team and the environment, now part of everyday decision making at Port Otago.

In July 2022, we welcomed Chris Hopkins as a new Director to our team. Chris is a local, having grown up in West Harbour, and brings a strong commercial background with a bent for innovation. We look forward to Chris's perspective and input at the Board table over the coming years.

Keeping safety at the forefront

We sadly acknowledge the tragic loss of life at Ports of Auckland and Lyttelton in the last year. Both events are stark reminders of the critical risks that exist within the port industry. As a result of these events, our Board, Leadership Team, unions and Rūnaka came together to review our own

critical risk management processes. We challenged our kaimahi to find more ways to improve how work is done and further reduce our workplace risks. We have completed 28 critical risk bowties, with over 1632 critical risk threat controls confirmed in place, and this assessment process continues to be our approach to understanding and managing our critical risks. Getting out into the business and undertaking Visual Safety Leadership (VSL) conversations continues to be a key component in allowing us to better understand how work is being done, as opposed to how we might think work is being done. This is key to improving our safety systems. While maintaining our VSL programme was challenging through the Covid restrictions, our leaders are enjoying being back out there and listening to our team to understand how we can improve.

We have started our own in-house safety leadership training programme this year with the first 22 safety representatives and leaders participating in the first tranche of training. The objective of the programme is to create a team of safety leaders embedded within all layers of our business, with the long-term goal of having every staff member trained as a safety leader.

Our focus is still on how we can continue to improve our safety systems, now and into the future. We typically don't spend a lot of time looking back at our lag indicators, even though we continued to improve, with our TRIFR of 10.5 per million hours last year reducing to 5.1 this year, which is still a great result. There is no letting up and we are not complacent, as there is still plenty more to do to achieve our goal of Zero Harm.



Being a good neighbour

There was great progress at Te Rauone Beach this year, with construction of the three groynes completed in February 2022. Ironically, global supply chain issues held up the delivery of our new pumping equipment to Port Otago, meaning a delay in starting to pump sand onto the beach. The equipment has now arrived, and in the spring we plan to start recycling sand from our dredging operation for pumping onto the beach and dunes. Once again, we acknowledge the great work of the Te Rauone Beach Coast Care Committee, as without their determination and perseverance, this great amenity beach would be still a pipe dream, not the reality we have today. Thanks Graham, Des, Tina, Edna and Graeme.

This year, we delivered on a promise to our community to remove our staff cars off the streets of Port Chalmers, freeing up space for the locals and visitors, particularly in the busy cruise season. The conversion of our old Fire Store complex provided car parking for 75 vehicles, charging stations, bike storage and heavy parts storage for our maintenance team. We are pleased with the result and have had positive feedback from our neighbours.

We acknowledge the contribution of Warren Lewis to our community and the sad passing of a true fisherman and champion of public access to our beautiful harbour. Rest in peace, Warren.

Continued investment for growth in Dunedin Bulk Port

We continue to invest in Dunedin Bulk Port to provide bulk customers with infrastructure to support growth, acquiring the Carters Tyres building adjacent to 58 Sturdee Street, the 1.7ha site acquired last year. Both acquisitions provide long-term expansion opportunities for Dunedin Bulk Port.

We continue to work with our logging customers to provide options for the future to accommodate logs at Dunedin Bulk Port, to reduce logging trucks on State Highway 88, remove carbon from supply chains, and free up Port Chalmers wharves for our cruise customers. There is more work to do to find a medium-term solution that will work for all of our stakeholders, not least our log customers who have told us to step up our communication and spend more time listening to their concerns. We look forward to working together more closely and progressing our collective thinking in the year ahead.

We are pleased to have reached agreement to support Ravensdown, one of the port's oldest customers, with a \$6 million upgrade of the Ravensbourne wharf. This will see the return of bulk shipping direct to the plant, reducing the need for trucking from Port Chalmers to Dunedin, and significantly reducing carbon, a good outcome for our neighbours and the planet. This project is underway and expected to complete in early 2023.

We are looking forward to commencing the Dunedin Bulk Port gating projects in the year ahead, to improve security and safety at Dunedin Bulk Port, by managing access into a working port.

Incorporating carbon thinking into our decision making

We have made progress this year, building on our growing understanding of our carbon footprint, to embed carbon into our day-to-day decision making, the same as we do with safety. This year, we have learnt that balancing economic, safety, carbon and social factors when considering investment is not straightforward or easy. To make a significant impact to our carbon footprint, we need to tackle our diesel usage, which is used in our heavy equipment such as straddles, empty container handlers, forklifts and our floating plant. We had previously signalled our intention to invest in hybrid straddles to replace our diesel/electric fleet, as this technology was considered mainstream and achievable in the short term. Our project team, over the last 12 months, worked with two globally recognised suppliers to evaluate options. We were surprised by the outcome; to wait and move to fully electric straddles when they are mainstream, rather than move to hybrid straddles next year. At Port Otago, we have a life of around 14 years for a straddle and the reduction in carbon by moving to hybrid was not enough. A hybrid straddle delivers a small carbon benefit in comparison to electric straddles that are expected to deliver zero carbon emissions and be available to us in the next three to five years. While we wanted to get started with our straddle replacement now, it looks like we need to be patient for the best long-term result, *Staying the course*. We also continue to invest in LED lighting and smart control systems to improve efficiencies and reduce waste, all delivering better carbon outcomes.

Optimising our property business

In 2022, Chalmers Property completed two new warehouses for IAG and Steel and Tube in our Te Rapa Gateway Industrial Park. Both projects were delivered on time and on budget, a good and rare outcome for construction projects these days, given the challenges in sourcing materials and with inflation driving cost increases. Both tenants are delighted with their new facilities. We welcome IAG as a new customer and Steel and Tube's addition of their second property with Chalmers Properties. We were pleased to win a Merit Award for the IAG project in the Industrial category at the recent New Zealand Property Council Industry Awards. Congratulations to David Chafer and the IAG team. The judges were impressed with another Chalmers Properties quality build in the expanding Te Rapa Gateway Industrial Park, following the Merit Award received by 560 Arthur Porter Drive in 2019.

NZWindows' new warehouse is under construction with completion targeted for March 2023. During the year, we secured new design/build/lease projects at Te Rapa Gateway with Spectrum and Altus, which will result in a \$24 million investment over the next 12 months. Demand remains strong for warehousing in the Golden Triangle and we continue to engage with prospective tenants for the next tranche of design/build/lease projects.

In Dunedin, we entered into two sales of land to the incumbent leaseholders. Both met our internal criteria for divestment and were settled in July 2022.

What the future holds

Global shipping congestion is starting to ease and we expect container shipping reliability to steadily improve over the next 12 months, which will be welcomed by customers and partners across our supply chains. Bulk cargo volumes are expected to continue at current levels, subject to continued positive in-market conditions for the forestry sector.

We are excited to welcome back cruise to our region and we are prepared for 100 plus cruise ship visits to Port Chalmers and Dunedin over the coming summer. We are proud to say that Port Otago is likely to become New Zealand's largest cruise destination for 2023! The local tourism sector has been heavily impacted by border closures. The return of 250,000 cruise passengers to our region will be welcomed by our local cafés and tourist operators, with cruise arrivals potentially bringing in more than \$60 million of economic activity that has been sorely missed these past few years.

We have a good pipeline of design/build/lease projects underway in Hamilton that will complete in the year ahead, along with a number of prospects for development in Hamilton and Dunedin. We expect to complete the combined Port Otago new office and extension to the Maritime Museum mid-2023, while progressing the final design for construction of Whare Rūnaka, our shareholder's new home.

Our balance sheet is strong and we have low levels of debt. As a result, we are well positioned to continue to invest in supply chain solutions for our customers, while growing our "underlying earnings" to provide our shareholder with appropriate returns. A final dividend of \$1.0 million will be paid on 8 September 2022, bringing the total dividend for the year to \$13 million.

We are proud of the work by our kaimahi. Significant progress has been made on our *Strategy for a better business*, as we have adapted and tackled the challenges of a tough couple of years. We have momentum and our refreshed team is committed to *Staying the course* to deliver our plans and take advantage of opportunities in the future.



Paul Rea
Chair



Kevin Winders
Chief Executive

Port Otago and our value chain

Port Otago is located on the Otago Harbour of the South Island of New Zealand and is the primary export port for the lower South Island. It is 100% owned by the Otago Regional Council (ORC) and its stated principal objective is to operate as a successful and sustainable business that delivers value to shareholders in the form of both financial and non-financial returns on investment.

INPUTS

Our team

- Our team of 290 people
- Trained in safety and relevant skills
- In-depth safety risk assessments and inspections

Our wider team

- Customer relationships
- Partnerships with shipping lines, landside operators and suppliers
- Community and iwi engagement

Our harbour taoka and beyond

- Use of air, land and water
- Consumption of energy and other resources
- Listening to community and iwi about any changes to our harbour taoka

Our know-how and skills

- Experienced people
- Quality new recruits
- Investment in upskilling
- Investment in secure technology

Our assets

- Assets owned and productivity optimised
- Land owned and space utilised efficiently
- Investment in long-term infrastructure

Our financial value

- Diverse and balanced portfolio
- Long-term agreements with customers, partners and suppliers

OUR BUSINESS ACTIVITIES & OUTPUTS

[See page 93]



ECONOMIC CONTRIBUTION

Port Otago operates across three sites: Port Chalmers, Dunedin Bulk Port and Dunedin Depot. It employs about **290** people and paid **\$31.2 million** in wages and salaries during 2021/22. Just over **\$60 million** was spent on materials and services, and capital projects.

OUTCOMES

Our team

- A safety culture where our people look out for each other so that everyone goes home safely
- Employees who are proud to work for the port

Our wider team

- A good neighbour who respects our social licence to operate
- A strong central link in the value chain, connecting our customers, partners and suppliers from the lower South Island to the world, for mutual growth

Our harbour taoka and beyond

- A light touch that preserves and/or enhances our beautiful harbour
- Understanding we need to improve by listening to our community and iwi
- Reduced contribution to climate change and understanding and adapting to potential future climate change impacts

Our know-how and skills

- A considered approach to the future
- A talented workforce with individuals who are willing to learn and have a wealth of knowledge
- Improved productivity and resilience by embracing new, agile and efficient ways
- Effective processes to protect the port from cyber attacks

Our assets

- Continued investment in infrastructure to the benefit of the local, regional and national economy
- Proactive development of dynamic solutions to counter shipping volatility

Our financial value

- Consistent sustainable dividends for our shareholder, to support regional economic development and benefit our community
- A sustainable future built on solid investment in infrastructure and long-term customer, partner and supplier relationships

WORK ONS

- Workplace culture
- Wellness strategy
Refer to page 42

- Customer relationships
Refer to page 52

- Noise
- Climate change targets
- Climate change adaptation
Refer to page 68

- Digitisation
- Cyber security
Refer to page 80

- Efficient supply chains
- Responding to shipping volatility
Refer to page 92

- Balancing our business
- Efficiency
- Understanding our contribution to the regional economy
Refer to page 102

PROGRESS



The materiality process

Port Otago undertook its third materiality process in April/May 2022, engaging with key stakeholders after another tough year. With Covid-19 still affecting everyone's lives and supply chain disruption now expected, speaking to our stakeholders about what is most important to them remains high on our agenda. The materiality process provided a valuable opportunity to hear how stakeholders think we are tracking, feedback on what more we can do, and their ideas for the future.

The materiality process was undertaken independently by Materiality Counts. It looked at the environmental, social and economic issues facing Port Otago now and into the future. Stakeholders and the business were asked to:

In this way, both stakeholder concern and business impact were taken into account. For consistency, comparability and best practice, the same four-step process employed in 2020 and 2021 was again used:

- **Rate importance:**
Rate the importance of these issues to the value Port Otago creates
- **Rate performance:**
Rate our performance in managing the issues
- **Select top three issues:**
Select their top three priorities and explain why, and
- **Select top five SDGs:**
Select the top five United Nations Sustainable Development Goals (SDGs) to which the port can contribute and explain why.

- 1. Issues list:**
Down from 20 issues in 2021, to 19 issues in 2022
- 2. Materiality survey:**
This year completed by 22 external and 19 internal stakeholders
- 3. Interviews:**
All 22 external stakeholders and 13 internal stakeholders (nine in 2021), and
- 4. Materiality results presentation:**
To the Board and Leadership Team.

"The Port Otago of the past would never have undertaken a materiality process to hear the views of stakeholders. It is essential that this good work continues."

Francisca Griffin
Chair
West Harbour Community Board

2022 Materiality Matrix



The material issues

Our top 12 material issues are presented here in order of priority. This report and our Strategy for a better business focus on these issues, as do our Board and Leadership Team meetings. As expected, living in a dynamic world with new challenges regularly emerging, there has been some movement in our material issues. This is explained below and reflected in the focus of our six capitals chapters (pages 42-109).

Safety

Continuing our culture where safety is the number one priority and our team looks out for each other so that everyone goes home safely. Keeping the focus on improving safety performance of which our team can be proud. Also #1 last year.

#1

Leadership

Leadership that is transparent, accountable, accessible and visible, with strong governance and ethics. Ensuring diversity and the right mix of skills to build sustainability into our strategy and continue to learn and adapt into the future. Down from #2 last year, reflecting that stakeholders see the Leadership Team strengthened by the addition of new recruits.

#4

Relationships

Building strong collaborative relationships with our customers, shipping lines, road and rail transport, peers, shareholder and government. Taking the time to understand the challenges faced, such as global container shortages and staffing impacts on customers' operations. Communicating effectively on the day-to-day and working together for a future of sustainable growth for us all. Up from #3 last year.

#2

Climate change response

Understanding our carbon footprint, measuring and reporting progress. Identifying how to reduce our carbon emissions, both directly and with customers, to play our part in achieving New Zealand's goal of net zero carbon emissions by 2050. Working with our customers, shipping lines, road and rail transport and peers to explore more efficient technology, fuel and practices. The Board made the strategic decision to elevate climate change response to #5, although the overall issue rankings do not support this. This priority is driven by increasing stakeholder expectations for action now, not in the future, and a focus on collaborating across the supply chain on joint carbon solutions. "It is the right thing to do".

#5

Growth

Investing in opportunities to grow our business with a healthy balance sheet and cost efficiency. Investing in infrastructure and driving the best supply chain logistics, in partnership with our shipping lines, road and rail transport and customers. Up from #8 last year. This significant jump reflects that growth is at the forefront of stakeholders' minds and they are calling for more leadership from the port.

#3

"You can see the flow-through of the comments made in the materiality survey and interviews to the actions to address them."

David Ross
CEO
Kotahi

NB: Although the port started with 19 issues and has prioritised 12, we will not stop working on the other seven issues, it simply allows us to focus on what matters most. **Health and security:** Just outside the top material issues this year, in recognition of the port's performance in protecting our people and our wider team from Covid-19.

Recruiting and retaining the best team for the job

Training our people for their roles and providing opportunities for them to grow with succession planning and recognition. Tackling skill shortages as best we can. New issue for 2022: Ranked highly, as labour and skill shortages become a concern throughout New Zealand, not just for us.

#6

Culture and wellbeing hauora

Building a workplace culture where everyone feels they belong. Prioritising mental wellbeing by listening to our people and valuing their diversity. Providing great facilities to bring our team together. Encouraging teamwork and open and honest communication, including with the unions. Working together for better work-life balance through our rosters and equipping our people as best we can for these times of change. Down from #6 last year. This reflects that progress to improve the port's culture has been noted by stakeholders, but this issue is still front and centre.

#9

Shipping volatility

Shipping volatility continues with congestion at ports and disruption to shipping volumes and schedules "the new norm". Collaborating with other ports, shipping lines and customers to reduce pressure on the supply chain. Working with our customers to boost container stocks and buffer storage space, drawing on our property business for warehouse capacity. Tackling the risk of shipping lines not coming into port by driving to be the leanest port, that all ships want to visit. Up from #10 last year. This issue has become more important as the supply chain learns to live with disruption.

#7

Innovation

Improving efficiency in our supply chain by introducing new technology, such as automation and digitisation, and collating better data for tailored performance reporting. As with our climate change response, working with our customers, shipping lines, road and rail transport and peers to innovate and become more efficient. Down from #7 last year. Progress with IT has been noted, as has improved collaboration.

#10

Financial returns

Generating financial returns and balance sheet strength with our diversified bulk, container, cruise and property business. Continuing our economic resilience in the face of Covid-19 impacts, including ongoing shipping volatility, container shortages and challenges for our team. Maximising returns for our shareholder and the people of Otago, alongside contributing to the local, regional and national economy with jobs, supply chain spend and more. Down from #5 last year. While financial performance remains important, the port is seen as a strong performer, avoiding redundancies during the pandemic.

#8

Cyber security

Maintaining IT systems that protect cyber security and data privacy. Making cyber security part of every decision, like safety, and implementing well-rehearsed plans to respond to cyber attacks. Down from #9 last year.

#11

Wharf capacity and infrastructure

Increasing storage capacity through buffering storage space, relocation and investment in wharf infrastructure. Working with customers on their plans for the future, including the need to service larger ships. #11 last year.

#12



"Don't lose sight of 'the now' when planning for the future, because before you know it, the future is now."

Francisca Griffin
Chair
West Harbour Community Board

Strategy for a better business

Last year, we presented our *Strategy for a better business*. This was developed to tackle our material issues and create value for stakeholders and the port. Board meetings are now structured around this strategy, using what we call "strategy blocks" based on the six capitals. It reminds us to regularly review progress towards our goals and ensure we are *Staying the course*.

On the next two pages, you will see our progress against our goals and the steps we plan to take over the coming year towards achieving them. Throughout this report, we tell our value creation story, including the initiatives being implemented to achieve our goals. We also present more performance data on progress against key metrics.

We welcome your feedback on what more we can do, as we continue to lock down our approach to implementing our *Strategy for a better business*.

Strategy for a better business

Our team

- GOALS:**
- Develop a culture where workforce safety is the number one priority and our team looks out for each other so that everyone goes home safely.
 - Build a workplace where the wellness of our team is supported through teamwork, accessible leadership, and open and honest communication.

KEY: PROGRESS TOWARDS OUR GOALS

- Good progress
- Underway
- Needs attention

STEPS TOWARDS OUR GOALS:

- Delivering wellbeing initiatives
- Improving work/life balance for our Kaimahi
- Improving our diversity
- Completing our new office/museum

MATERIAL ISSUES:

- Safety
- Recruiting and retaining the best team for the job
- Culture and wellbeing hauora
- Leadership

Our wider team

- GOALS:**
- Be a great neighbour by respecting what is important to our community and iwi and enhancing our social licence to operate.
 - Build stronger relationships with our customers, partners and suppliers to better understand them, measure progress and plan for the future.

STEPS TOWARDS OUR GOALS:

- Increased customer engagement
- Te Rauone Beach completion
- Harbour plan engagement

MATERIAL ISSUES:

- Relationships

Our harbour taoka and beyond

- GOALS:**
- Identify how to reduce our carbon emissions, both directly and with our customers, such as harnessing renewable energy.
 - Play our part in achieving New Zealand's goal of net zero carbon emissions by 2050.
 - Understand and adapt to potential future climate change impacts on our assets.
 - Preserve our beautiful harbour and its biodiversity by listening to our community and iwi, taking care and monitoring these precious taoka closely.
 - Reduce our noise.

STEPS TOWARDS OUR GOALS:

- Setting our science-based climate change target
- Getting started on a climate change adaptation plan
- Harbour plan engagement

MATERIAL ISSUE:

- Climate change response

Our know-how and skills

- GOALS:**
- Improve our efficiency through automation and digitisation, such as systems for berth management, property management and supply chain connectivity.
 - Work with our supply chain partners to embrace new and agile ways of working landside.
 - Develop a strong platform to train and develop our team.
 - Establish effective processes to protect the port from cyber attacks and respond rapidly.

STEPS TOWARDS OUR GOALS:

- Getting our Learning Management System platform up and running
- Achieving full cyber security protection

MATERIAL ISSUES:

- Innovation
- Cyber security

Our assets

- GOALS:**
- Grow the container business by investing in additional storage and depot capability.
 - Grow the bulk business by increasing storage capacity and enhancing shipping flexibility with Victoria Channel improvements. Relocate storage (where it makes sense), develop wharf replacement options and work with customers on fit-for-purpose infrastructure to meet future needs.
 - Respond dynamically to shipping volatility with storage and digital solutions.
 - Rebuild the cruise business by engaging with the cruise industry, investing in Pilot accommodation, maintaining capability and having safe landside practices ready to go.
 - Continue to build a sustainable property portfolio as a fundamental part of the port's financial sustainability.

STEPS TOWARDS OUR GOALS:

- Ravensdown and Cross Wharf upgrades
- Delivering a great cruise experience for our region
- Completing our three new warehouses on time and on budget

MATERIAL ISSUES:

- Shipping volatility
- Wharf capacity and infrastructure

Our financial value

- GOALS:**
- Provide consistent shareholder dividends with a portfolio that optimises returns, builds resilience and facilitates investment in the future.

STEPS TOWARDS OUR GOALS:

- Meeting the dividend expectations of our owner
- Bringing back cruise revenue as one of the four pillars of our business

MATERIAL ISSUES:

- Growth
- Financial returns

KEY

SDG1 No poverty	SDG4 Quality education	SDG7 Affordable & clean energy	SDG10 Reduced inequalities	SDG13 Climate action	SDG16 Peace, justice & strong institutions
SDG2 Zero hunger	SDG5 Gender equality	SDG8 Decent work & economic growth	SDG11 Sustainable cities & communities	SDG14 Life below water	SDG17 Partnerships for the goals
SDG3 Good health & wellbeing	SDG6 Clean water & sanitation	SDG9 Industry, innovation & infrastructure	SDG12 Responsible consumption & production	SDG15 Life on land	

* For more information on the SDGs, visit <https://sdgs.un.org/goals>

How we engage our stakeholders



"From the time the pallet hits the floor at a customer's site until it makes its way to the hull of the boat, the port needs to work on end-to-end solutions via strong relationships across the supply chain."

Peter Dynes
Dynes Transport

We started the year hoping for less challenging times. While that was not the case, there was an upside - and that was increased stakeholder engagement. We have worked closer than ever with our customers, partners and suppliers to keep things moving. The port has tried to be as up-to-date as possible when communicating shipping schedules, providing storage space, and accessing containers.

Supplier of financial services to the port: "The port needs to take a lead on conversations with customers, local government and transport operators on future strategy to tackle Covid-19 supply chain disruption and this can only happen with strong relationships."

Engaging our community and iwi stakeholders is something we prioritise. Developing the Port Chalmers Maritime Museum as part of our new office is already providing meaningful opportunities to engage with our community.

Francisca Griffin, Chair of the West Harbour Community Board: "Community and iwi partnerships are essential to a thriving business."

We have a lot to learn from our iwi stakeholders and look to people like Edward Ellison, Upoko of Te Rūnaka o Ōtākou, for guidance. Edward tells

us we are making progress, but there is work to be done: "While access to the Leadership Team and Board is good, I wouldn't call it a partnership yet. When we were working through the Resource Consent* process, which is now complete, we had more regular engagement."

On pages 28-31, we take you through the most important issues for each of our key stakeholder groups, alongside insights they shared in this year's materiality interviews. Hearing about what we need to work on is critical to *Staying the course*.

* Relating to the Te Rauone Beach project

How we engage our stakeholders

Stakeholder Advisory Panel

Back in 2020 - when we embarked on Integrated Reporting - we thought a panel was needed for regular stakeholder engagement. However, since then, the annual materiality process has become a key part of our stakeholder engagement toolkit - getting into depth with stakeholders about their most important issues. Hence, we no longer see the need for a separate Panel, instead continuing on our path of integration. The Leadership Team and Board have incorporated feedback from the materiality process into their day-to-day communications and planning with stakeholders, as well as meeting with them to specifically work through issues raised and ideas put forward.

External stakeholder newsletter

In February 2022, we began circulating our external stakeholder newsletter, PortO, via old-fashioned print copies and post. For three years, it has been distributed three-times annually via email. But with a small circulation - about 190 stakeholders - and aware of the greater readership of print versus electronic documents, we made the decision to print and post. There was discussion about the sustainability of printing versus electronic distribution, but this cost was outweighed - particularly given the low number of copies printed - by the increased effectiveness of PortO as a communications vehicle.

Stakeholder	How we engage	Top material issues (in order of importance)	Stakeholder comments
Our team	<ul style="list-style-type: none"> Materiality interviews and surveys The Bridge (internal weekly e-letter) The Lighthouse suggestions system People team, Leadership Team, Rūnaka and training interactions 	<ul style="list-style-type: none"> Safety Culture and wellbeing hauora Financial returns Growth Recruiting and retaining the best team for the job Cyber security 	<p>Safety: "Port Otago is proactive in using critical risk mitigation and engineering out hazards prior to incidents occurring. The Leadership Team and Board have good operational safety experience. This is not the case in all companies." Bob Fulton, Board, Port Otago</p> <p>Culture: "We opened the door to change through the feedback received in staff engagement workshops. Now we need to focus on making more positive changes happen as a result of what we've heard." Leigh Carter, Head of People, Port Otago</p>
Community	<ul style="list-style-type: none"> West Harbour Community Board Port Noise Liaison Committee Port Otago Facebook page Materiality interviews and surveys Rothsay News 	<ul style="list-style-type: none"> Community and iwi partnerships Culture and wellbeing hauora Growth 	<p>Culture: "Hauora is a wonderful word encompassing the wellbeing of everything. By paying attention to the overall wellbeing of the port, its people, the harbour and the people around it, the port will care for the ocean, the air, the land and the people on it." Growth: "It would be incredible to see the port grow into a sustainability leader by bringing some innovation to the world, even as a small port in a small town in a small country." Francisca Griffin, Chair, West Harbour Community Board</p>
Iwi	<ul style="list-style-type: none"> Mana Whenua Group Te Rūnaka o Ōtākou Materiality interviews and surveys 	<ul style="list-style-type: none"> Community and iwi partnerships Biodiversity protection in the harbour taoka Leadership 	<p>Community and iwi: "The port utilises a key resource that is integral to iwi identity and responsibility to look after the harbour. An annual meeting would help build a deeper understanding of each other's perspective towards a partnership." Biodiversity protection: "Previous generations noticed changes in the harbour. We are at risk of upsetting the balance if we go too far. The Otago Regional Council and Dunedin City Council need to lead the development of an Integrated Harbour Strategy involving iwi, community and the port." Edward Ellison, Upoko, Te Rūnaka o Ōtākou</p>
Customers	<ul style="list-style-type: none"> Site and in-market visits Materiality interviews and surveys Face-to-face and online meetings PortO stakeholder newsletter 	<ul style="list-style-type: none"> Shipping volatility Relationships Safety Wharf capacity and infrastructure Leadership Financial returns Growth 	<p>Shipping volatility: "Market access timing is critical for fruit, i.e. the sooner the fruit gets to market, the better the chance of good returns. Free flow of product relies on getting the fruit packed, into containers on time, then onto vessels on time." Jeff McDonald, Regional Manager, T&G</p> <p>Relationships: "Niagara's relationship with the team at the port has been brilliant. Communication between Niagara, Port Otago and the shipping lines has been really good as shipping schedules continue to change." Jamie Barton, General Manager Marketing and Sales, Niagara</p>

How we engage our stakeholders

Stakeholder	How we engage	Top material issues (in order of importance)	Stakeholder comments
Partners	<ul style="list-style-type: none"> • Site visits • Real-time trucking information • Materiality interviews and surveys • Face-to-face and online meetings • PortO stakeholder newsletter 	<ul style="list-style-type: none"> - Safety - Relationships - Leadership - Recruiting and retaining the best team for the job - Growth - Wharf capacity and infrastructure - Climate change response 	<p>Safety: "Port Otago has always been very supportive of our safety focus as a construction partner and our approach to risk, such as working with hot asphalt." Richard Fulton, South Island Manager, Fulton Hogan</p> <p>Relationships: "We enjoy a good, frank and open dialogue with senior executives at the port on planning for the future and at an operational level between the two companies." Garry Diack, CEO, Ravensdown</p>
Suppliers	<ul style="list-style-type: none"> • Site visits • Materiality interviews and surveys • PortO stakeholder newsletter 	<ul style="list-style-type: none"> - Relationships - Growth - Innovation 	<p>Growth: "Supply chain disruption coupled with inflation is forcing companies to review their business models, rethink how they operate and really plan out. Developing clear strategies now is absolutely crucial for survival, let alone growth."</p> <p>Innovation: "Innovation relating to how to get New Zealand produce to market will be critical as food shortages grow globally." Supplier of financial services</p>
Shareholder	<ul style="list-style-type: none"> • Port Otago Board • Interim and Annual/Integrated Reports • Statement of Corporate Intent • Materiality interviews and surveys 	<ul style="list-style-type: none"> - Shipping volatility - Financial returns - Property business - Relationships - Leadership 	<p>Shipping volatility: "Huge change is taking place in horticulture in the region, generating new shipping, warehousing and coldstore needs. Grab the opportunity and position the port as a leader able to meet these changing shipping and property needs." ORC Port Liaison Committee</p> <p>Relationships: "The new ORC office is a joint opportunity to demonstrate what the port and the ORC can achieve in partnership." Andrew Noone, Chair, ORC</p>
Regulators & Government	<ul style="list-style-type: none"> • Meet and provide input into policy development • Work with other ports on key issues • Engage with any investigations and audits • Materiality interviews and surveys • Ministry of Health <ul style="list-style-type: none"> - Covid-related communications 	<ul style="list-style-type: none"> - Return of cruise ships - Relationships - Growth - Safety - Innovation 	<p>Return of cruise ships: "Cruise ships are a 'mixed blessing' with sustainable tourism critical as they return." Sandy Graham, CEO, Dunedin City Council</p> <p>Relationships: "More time together would help the port build a deeper understanding of Customs' role." Mike Bennett, Lower South Island Port Manager, Customs</p> <p>Growth: "Enable growth by freeing up industrial land for Dunedin businesses." Sandy Graham, CEO, Dunedin City Council</p>

Bringing in fresh perspectives

“Use all the port’s strengths, recognise the gaps and continue to test and build the Leadership Team.”

ORC
Port Liaison
Committee

Governance and leadership

Leadership remains a priority, as one of the port’s top five material issues. Some new members have joined the Leadership Team, including Rachel Pullar as Head of Digital and Leigh Carter as Head of People, bringing more than gender to the role though both enhancing our gender diversity. The departure of Kevin Kearney, our GM of Operations, was a loss to the team, but provides another opportunity to bring in someone new, as does Sean Bolt, GM Marine, announcing his plans to retire.

The outcome is a healthy combination of existing leaders who know the port well and “fresh eyes” to challenge the way things are done. This comes at an ideal time, as the drive to improve our culture gains momentum. We are also entering a new phase of understanding our climate change challenges, and planning across the supply chain takes on a life of its own. *Staying the course* needs a strong Leadership Team and Board.

We welcome a new Board member, Chris Hopkins, following Jane Taylor’s retirement (see story page 39) in March. With a passion for introducing technology to build better businesses, Chris joins us at an opportune time. His experience as Chief Executive of Scott Technology will be extremely valuable, as we upgrade our IT systems for greater innovation in our supply chain. On pages 36 and 37, we interview Chris Hopkins and Tim Gibson about how they – as Board members – create value.

Edward Ellison, Upoko, Te Rūnaka ō Ōtākou, highlighted that: “The financial, social and cultural success of the port as a good corporate citizen requires strong leadership.” That said, the ORC Port Liaison Committee reminded us: “Always be willing to seek support and expertise where required.”

MATERIAL ISSUE: >>>

Leadership

- Leadership that is transparent, accountable, accessible and visible, with strong governance and ethics. Ensuring diversity and the right mix of skills to build sustainability into our strategy and continue to learn and adapt into the future.



Our Board

Paul Rea

Chair since December 2019
Director since 2011



Paul joined Mobil Oil New Zealand Limited in Dunedin in 1976 and worked for the company in a range of New Zealand and international based roles - including time in Guam, Malaysia, Egypt, the United States and Australia - until his retirement in 2011. Paul is also an independent director of New Zealand family-owned Waitomo Petroleum Limited.

Pat Heslin

Deputy Chair
Director since 2015



Pat was a partner of Deloitte for 30 years and is now an independent consultant and director based in Dunedin. He is Chair of Forsyth Barr Custodians Limited, Forsyth Barr Cash Management Nominees Limited and a past member of the New Zealand Auditing and Assurance Standards Board. Pat is also financial adviser to a number of private companies. Pat is a Chartered Fellow of the Institute of Directors New Zealand.

Tim Gibson

Director since 2016



Tim has many years' experience in export industries and agriculture, starting in Dunedin with Donaghy's Limited. Tim was Chief Executive of New Zealand Trade and Enterprise and has held managing director and senior executive positions in dairy co-operatives and public companies. He is a director of several companies, including Livestock Improvement Corporation (LIC), Taupo-based milk processing company Miraka Limited, Skills Consulting Limited, Silver Fern Farms Limited, and ManageMyHealth Global Limited.

Tom Campbell

Director since 2018



Tom had a distinguished career in New Zealand and overseas with the Rio Tinto Group of companies, including serving as Managing Director of Comalco's operations in New Zealand and in the United Kingdom, and Global Head of Research and Technology for Rio Tinto Alcan based in Canada. Tom now works as a full-time independent director currently serving on the board of PowerNet. He is also Chair of Electricity Invercargill, and Chair of Southern Generation Limited.

Bob Fulton

Director since 2020



Bob is a civil engineer who has spent the majority of his 30-year engineering career with roading and infrastructure company Fulton Hogan - in both operational and executive management roles. Bob was appointed a Fulton Hogan Director in 2008 and serves on the boards of its subsidiary land development companies, which develop commercial and residential property in Christchurch and greater Auckland. He is also a Director of Dunedin's Blackhead Quarries Limited and Horokiwi Quarries in Wellington.

Becky Lloyd

Director since 2021



Becky is Chief Executive of Toitū Envirocare - a wholly-owned subsidiary of Manaaki Whenua Landcare Research - specialists in carbon measurement and certification. She was previously General Manager of Humes, and has worked in senior roles at Vodafone in the UK and New Zealand. Becky has a Masters in Mechanical Engineering (first class) from Imperial College London and an MBA from New York's Columbia Business School. She has served as a Director of the Concrete Pipe Association of Australasia, Interpipe, and as a trustee for not-for-profit Middlemore Foundation.

Chris Hopkins

Director since July 2022



Chris was with Dunedin engineering and manufacturing business Scott Technology for more than 25 years - initially as Chief Financial Officer and ultimately as Managing Director. Now a professional director, Chris serves on several boards, including Farra Engineering, Health Central, and Oakwood Group, a privately owned company with motor vehicle dealerships and property holdings. He is a past Director of Dunedin City Holdings and City Forests. Chris is a Chartered Fellow of the Institute of Directors New Zealand.

Tim Gibson

Creating value as a Board member



With his experience in New Zealand, Japan and the UK, we value Tim's insights into exporting, international business and strategy. As strong relationships become more important than ever for the port, his skills in stakeholder and government relations are a real asset. Tim's governance roles covering public, private and co-operative companies, central government and not-for-profits, have brought value to the Board for six years now.

What value do you bring to the Board?

I bring many years' experience as a senior executive/CEO with direct involvement in exporting and its inherent challenges. Amidst increasing competition and disruption, I am able to bring wide perspectives and knowledge from my breadth of experience on boards. My exposure to the agricultural sector in particular gives me an in-depth understanding of the drivers of many of our customers, essential to our planning for future growth.

It's been another challenging year, what stands out for you?

Our team's ability to respond to the ongoing challenges of Covid never fails to impress me. The port has been here for a long time and we are lucky to have some true longevity in our team. For some organisations, this can present a barrier to change. Not so at the port. The dynamic approach to changing requirements and the absolute focus on keeping our team and our wider team safe has been excellent. In terms of challenges, no discussion is complete without mentioning global supply chain disruption which has made working

patterns difficult. The port continues to work through this, bringing us closer to our customers, partners and suppliers as a result. I am also really encouraged by the focus of our team on trying to "keep their mates safe". Safety remains front of mind for all of us.

What are the most important issues for the port to tackle?

Continuing our transition to become an exemplar of sustainability. I have been on the Board for six years now and can attest to a real step change in the past couple of years. I'm sure the Board and Leadership Team won't mind me saying that we have gone from being almost overwhelmed by the task ahead, to really starting to find our footing on sustainability. There is no question a lot of hard work remains, but I am increasingly confident that we can provide leadership to our region on this. It is critical to future proofing our business and retaining the confidence of our shareholder, the Otago Regional Council, in our financial returns.

What do you think the future holds for the port?

In the short term, the challenges of global supply chain disruption will remain front of mind, in particular how the port adapts to changes in international trading patterns over time. We are well placed to continue to prosper and we can have confidence in our future. I remind myself that the port is successful now because of the decisions taken over the last circa 150 years! It is our responsibility to build and sustain that legacy for the people of the region. We can't predict what the world will look like in another 150 years' time, but we can continue the tradition of our predecessors of being flexible, adaptive and bold when needed.

Chris Hopkins

Creating value as a Board member



A local boy who grew up in West Harbour and rowed for Port Chalmers United, Chris Hopkins already knows the port well. His last executive role was Chief Executive of Scott Technology and he's a previous Director of City Forests. We welcomed Chris to the Board in early July 2022.

What value do you bring to the Board?

I bring a passion for introducing technology to build better businesses. With innovation and cyber security in the port's top 10 material issues, my experience in technology should come in handy. When I was CEO of an international export oriented business, I built some understanding of the challenges presented by supply chain disruption. This affords me some appreciation of what the port and our customers are going through these days. I am also looking forward to getting into the integrated thinking and reporting the port has embarked on. Drawing on my commercial, governance and compliance expertise, I am hoping to contribute some real value on strategic thinking and how the port creates value.

It's been another challenging year, what stands out for you?

The speed of change. From lockdowns to open borders. From people at home without work to an economy where employees are hard to find. From stimulated economies with incredibly low interest rates to high inflation, rapidly rising interest rates and fiscal tightening. All this against a backdrop of constraints. Restrictions to people's movements, work habits, labour shortages and supply chains unable to access many staples in homes and in businesses. I would also highlight safety, which never really leaves the spotlight for a hands-on business like a port. But recent serious accidents experienced by our peers have caused significant

public reaction and refocused everyone's attention on health and safety. And, of course, cruise. The anticipation of cruise ships returning, a decision finally being made by the Government and now, all hands on deck (pardon the pun!) to make it happen.

What are the most important issues for the port to tackle?

Safety will always be the top priority, in particular with recent events at other ports. It is great to have cruise ships coming back to our shores and scheduling visits to our port, but gearing up for this won't be without its challenges. Rebalancing our activities, such as space on the wharf, around a promising but still uncertain cruise ship schedule, will require significant planning and strong relationships between all parties. Ultimately, the port is about exports and imports, connecting Otago to the world. But productivity isn't easy and I see this becoming more of a priority as the right staff become increasingly hard to find.

What do you think the future holds for the port?

I am excited to join the Board of such a key component and gateway for industry in the south. Port Otago will remain a critical part of the value chain for businesses in our region to succeed and grow. There is no doubt in my mind that the focus on our social licence to operate will continue to increase, in particular how we perform our role as custodians of the harbour in which we operate. I see no reason why the port can't become a leader in sustainability, working with our stakeholders in this regard. And I can't finish this interview without mentioning the increasing importance of our property business to continue to assist growth and provide a stable platform. The port's property portfolio is an important pillar of the business and creates value by underpinning port operations.

Leadership Team



From left: **Stephen Connolly** (Chief Financial Officer), **Sean Bolt** (GM Marine, retiring), **Deanna Matsopoulos** (Supply Chain Manager), **Grant Bicknell** (incoming GM Marine), **Craig Usher** (Commercial Manager), **Ross Buchan** (incoming Head of Safety), **Kevin Winders** (Chief Executive), **Rachel Pullar** (Head of Digital), **Jodi Taylor** (Executive Assistant), **Jonny Cook** (GM Operations) and **Leigh Carter** (Head of People). Absent: **David Chafer** (GM Property) and **Gavin Schiller** (Head of Safety, resigned).

Farewells and welcomes

The 2021/22 year saw us reluctantly farewell some familiar faces, while also welcoming the newcomers who lead us into the future.

Our Board

Director **Jane Taylor** retired from the board in March 2022, after three years of service.

Chair Paul Rea says Jane's 35 years' experience across law, accountancy and finance made her a well-rounded and highly respected member of the Board.

"Jane brought valuable perspective to our team. She was as sharp at solving problems, as she was at spotting opportunities. Jane was instrumental in changing our thinking about sustainability and what it really meant for a port company. Thanks to her foresight and passion, we now think - and, more critically, act - differently when it comes to balancing financial outcomes alongside behaving sustainably."

Chris Hopkins joined the Board on 1 July 2022. His background in automation and engineering, together with his commercial experience as a chief executive - including involvement with international business, exporting, importing and understanding of the supply chain - brings complementary knowledge to the governance team. (See Chris's "Creating value as a Board member" interview on page 37.)

Leadership Team

Head of Digital

Rachel Pullar became our Head of Digital in August 2021, with a strong background in process improvement and IT management. She was Otago Regional Manager for one of New Zealand's largest IT managed services companies, CCL. In the role, Rachel supported a team of 35 people responsible for consulting to clients on their cloud, network, infrastructure, security and service desk needs. Prior to CCL, she led a large-scale digital transformation programme within the primary sector. Since Rachel arrived, she has developed a plan to modernise our digital platform and has built up our capability to deliver on a long list of projects. We are already seeing outcomes with upgraded cyber defences, new property management and ship management systems in the hands of our kaimahi.

Head of People

Leigh Carter started as our Head of People in September 2021. She was most recently employed at the University of Otago, as Divisional Human Resources (HR) Manager responsible for Commerce and Humanities. She previously worked as an HR consultant within the Government, including ACC, and in private sectors, including a London-based investment company, specialist HR companies, and Southern Hospitality. Leigh had undertaken some contract work for Port Otago in the past, so was a known quantity when we welcomed her back late last year. She wasted no time getting up to speed, undertaking a series of staff engagement workshops before Christmas. See story page 50.

GM Operations

In April 2022, we reluctantly accepted the resignation of Kevin Kearney, our GM Operations of 10 years. Jonny Cook joined us as new GM on 1 July, after six years at Port Nelson as Operations Manager. The qualified refrigeration engineer spent much of his career in Port Tangung Pelepas (TPP), after Maersk shoulder-tapped him in 2001 for a role training Malaysian locals as reefer technicians. The position morphed over the next 11 years and he was ultimately Reefer Section Manager at the port, managing more than 200,000 TEU per annum. In 2012, Jonny was seconded to head a special task force to improve low-performing departments, before taking up the role of GM Health, Safety and Environment for TPP.



Strategic risk

Risk	Mitigation	Related material issues
SAFETY:		
Loss of life or a serious injury, due to a workplace incident	Our team is encouraged to stop if unsafe; critical risk bowties for high-risk activities; Standard Operating Procedures and Permits to Work; pre-employment testing and extensive training	<ul style="list-style-type: none"> - Safety - Culture and wellbeing hauora - Recruiting and retaining the best team for the job
SOCIAL LICENCE:		
Loss of social licence to operate	Transparent community communication via Facebook, Port Noise Liaison Committee and local newspapers	<ul style="list-style-type: none"> - Community and iwi partnerships* - Noise*
ENVIRONMENTAL INCIDENT:		
From port assets (e.g. oil spill) impacting the harbour and wildlife	Regular Fire and Emergency NZ exercises to test response plans; critical risk bowties; Standard Operating Procedures	<ul style="list-style-type: none"> - Biodiversity protection in <i>Our harbour taoka</i>* - Community and iwi partnerships*
ENVIRONMENTAL STANDARDS:		
Increasing standards for noise, dust and ship particulates	Regular noise monitoring and consultation with acoustic specialists; transparent community communication via Facebook, Port Noise Liaison Committee and local newspapers	<ul style="list-style-type: none"> - Community and iwi partnerships* - Noise*
ENVIRONMENTAL POLICY:		
Increasing focus on decarbonisation	Carbonreduce certification by Toitū providing baseline; light vehicle fleet fully electric; investigating low emission straddle carriers and fuel-efficient retrofits to marine plant	<ul style="list-style-type: none"> - Climate change response - Innovation - Climate change adaptation*
NATURAL DISASTER:		
Earthquake or tsunami	Compliance with construction codes for on-land and wharf structures; up-to-date emergency evacuation procedures; safety management systems regularly reviewed	<ul style="list-style-type: none"> - Safety - Health and security of <i>Our wider team</i>* - Climate change adaptation*
Damage to main power line into Port Chalmers	Regular cable integrity tests; six-monthly back-up generator tests	<ul style="list-style-type: none"> - Wharf capacity and infrastructure
SUPPLY CHAIN:		
Rail or SH88 compromised by flooding or slip	Extended operating hours and movement of goods on/off the port via alternative means, e.g. by rail if State Highway 88 closed	<ul style="list-style-type: none"> - Relationships - Wharf capacity and infrastructure
CYBER SECURITY:		
Cyber attack disabling servers, workstations or plant and control systems	Anti-virus protection, firewalls and network segmentation; policies and access control systems; response plans updated regularly	<ul style="list-style-type: none"> - Cyber security - Innovation - Culture and wellbeing hauora

Risk	Mitigation	Related material issues
INFRASTRUCTURE FAILURE:		
Catastrophic failure, such as wharf collapse	Wharves, marine and mobile plant regularly inspected by <i>Our team</i> and external experts	<ul style="list-style-type: none"> - Safety - Wharf capacity and infrastructure
Ship blocks harbour's main channel	Highly-skilled pilots undergo regular simulation training and external assessment; The Harbour Passage Plan includes tidal schedules, berthing manoeuvres, minimum manning levels and standard communication requirements	<ul style="list-style-type: none"> - Shipping volatility - Recruiting and retaining the best team for the job
OPERATIONAL FAILURE:		
Drugs entering the community via our border	Assess likelihood of contraband entering with every vessel arrival; continually improve security vulnerability and threat assessments	<ul style="list-style-type: none"> - Health and security of <i>Our wider team</i>*
COMMERCIAL LOSS:		
Customer business change, disruption or closure	Customer engagement to understand their issues and opportunities and communicate changes quickly and directly	<ul style="list-style-type: none"> - Relationships - Financial returns - Growth
Reduction in number of shipping services	Customer engagement to ensure volume; engagement with shipping lines to remain an attractive port for them to visit; manage cost base to minimise increases in operational expenses	<ul style="list-style-type: none"> - Relationships - Financial returns - Growth - Shipping volatility
Impact of a pandemic	Regular and open communication with <i>Our team</i> and <i>Our wider team</i> ; dynamic pandemic response plan to protect everyone's health	<ul style="list-style-type: none"> - Health and wellbeing hauora - Health and security of <i>Our wider team</i>* - Relationships
Increasingly regular extreme weather events impacting our customers	Open lines of communication with customers so we can respond quickly and minimise any disruption to us all	<ul style="list-style-type: none"> - Relationships - Climate change adaptation*
Increasing construction costs due to inflationary pressures	Working with our key partners to manage and share risk; being agile to find solutions to supply problems; and increasing contingency allowed for in construction estimates	<ul style="list-style-type: none"> - Relationships - Property business * - Financial returns - Growth
EXTERNAL EVENTS:		
NZ-origin biosecurity breach, such as Foot and Mouth in the national herd	Our team is Ministry for Primary Industries (MPI) trained and certified; response plan would be actioned with MPI	<ul style="list-style-type: none"> - Biodiversity protection in <i>Our harbour taoka and beyond</i>* - Health and security of <i>Our wider team</i>*
International conflict and terrorism activity directly impacting operations	Operate to international and domestic port security codes; anti-terrorism inspections above/below wharves prior to international vessel arrival or upon suspicion; Port Protection Officer prevents unauthorised access; wharves fully fenced and single entrance/exit points CCTV monitored; Maritime NZ annual security assessment	<ul style="list-style-type: none"> - Safety - Health and security of <i>Our wider team</i>*

*Not material but still important issues for the port to manage

Capital #1:

Our team

Material issues



Safety

Recruiting and retaining the best team for the job

Culture and wellbeing hauora

Goals



- Develop a culture where workforce safety is the number one priority and our team looks out for each other so that everyone goes home safely.
- Build a workplace where the wellness of our team is supported through teamwork, accessible leadership, and open and honest communication.

Work ons

Workplace culture

Wellness strategy

Key metrics



Metric:	2021/22	2020/21	2019/20	Performance
TRIFR: Rolling 12 month average	5.1	10.5	22.7	✓
Injury severity rate*	13.3	4.7	4.6	✗
LTI's	3	3	11	—
Recordable injuries	3	7	3	✓
Permits to work issued	337	435		✗
VSLs	667	965	1044	✗

* Also referred to as average days lost to an LTI

Our stakeholders told us...



"Everything comes back to culture. If you have a good culture, it means a good team and a good business."

Donald Stewart
Director
Calder Stewart

"Port Otago is one of the few ports in New Zealand keeping on staff with a cruise portfolio throughout Covid, demonstrating how seriously it [Port Otago] takes the cruise business. Staff specific to cruise are still there and ready to go, putting the port in a strong position."

Debbie Summers
Chair
New Zealand Cruise Association

It's all about culture

"You can't run a business without good people. We need to be aiming to attract and retain the very best people. Wellbeing benefits are an important element to a quality recruitment and retention strategy in a tight labour market."

Rachel Pullar
Port Otago
Head of Digital

The title of this chapter is *It's all about culture, because it is*. Port Otago has been here in some form for nearly 150 years, which is a long time for a culture to become embedded within an organisation like ours. What does this mean for the port today? A huge effort is required to change the culture to where it needs to be as a leader in today's society. We have opened the door to change through staff engagement workshops this year, hearing firsthand what is working and, more importantly, what needs to change. Issues relating to the roster and flexible working were raised and we are undertaking deep dives into these areas. The need to better involve our team in coming up with solutions, rather than "dumping things on them", was also put forward.

Diversity, or lack of it, in our workforce, emerged as something we need to tackle as a priority. Concerns were raised about the lack of appeal of working at the port for women due to rosters and working conditions. We are in the process of feeding back to our team on what we heard and how these issues will be tackled. There is a lot of work ahead, but we are *Staying the course*. Our Head of People, Leigh Carter, highlighted: "We are working really hard on the gender front, evidenced by new hires over the last 12 months. We are being quite deliberate with the way we are recruiting to tackle gender diversity. Bringing more women into the workforce is a real focus." All this in an environment of labour and skills shortages across New Zealand.

This year, our fellow ports in New Zealand have experienced the tragic loss of team members. This serves as a stark reminder to all of us in the sector not to become complacent about safety. It will always be our number one priority. In fact, when one of our peers experiences a significant safety incident, we devote our Leadership Team and Board meetings to reviewing our own risk management to make sure we are doing everything we can.

Our stakeholders told us that our approach to safety is strong and that we value a focus on safety in our partners, such as Calder Stewart's expertise in construction safety as they build our new office. But we can always do more and Craig Usher, Commercial Manager at the port, summed things up perfectly: "If a safe environment cannot be provided for our team, the port will not have a business that people

want to work for." Our Rūnaka continues to be a good vehicle for profiling critical risks and raising any concerns about how quickly they are being addressed. Straddle stability alerts are well established at the port with three years of valuable data, having emerged as a critical risk just three years ago.

Through last year's materiality process, it was clear that recruiting and retaining the best team for the job was becoming increasingly important and challenging to achieve. This year, stakeholders ranked this issue as one of our top five material issues. Good people are the key to our future and attracting talent is increasingly competitive. We are investing heavily in building our IT capability to work on systems innovation for our entire supply chain and enhance our

cyber security. But we are not the only ones, and we appreciate that people join an organisation where their wellbeing will be a focus and with a culture that will make them feel proud. Craig Usher observes that our brand has improved significantly in recent years, but we need to keep working on it. "We need to become a place where people knock down the door to work."

"The process of asking all staff what the port does well and what we could do better, and taking action, will be positive for the culture of the business."

Bob Fulton
Port Otago Board

Safety

Key injury stats positive

Safety will always be Port Otago's number one priority.

Total Recordable Injury Frequency Rate (TRIFR)

Our 2021/22 TRIFR per million hours worked was down to 5.1 - less than the <10 target specified in Port Otago's Statement of Corporate Intent (SCI). (The SCI was reviewed in August 2022 and the new TRIFR target is <5.)

TRIFR is a metric that combines Lost Time Injuries (LTIs), Medical Treatment Injuries (MTIs) and other disabling injuries.

Port Head of Safety Gavin Schiller says the continued drop in TRIFR - down from last year's 10.5 and 2019/20's 22.7 figures - reflects favourably on the port's historical health and safety investments.

He says continual safety improvement is never a quick fix. "It involves significant, ongoing support and investment in our people, starting at the highest levels. It takes time to change work habits, culture and expectations. And it's never 'done'. Ports actually have a relatively low risk profile, but due to the unpredictable nature of our work, this can change at any time. We must be vigilant 24/7 to hidden dangers that may be present."

LTIs and injury severity rate

LTIs remained steady, at three - the same as last year. But that is three too many. Our Injury Severity Rate jumped from 4.7 last year, up to 13.3 in 2021/22. All three LTI cases are back at work; the increase relates to one incident being relatively serious and the injured worker requiring some extra time off work.

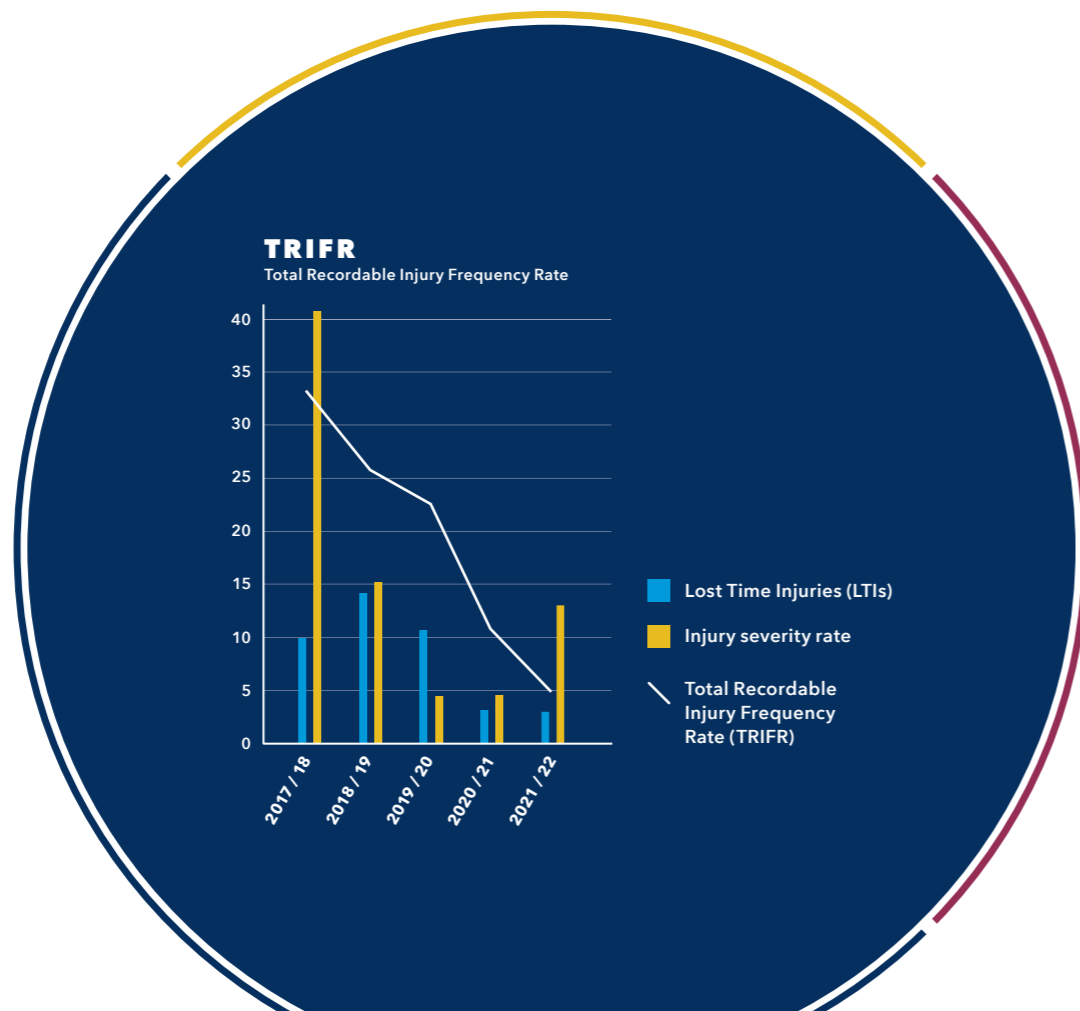
Gavin: "We must remember that good safety is not the absence of injury. Good safety is the presence of good safety controls. What that means is that we must still focus on controlling our critical risks, as a priority."

Permits to work

Permits to work were down by 23% on last year. Fewer permits were raised, due to Covid postponing many projects.

Visual Safety Leadership (VSL)

There were 31% fewer VSLs this year, compared to 2020/21. Covid kept teams within their own bubbles and, because VSLs are often undertaken by outside team members, this reduced opportunities for people to see work tasks through fresh eyes.



Straddle alerts all-but eliminate risk

It's been four years since we installed stability-alert software into our 14 straddle carriers.

At 60 tonnes, straddle carriers have the potential to tip and kill or seriously injure the driver, if they are operated beyond their safe speed and/or turned too quickly. A team member at another New Zealand port tragically died in August 2018, when his straddle carrier tipped over during a U-turn manoeuvre. Three years earlier, a Port Otago straddle carrier tipped, seriously injuring the driver.

The data tells the story

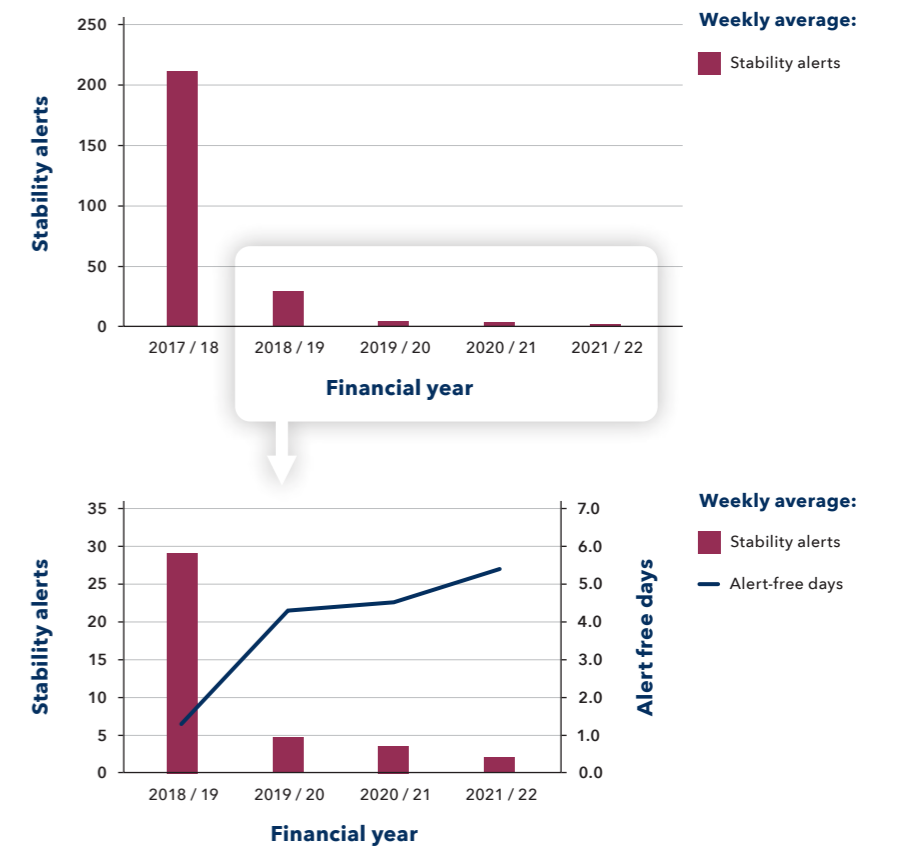
Prior to the software's installation, it was not uncommon for 350 red alerts - the most extreme alert level - to occur per week. Over the first three months post-installation and with data being shared with individual operators, the average alert rate dropped steadily week-on-week to about 50 per week.

Since September 2019, there were 13 weeks with zero alerts recorded and 27 weeks with only one alert recorded. The average number of alerts for 2021/22 was 2.2 per week.

The stability-alert software was so successful that a new safety metric was introduced in February 2019: "average alert-free days per month".

Financial Year	Average number of alert-free days
2019/20	18
2020/21	19
2021/22	23

Weekly average stability alerts and alert-free days by financial year



The human factor

If an operator triggers two stability alerts in quick succession, the terminal supervisor is emailed and speaks to the driver.

Terminal Supervisor Adam Law has worked at Port Otago for 22 years, including several years driving straddle carriers. "It took a while for the software to be well received - just like when routine substance testing was introduced.

"New starters haven't had to adapt

to the software. It's there and they understand it's there for their own wellbeing. And the good operators don't have a problem with it. It's like driving a car well - smooth, consistent driving is the way to go."

Pre-start briefings at the beginning of each shift regularly include reminders about driving habits that will trigger an alert. These include excessive speed while cornering, heavy braking, and incorrect load carry height.

Recruiting and retaining the best team for the job

Safety initiative also improving efficiency

Late last year, the Supply Chain team ordered a second pallet inverter. The \$70,000 purchase was safety motivated – that is, by using an inverter to stack frozen fish into a container, instead of hand stacking, people did not need to work alongside machinery within the confines of a container. It also eliminated heavy-lifting injuries, as hand-stacking is manually intensive and can result in back and shoulder strains.

However, Covid-related delays saw the inverter only arrive in New Zealand in June 2022. By this time, New Zealand’s labour shortage was beginning to bite and the arrival of the inverter is helping to keep customers’ product moving. A container can be packed in 30-40 minutes – half the time it takes two people.

The inverters include two additional layers of safety. They are surrounded by 2m-high steel mesh barriers, which extend 1.2m in front of the machine. A laser-beam safety system across the entrance provides an extra safeguard against pedestrian entry. If the beam is broken, the machine stops operating.

First cadets progressing

Port Otago now has three cadets at various stages of its two-year Port Logistics Cadetship Programme.

A new material issue for 2022 is recruiting and retaining the best team for the job, coming in as our sixth most important issue. Due to the shifts and rosters associated with some of our key roles, this is not a new issue for Port Otago. However, like most businesses, the impact of the current economic environment and low unemployment is being felt.

Two years ago, the People team launched the cadetship programme. The goal is to attract high-calibre individuals early in their career and give them an opportunity to explore their options within the port logistics sector and ideally find their niche.

Senior People Partner Christina Fricker drives the programme. “The cadetship is an amazing opportunity, especially for school leavers with minimal work experience. It’s full-time, paid, structured and I mentor each cadet to ensure they reach their full potential.”

Cadets work through various modules and tasks in a particular order, so their skill base, experience and knowledge grow over time.

“They start by understanding how the supply chain process works, including learning how to operate a forklift competently and gaining their Forklift Operators Certificate. They are then buddied up with experienced operators and learn how to handle the different types of inbound and outbound products that pass through our warehouses.”

Next they spend time with the Depot team, cleaning empty containers to the pristine condition required for our customers to pack their products into. Lashing with the Vessel Operations team follows, where the cadets experience the physical task of securing and unsecuring containers to the deck of the ship using lashing bars. Then they are ready to be introduced to heavy machinery, learning to drive straddle carriers within our warehouse environment. Depending on the time of year, cadets may also spend time as a Cruise Security Assistant, interacting with cruise ship passengers and controlling traffic.

Over the two years, the cadets’ pay increases, as they learn and become competent at skilled tasks. At the conclusion of the programme, they apply for a vacancy in the area they wish to work within.

Cadets meet quarterly with Christina, as their mentor, and a module logbook keeps track of progress to ensure each cadet receives adequate training and learns the skills for each task.

The programme can accommodate up to six cadets and the People team is currently recruiting.

Programme details

Operational team/location	Cadetship tasks	Approx. duration
Supply chain warehouses	Stores Assistant and Forklift Operator	12 months
Depot team	Washpad Operator	1-2 months
Terminal Operations	Lasher	1-2 months
Mosgiel Depot, D & E Sheds	Straddle Driver	Until competent
Cruise team	Cruise Security Assistant	2-3 months



What our cadets have to say

In March 2021, Doulton Tosh (left) became our first Port Logistics Cadet. He started his working life as a hairdresser, but discovered the logistics industry while helping his father at NZ Post during the first Covid lockdown. He successfully applied for the Port Otago cadetship soon after.

Doulton is enjoying the variety of the cadetship and the satisfaction of a job well done. “You get to the end of a shift and someone says ‘we packed x tonnes and y dollars of milk powder today’ and that’s a pretty satisfying feeling.”

At the end of his time, Doulton is keen to join the Operations team in a lashing or straddle driving role. “Isn’t operating heavy machinery the reason everyone wants to work at a port?”

A year ago, 20-year-old **Zoe Smith** (above) was studying history at the University of Otago. She’d taken a gap year between school and study, working in the primary lamb department at Silver Fern Farm’s Balclutha plant. Zoe was back wielding a knife at the plant over summer, when she began questioning the length of time she would need to study before she would be job ready – let alone the size of her student loan by that far-away point.

Zoe did know she wanted to be in Dunedin, so was keeping an eye out for jobs in the city. She spotted the cadetship advertisement online, thought it could be a good change, and applied late last year. She passed all the required tests with flying colours and started in March 2022.

“I love it at port. Everyone is really friendly and there’s lots of good banter. I’m at D Shed at the moment and I got my forklift licence recently, which I was super stoked about. It’s great that the cadetship means you get to try everything, and I can’t wait to see where it takes me.”

Culture and wellbeing hauora

Workshops reveal team's top priorities

What's it like to work at Port Otago? What's good about it? What's not so good? And how can we improve it?

These questions were asked across 27 engagement workshops between November 2021 and January 2022. The entire Port Otago team was invited to the one-hour workshops and 96% attended.

Port Head of People Leigh Carter says the purpose of the workshops was two-fold. "Most importantly we wanted everyone to have a face-to-face opportunity to talk about what it's really like to work at Port Otago - both what's good and how we can improve. And, we thought this would be a good opportunity to take all staff through the material issues and our strategy to tackle those relating to *Our team*. We wanted to check if our strategy lined up with what our people thought were the most important issues and goals. Overall, the workshop feedback reinforced that we were on the right track."

The workshops were carried out by Leigh and strategic advisor Justin Courtney.

Workshop findings

Engagement at the workshops was very strong. Leigh: "People were really open with sharing their ideas and feedback and wanted to play a part in shaping how the port operates." Feedback from across all 27 workshops showed the top priorities were:

1. Flexible working, shift work and rosters

This was the most discussed topic. Shift work and rosters relate predominantly to our Cargo Handlers and Maintenance team. People acknowledged that shifts and rosters were the nature of the job and part of what they signed up for. However, they felt the relative pay gap was closing, compared to other roles available in Dunedin - roles where they would have greater ability to manage work and life.

The flexible working aspect related to office-based staff. Like many businesses, post Covid, team members had a taste of flexible working and some people would like the option, long term. This portion of our team recognised some flexible arrangements are already in place, but were keen to see a flexible working policy or guidelines.

2. Company culture

Port Otago's range of sites and diversity of roles make it challenging to create a unified culture. However, people fed back that across-team connections could be strengthened, so interactions were more supportive and ultimately improved overall business performance.

There was also widespread support for upskilling and developing team members in leadership and management roles. This investment would help, practically, by improving consistency of decision-making and company culture throughout the business.

3. Communications

People wanted to see more effective and relevant communications. For

instance, not all roles have a work email address, so we need to be more considered and thorough in how information is shared. Suggestions included more one-on-one interactions, regular meetings across all team members, consultation on specific projects, social events, Leadership Team walk-arounds and using back-to-basic noticeboards.

4. Pay and conditions

Port Otago has a reputation as "a good port to work at", cultures within teams are positive, and the company benefits (e.g. the superannuation and health insurance schemes) are generous.

There was significant discussion around the role of structured cadetships, apprenticeships and internships (slightly different terms, dependent on the team) to help bring young people into the company, while tapping into the valuable knowledge and skills of team members nearing the end of their careers.

5. Health, safety and wellness

People recognised how far the business has come with regard to health and safety. They suggested the focus now move to the health and safety culture - to identify what works and where the gaps lie. Then move forward with a more targeted approach, while still continuing with ongoing safety improvements where needed.

Wellness at work is broad and covers the physical, social and psychological work environment. A wellness programme has been long talked about within the business and people now want to see progress.

The workshop feedback was presented to the Board and Leadership Team and shared back with all staff by 31 July 2022. (This step of the process would have been completed well before the end of the 2021/22 year, except for Covid-related disruptions.)

Digging deeper

Based on the overall feedback, Leigh and Justin conducted a "deep-dive" workshop session. About 50 Cargo Handlers - half of the Cargo Handler team - were asked how the rosters and shifts could be improved. Two more deep-dive workshops are planned: one focused on flexible working, with our office-based team; another on responsibility and risk, with our whole team.

What's next?

Leigh: "We are now using feedback - from the initial workshops and the deep-dive workshops - to help

set priorities and inform decision-making, especially in relation to our company-wide communications.

"We are working through a wellbeing strategy and will form a working group with reps from across port to help define priorities and implement wellness initiatives."

Follow-up sessions

Towards the end of 2022, Leigh and Justin plan to check back in with all team members - to test progress is being made and see if priorities remain the same or have shifted. "We all need to be invested in making positive change, if we want culture to change. This lands on all of us."

STEPS TOWARDS OUR GOALS IN 2022/23:

- Delivering wellbeing initiatives
- Improving work/life balance for our Kaimahi
- Improving our diversity
- Completing our new office/museum

Gender diversity



* Overall recruitment was significantly affected by Covid-19's impact on the business, with only 29 new hires during 20/21, compared to 62 the previous year.

Capital #2:

Our wider team

Material issue



Relationships

Goals



- Be a great neighbour by respecting what is important to our community and iwi and enhancing our social licence to operate.
- Build stronger relationships with our customers, partners and suppliers to better understand them, measure progress and plan for the future.

Work ons

Customer relationships

Key metrics



Metric:	2021/22	2020/21	2019/20	Performance
Active sponsorships	51	46	37	✓
Port Otago team vaccinated / boosted (at 30 June 2022)	100% / 95%	90%*		✓

* At 30 September 2021 (i.e. immediately prior to 2020/21 Integrated Report publication)

Our stakeholders told us...



"I am impressed with the way Port Otago engages with its contractors. I like the open access to senior management and the collaborative manner in which contract works are completed."

Richard Fulton
South Island Manager
Fulton Hogan

"The relationship between the port and the shipping lines is critical for the whole supply chain and needs constant work."

Jamie Barton
General Manager Marketing and Sales
Niagara

Strong relationships are everything

"In this changing world, where partners in the supply chain share the risk on many external challenges such as Covid, international shipping disruption and climate change, great relationships are essential for long term partnerships."

Garry Diack
CEO
Ravensdown

When it comes to planning for a successful future, strong relationships are everything. The port worked harder than ever this year to address the pain points for our container customers, with ever-changing shipping schedules, container shortages and supply chain disruption. David Ross, CEO of Kotahi, one of the port's partners: "It is clear that the port took on board what was said in the materiality process last year and acted on it, such as collaborating on supply chain challenges."

Fonterra, a key customer, highlighted a number of areas for us to work on last year and, in partnership, we have improved container supply and forecasting, while also removing container upgrade constraints to meet the company's demand. With Maersk, one of our shipping lines, we have achieved more reliable vessel schedules. Unfortunately, it's not all good news. Our log customers have raised concerns about their potential move to Dunedin Bulk Port and told us our communication on this could have been better. We will try harder to work together to understand their issues and come up with a workable solution for all stakeholders.

While keeping things moving smoothly in the short term is a task in itself, we need to show leadership as the central link in the supply chain. It's clear that constant work is needed on our relationships with the shipping lines, as their decisions can have a significant impact on the day-to-day operations of us all.

While keeping imports and exports moving for our customers is core business, we must not forget other critical relationships. Moving goods on land is also important and we have been working closely with KiwiRail on the changes that lie ahead and how we can improve logistics on land together.

Security remains critical for our region and we are grateful for the hard work of Customs on this. Over the past few years, the port's relationship with Customs has grown. We continue to build our understanding of their role as a regulator and appreciate there is more to learn. Mike Bennett, Lower South Island Port Manager with Customs explained: "It is important for

Port Otago to fully appreciate that the port is a Customs-licensed area and that Customs has an important part to play in the business. Without Customs, Port Otago cannot operate as a port receiving international shipping, passengers and goods."

Edward Ellison, Chair, Upoko, Te Rūnaka o Ōtākou, provided a strategic perspective on what is needed from relationships between key stakeholders in the region: "Leadership from the Otago Regional Council and the Dunedin City Council on environmental, social, cultural and economic aspects relating to the harbour in the form of an Integrated Harbour Strategy, with good community participation, would cement a long-term and transparent pathway." We are in no doubt that Edward, representing our iwi stakeholders, is asking the port to encourage the development of this strategy via our relationships.

The port takes pride in supporting projects that mean a lot to our

community (see pages 62-65 for more details). At Te Rauone, the beach is finally taking shape and we have something exciting planned for the littlies. Autumn planting took place at Flagstaff Hill, important to prevent landslides that could threaten public safety, and we helped with the Taieri CCTV.

"The port is uniquely placed to work with customers across the fruit, meat and dairy sectors, to help them plan for the future. In particular, where their operations will be located and related property and shipping needs."

Jeff McDonald
Regional Manager
T&G

Relationships

Niagara welcomed back

In April 2021, Port Otago welcomed back Niagara as a major customer.

The Southland sawmilling and timber manufacturing company had been an established Port Otago customer until 2019, when it moved its exporting to South Port for commercial and operational reasons. However, more regular shipping schedules and our landside services attracted the company back to Port Chalmers.

Within our Port Chalmers timber warehouse, we are packing and weighing all Niagara product on site, immediately prior to export.

Port Otago Commercial Manager Craig Usher: "Growth is one of our top three material issues, so attracting back a quality client like Niagara is a positive outcome. They recognise the effort we put into our supply chain being the best it can be. It's therefore very satisfying to assist with their on-site packing requirements and provide a reliable freight service."

Niagara Sales and Marketing Manager Jamie Barton says Niagara's relationship with the team at the port is brilliant. "Communication between Niagara, Port Otago and the shipping lines has been excellent

- which has been critical, given the current shipping environment with constantly changing schedules. Service levels from the Port Otago team have certainly exceeded expectations."

Health and security of Our wider team

Another year of Covid

It was a positive endorsement from our stakeholders during this year's materiality process, that "health of our wider team" - the fourth highest priority last year - dropped down the list. Both internal and external stakeholders recognised the effectiveness of our systems in protecting our people and community from Covid, while also keeping the region's imports and exports flowing.

Port Otago's Head of People Leigh Carter says the ability to react quickly to changes in Government advice underpinned the company's

Covid response. "This was our real strength over the most intense months of the pandemic. Our employees and unions were largely understanding and supportive of this nimble approach, which ensured we kept our team safe and goods kept moving for our customers."

Leigh says Employee Assistance Programme (EAP) numbers show no noticeable increase. "The comments from our team suggest they were comfortable with how we handled both return to work for Covid impacted team members and workplace logistics during the peak of infections."

Since February 2022, Port Otago has been accessing the Government leave support scheme, designed to help people that have to self-isolate but cannot work from home. "It means that our team members get a couple of their sick leave days reinstated."

Throughout the Covid pandemic, New Zealand's ports have communicated with each other, to share knowledge and systems.

Recap of Covid activity during 2021/22

2021

JULY

Expanded vaccine order

In response to the Government's Border Worker Vaccination Order, all new starters at Port Otago were required to have at least their first vaccination.

AUGUST

Level 4 lockdown

The Government announcement of an alert level 4 lockdown saw our response plan and protocols reinstated. Essential operational team members again moved into separate bubbles, while non-essential office staff worked from home.

Saliva testing

A saliva testing booth was set up on site and PCR saliva testing was made available to our workers, with samples collected daily.

SEPTEMBER

Lockdown levels eased

The South Island moved to alert level 3 on 31 August, then level 2 on 7 September. Being an essential business, we all began operating in bubbles. Where possible, office-based staff worked at home.

OCTOBER

Risk assessment and policy

The team was consulted on the draft Covid policy proposing all roles be vaccinated. At the time, more than 95% of our approx. 300 employees were already vaccinated.

NOVEMBER

Covid policy

The policy was implemented, which also covered business partners and contractors.

Booster vaccinations

To make it easier for our team, boosters were provided via the local Port Chalmers Pharmacy.

DECEMBER

Traffic light system

On 2 December, New Zealand moved to the Covid traffic light system.

2022

JANUARY

First Omicron case

On 23 January, New Zealand's first community case of Omicron was recorded.

FEBRUARY

First cases at port

The first case of Omicron at port was recorded on 24 February.

100% double vaccination

By February 2022, all Port Otago team members were fully vaccinated and 81% had received their booster.

Weekly saliva testing

On-site weekly testing provided a valuable Covid barometer for both the port and the wider Otago community.

MARCH

Positive cases

By 31 March, there had been 33 cases in total.

RATs

Team members who were household contacts were able to RAT test and, if clear, return to work. This played a big part in keeping our Operations and Supply Chain teams functioning.

High booster rate

95% of the team had received their booster.

APRIL

Positive cases

By 30 April, 78 total cases of Covid recorded at port.

Surveillance testing

Surveillance testing resumed for 1a border workers, which meant weekly or fortnightly RATs for Marine and Operations team members working on ships.

Care packages

Over March and April - as the number of cases increased - care packages were sent to team members isolating at home. (See story page 58.)

MAY

Positive cases

By 31 May, 101 total cases recorded.

JUNE

Positive cases

By 30 June, 128 total cases recorded, but numbers were slowing, week on week.

Surveillance testing

Testing of our 1a border workers was no longer required.



Covid care packages well received

Between 11 April and 30 June 2022, 129 care packages were sent to team members isolating at home with Covid. Each package contained chicken soup, honey, cough drops, chocolate, tea, masks and RATs. Our People team worked with the Port Chalmers Four Square to supply the goodies, and another favourite local supplier, Digiart and Design, made up the packages and took care of their distribution. Feedback was overwhelmingly positive and we will continue to send out the packages for the foreseeable future.

From our team:

“Just a quick note to let you know that my package arrived today. Such a nice gesture and very much appreciated. My daughter opened it and spotted the chocolate pretty quick. Thanks so much for all the thought and planning that has gone into these.”

“I have just received a lovely care package and would like to express my appreciation. It was very thoughtful of Port Otago. This is one of the things our company does very well - looking out for its employees. So thank you very much.”

“Thank you to our wonderful People team for my lovely wellness pack. It was a lovely surprise and gesture. Thanks again for helping with my recovery.”

Taieri Bar CCTV cameras saving lives

Port Otago is a main sponsor of the Taieri Bar CCTV (closed-circuit television) project.

Dunedin Marine Search and Rescue (SAR) is driving the \$50,000 project, which aims to improve navigational safety for people crossing the bar - ideally to avoid accidents happening, but also to assist in rescues.

The bar is notoriously dangerous, with at least 10 serious accidents occurring in the past five years, including a fatal boat accident in April 2021 that claimed the life of a two-year-old girl.

The CCTV project came out of a series of community meetings to address the large number of incidents at the bar. Dunedin fisherman Jules Radich, a boatie and “infrequent user” of the Taieri River Mouth, conceived the idea for real-time cameras.

Two cameras transmit images to the website <https://taierimouth.org.nz/> to help boaties and other users make informed decisions about whether

or not to cross the bar, based on a real-time view of bar conditions and movement. The key to safely crossing the bar is knowing where the channel of deeper water is, given this channel moves from day to day.

Dunedin Police SAR Coordinator Sergeant Nathan White says the cameras are a valuable tool for police. “We receive many well-intended calls, with not all being actual emergencies. The cameras give us the ability to view what’s occurring, and often incidents resolve themselves without the need for a full-blown emergency callout.”

The project’s other sponsors are the Southern Community Trust, New Zealand Police, Dunedin Marine SAR, and many individuals who have contributed personally.

The Taieri River Mouth Bar is on the left, where the waves are breaking. The two cameras - shown on the image - take photos at one-minute intervals and these are fed to a website, which is used by boaties and others to make informed decisions about crossing the bar.

Photo courtesy of the Otago Daily Times.



“Live” security exercise impresses



Each year, New Zealand ports are challenged with testing the effectiveness of their Port Security Plans by undertaking a “live” security exercise. In early July 2022, we worked in collaboration with Maritime New Zealand, New Zealand Police, the Ministry for Primary Industries and New Zealand Customs to assess our security preparedness for a potential act of terrorism. Port Otago Security Manager Kerri McIvor says the exercise was a chance to test our security systems, while also strengthening our relationships with partner agencies. “Upon completion, we received overwhelmingly positive feedback on our professional performance - a performance that was enhanced by the strong level of whanaukataka - that is our connections and kinship between people and communities - with the participating agencies.”



Port Otago Security Manager Kerri McIvor says the upgraded Dunedin Bulk Port CCTV system is improving operational efficiency and assisting with incident investigations.

Bulk Port receives major CCTV upgrade

Port Otago’s CCTV (closed-circuit television) system received a \$380,000 upgrade during the year. Dunedin Bulk Port (DBP) was the main beneficiary and now has five times the number of cameras operating across the site, improving safety, security and efficiency. The bulk port’s former CCTV system was outdated and very low quality compared to modern standards, and it was difficult to access recorded footage.

Port Security Manager Kerri McIvor says all of these weaknesses are now gone, thanks to the combination of upgraded software, more modern hardware and better servers. “We can access all cameras from one interface, in real-time and remotely. The footage is high resolution and is being retained in the system for a longer period, which will be helpful for post-incident investigation and operational efficiency.”

Port Otago Supply Chain Manager Deanna Matsopoulos says the cameras immediately identified safety and operational improvements. “From day one, they’ve assisted us with designing and monitoring traffic management plans for activities on the wharves, and with incident investigations.”

During 2021/22, we also updated CCTV servers in Port Chalmers and Sawyers Bay, and installed several new cameras at each site.

Community and iwi partnerships

Te Rauone Beach project moves to next phase

The \$3 million Te Rauone Beach restoration project is entering its final phase.

The Te Rauone Beach Coast Care Committee, Te Rūnaka o Ōtākou and Port Otago have worked together for 10 years to restore and develop the beach amenity.

The three 90-metre long breakwater groynes were completed by local civil engineering company SouthRoads in February, and our own marine plant will undertake the beach sand renourishment work, using excess sand dredged from the harbour. The New Era dredge will collect sand from the edge of the channel - where it is a bigger grain size - and this will then be pumped onto the beach, using the Takutai as a platform.

The work is running behind schedule, after the specialist pump from Australia was held up, due to shipping delays. The renourishment is, however, expected to be complete within three months of work beginning.

Port Civil Engineer Andy Pullar: "Sadly, we are not above the impact of global shipping delays and the specialist pump has taken a lot longer to arrive than anticipated. This delay - along with the availability of our own Floating Plant Crew - has pushed the overall programme out, with works now scheduled to get underway later this year."

Community delighted with progress

Te Rauone Beach Coast Care Committee member Des Smith says the beach is looking great. "There has been a recent build-up of sand at the northern end, while sand between the southern and the middle groynes has remained stable. There's still some way to go, with the pumping of the sand onto the beach to come, which will further enhance what we already have."

Des says the project has been challenging for the committee, reflected in the 10-year period it took to near completion. "Without the support of Port Otago, we would have never reached the stage we are at today."

Reserve beautification

Des says the associated beach reserve work is progressing well. "The carpark is complete and the community has begun the planting programme, with 40 volunteers planting 300 shrubs over Queen's Birthday weekend. Another 1000 shrubs will be planted during the coming months."

Port Otago is providing a protective dune and will help the Dunedin City Council project team clear the reserve of vegetation.



Members of the Te Rauone Beach Coast Care Committee (from left) Graeme McLean, Tina Owens, Graeme Burns, Edna Stevenson and Des Smith. The committee was formed 10 years ago by residents concerned about the loss of their beach and amenity.

Seagrass monitoring

As part of our resource consent to construct the three breakwater groynes and carry out the sand renourishment, Port Otago must monitor the health of the seagrass beds at Te Rauone and nearby Omate Beaches prior to, during, and post construction/renourishment. Monthly aerial monitoring commenced during the groynes' construction, in October 2021. Aerial monitoring in April and May 2022 showed the four monitoring sites' seagrass beds were in good health, and overall, well above baseline coverage. Monitoring will continue at monthly intervals until the sand renourishment phase is complete, then quarterly for one year. At that point, further monitoring will be determined by NIWA (the National Institute of Water and Atmospheric Research).

Te Rauone Beach is only 2km from Taiaaroa Head, pictured to the right. The three breakwater groynes are configured to retain the sand imported as part of the beach renourishment and to protect the beach from further ongoing coastal erosion.

Supporting our community - in all shapes and forms

During the 2021/22 year, Port Otago supported 43 organisations through three key channels: financial contributions, in-kind support and community containers.

Port Otago targets sponsorships that support:

- **Our immediate harbour community** - both sides of the harbour
- **Water-based sports** - particularly those with a harbour connection
- **Water safety** - especially within our harbour, by supporting the purchase of safety boats and equipment
- **Our team** - for instance, if a team member is fundraising for a cause, Port Otago will often match the funds, dollar for dollar
- **Youth** - supporting local schools, by helping fund swimming lessons, sports and education activities.

Financial contributions

The Port Chalmers Maritime Museum and the Wildlife Hospital Dunedin are the recipients of our two largest annual financial donations, at \$20,000 and \$15,000, respectively. In the case of the wildlife hospital, the sum pays a portion of a vet nurse salary. We also supply the hospital's electric Wildlife Ambulance and pay its running costs. The museum donation covers operating expenses, leaving the committee free to concentrate on developing the museum for the future.

During the year, other financial contributions included:

- **Sawyers Bay climbing tower**
- **Port Chalmers Yacht Club Otago Anniversary Regatta**
- **Whaiao Education for Sustainability Otago sponsorship**
- **Port Chalmers Bowling Club**
- **Pioneer Hall**
- **Koputai Lodge**
- **New Zealand Cruise Association Conference.**



New kit for Water Rescue Squad

Our region's Water Rescue Squad is part of Dunedin Marine Search and Rescue. The team covers the Otago/Southland region and undertakes regular training exercises, such as the pictured "rescue" at Sullivan's Dam in December 2021.

Team Leader Cam Third (left): "Each year, we have a training session or two alongside the Helicopters Otago team. Our members jump from the rescue helicopter into the water and secure a patient using rescue slings and harnesses, before then being winched back up into the helicopter. This keeps our team current and refreshed, ready to respond to any marine emergencies."

Like so many volunteer organisations, they need funding for equipment and training, and community grants only stretch so far. The team needed some critical items including masks and snorkels, dry bags, jackets and cyalume emergency lighting sticks.

Cam says the majority of gear was shared equipment that was becoming outdated. "With the help of Port Otago we were able to purchase each member their own mask and snorkel and new jackets to keep them warm and dry during long duration searches. The jackets also help identify our members, when they're assisting other teams with on-the-ground incident management or logistics."

In-kind support

Our ongoing sponsorship of swimming lessons for local primary schools – St Leonards, Port Chalmers, Ravensbourne, Dunedin Rudolf Steiner, St Leonards and Sawyers Bay – is our most far-reaching and rewarding. In the past year, 263 children received lessons through this programme. This year, we also gave each child their own fluffy swim towel, which put a lot of big smiles on a lot of small faces.

Some of the lessons take place at Ravensbourne Primary School's pool. The Ravie pool needed a new filter this year – not very exciting, but essential – so we helped to make that happen.

Another practical example of in-kind support was our assistance with wharf repairs at Quarantine Island Kamau Taurua in November 2021. Quarantine Island Kamau Taurua is the largest island in the Otago Harbour

and is a publicly-accessible recreation reserve. The repair work involved three new piles and a new access ladder. Fenders were also installed, so the jetty is now safer for small boats to use.

Harbour safety was also our motivation for helping the local Port Chalmers United Rowing Club with a replacement coach/rescue boat. Its old boat – a second-hand Stabicraft 385 purchased more than 20 years ago – was on its last legs. The timing of the club's request for assistance was excellent. We had the Orca available, a Stabicraft 430 previously used for wharf inspections and as a general workboat. In its new life with the rowing club, the Orca is out on the harbour for many hours each week. Should anyone in our harbour community find themselves in trouble on the water, the Orca will likely be close by and ready to help out.



West Harbour T.S. Nimrod Navy Cadet Unit Support Committee Chairman Jonny Goldsmith, unit coxswain Olivia and newest cadet Liam enjoying the unit's "new" safety boat, the Quest.

Cadets back out on the water

After several years of making do with a borrowed safety boat, our West Harbour T.S. Nimrod Navy Cadet Unit again has its very own vessel, the Quest, named for one of Ernest Shackleton's ships.

The cadets learn two types of boating from their premises at Back Beach: rowing and sailing in 17-foot Crown (four to six crew) and lightweight Feva (one/two-person) dinghies.

The unit contacted us in April 2022 and explained that their long-term loan RHIB (rigid-hulled inflatable boat) had to be returned to its home unit in 2020. With no safety boat, the unit was struggling to get its 10 cadets out on the water, relying on the support of local boaties.

The Unit Support Committee had found the perfect boat – a 2013 Terminator 390 RHIB – and asked if Port Otago could help with funding towards its purchase. It was an easy "yes" to fully sponsor the boat, given the request ticked so many of our criteria: harbour, water safety and youth. The boat was purchased in May and needed lighting installed (for winter boating) and to be sign-written. She had her first outing as Quest in late July, when she transported some of the cadets across to Quarantine Island for a camp.

Warrant Officer Olivia Goldsmith is a youth leader in the cadet unit. "Having a cadet unit based in Port Chalmers is a great asset for our rakatahi. Growing up in a maritime-based community, water safety skills, learning how to understand charts, read the weather and the basics of sailing are valuable skills. A safety boat allows more of these skills to be learned on the water – that's why we are so excited to have been gifted Quest."

Community containers

We now have 19 community containers out in the wider Dunedin area. While Port Otago retains ownership of the containers, they are effectively on permanent loan until the organisation no longer needs them.

During the past year, seven "new" containers were placed in the community:

- **OneCoast, Waikouaiti** – for displaying resource recovery items
- **West Harbour Pony Club, Sawyers Bay** – to keep tack dry and secure
- **Terra Nova Scout Group, Port Chalmers** – for storing scouting gear
- **Port Chalmers Maritime Museum (two containers)** – for artefact storage
- **Otago Boys High School** – for storage while the Shand Building is renovated.



Helping the scouts

One of our 2021/22 community container recipients was the Terra Nova Sea Scouts Group, which has its sailing base at Back Beach and scout hall in Ravensbourne. Terra Nova is made up of several scout groups that have progressively amalgamated over the past 30 years. Group Leader Mark: "As a result, we had a large amount of stuff being kept in a makeshift storeroom behind an MDF wall at the end of our hall. You name it, we had it. A kitchen sink, an old cast-iron gas barbecue that didn't work, tents that were nigh on 30 years old, etc. We sorted out what we did and didn't need, then



approached Port Otago to see whether a shipping container was available."

While containers have been hard to source, a suitable (end-of-working-life) container had just been secured. The scouts' sorted equipment is now safely stored in that container and the boys and girls have full use of their hall again.



The Flagstaff Hill safety project is now complete, with the \$500,000 engineered fence installed (centre) and autumn native planting complete.

Being a good neighbour

Port Otago's role as a neighbour within the Port Chalmers and West Harbour communities is important to everyone involved.

The two most significant neighbourhood projects delivered during the year were the opening of our new staff carpark on Beach Street and the completion of the Flagstaff Hill safety project.

Flagstaff Hill safety project

The May 2022 planting of 650 native plants on the northern face of Flagstaff Hill signalled the completion of the Flagstaff Hill safety project.

The project centred around a \$500,000 engineered "catch fence" - 100 metres long and 4 metres high - built along the hill's northern base.

It was custom designed and made to protect the public from falling rocks dislodged by weather events. In its short working life to date, the fence has caught three sizeable rocks.

New staff carpark

Our new 75-vehicle carpark - on the site of the old Fire Store and adjacent storage yard - has been fully embraced by our team and community.

Port Otago Chief Executive Kevin Winders is particularly pleased with the difference the carpark has made to parking availability for the public. "It's fulfilled my promise to the community to get staff cars off the streets of Port Chalmers."



Port Otago's new staff carpark on Beach Street has improved life for local people and businesses, by freeing up local parking.

STEPS TOWARDS OUR GOALS IN 2022/23:

- Increased customer engagement
- Te Rauone Beach completion
- Harbour plan engagement

Capital #3:

Our harbour taoka and beyond

Material issue

Goals

Key metrics

Our stakeholders told us...

Climate change response

- Identify how to reduce our carbon emissions, both directly and with our customers, such as harnessing renewable energy.
- Play our part in achieving New Zealand’s goal of net zero carbon emissions by 2050.
- Understand and adapt to potential future climate change impacts on our assets.
- Preserve our beautiful harbour and its biodiversity by listening to our community and iwi, taking care and monitoring these precious taoka closely.

Work ons

Climate change targets

Climate change adaptation

Metric:	2021/22	2020/21	2019/20	Performance
Greenhouse gas (GHG) emissions tCO ₂ e	5635	5809 [^]	6487 [^]	✓
Scope 1&2 GHG emissions tCO ₂ e	5283	5606 [^]	6226 [^]	✓
Category 1: Fuel as % of total GHG emissions tCO₂e				
(Previously reported as Scope 1)	71%	70%	77%	–
Category 2: Electricity as % of total GHG emissions tCO₂e				
(Previously reported as Scope 2)	22%	22%	16%	–
LED lights % of total lighting	91%	87%		✓
Noise complaints total	18	45	88	✓
Noise complaints: Vessel	12	32	77	✓
Noise complaints: Non-vessel	6	13	11	✓

“The harbour is part of the extended iwi family, integral to the iwi identity. It is not just an object, it has a life.”

Edward Ellison
Upoko
Te Rūnaka o Ōtākou

“The port and shipping create carbon emissions, hence taking action on the port’s own operations is important. Leading the way and providing stewardship in this area is also important, as an industry that supports emitters, such as agriculture.”

Andrew Noone
Chair
Otago Regional Council

~ 2021/22 data will be audited by Toitū in December 2022

[^] Figures slightly adjusted, as result of December 2021 Toitū audit

Climate change is not the future, it is now

“The harbour is on loan and the port must maintain the integrity of this special cultural, social and environmental resource. It is more than just a commercial resource.”

Edward Ellison
Upoko
Te Rūnaka o Ōtākou

Some of you may be surprised by the theme for this chapter, *Climate change is not the future, it is now*. But that is how we feel after listening to our stakeholders. Internally, Board members and key personnel told us to act now to invest in decarbonisation and adaptation planning to avoid lagging behind. They called for a bigger team with the right capability and for some serious strategic work, before we can claim to be *Staying the course*. So if we thought we had been working hard on this, it looks like we should think again.

Climate change is seen by many as “the new safety” and it’s clear the Board and Leadership Team need to agree where they stand, lead the change and communicate to stakeholders on what the port is doing. But protecting the harbour is not only about climate change and we are getting better at tracking performance. Sean Bolt, our GM of Marine, highlights our extensive environmental monitoring programme: “We undertake a huge amount of monitoring of seagrass, seaweed types, fish and biodiversity. This was required by the Resource Consent when the port deepened and widened the channel, and our data is made available to third parties.”

“You can’t manage what you can’t measure”, so we started with our climate change data. Toitū audited and verified our carbon emissions data (see pages 72-73). We had many small wins, such as installing LED lighting, rapid sliding freezer doors to minimise energy loss, and solar panels at Sawyers Bay.

We moved to electric vehicles, but our stakeholders told us this is not enough and we need to look at core operations instead. They asked us to consider the potential to change our straddles and cranes from diesel to electric, as fuel prices continue to increase. We are already on the case with our Straddle Plan. Based on our usage levels, the business case favours waiting to go electric versus going hybrid in the shorter term (see page 74).

Maersk told us about their plans to retro-fit ships to burn green fuel over

the next 12-18 months. We’re keen to learn more and explore potential partnerships with them, not least to lessen the environmental impact of this important part of our supply chain. Francisca Griffin, Chair of the West Harbour Community Board, highlighted this: “Every port needs to be more demanding with the shipping companies that come in, as there are some ships that still come to New Zealand but are not allowed to visit ports in Europe anymore, due to noise, diesel and other issues.” Maersk highlighted SDG13 Climate action as a priority, saying that: “The focus on environmental sustainability is increasing across all sectors and fast becoming a standard customer requirement.” We can vouch for that.

Noise complaints have come down dramatically from 88 in 2019/20 to 18 in 2021/22. Noisy vessels, such as the Monte Rosa, no longer service the

port, and silencers have been fitted on other vessels. We would like to take this opportunity to publicly thank Maersk for their excellent communication on expected noise levels, in particular regarding Rio generator issues.

“The port knows they have carbon emissions and need to do better, so it is great to see the move to electric vehicles.”

Richard Fulton
South Island Manager
Fulton Hogan

Climate change targets

Emissions data improving

Port Otago's total emissions for 2021/22 were 5635 tCO₂e – down 3% on last year.

Sustainability Manager Carolyn Bennett says the main reason for the decrease was a reduction in diesel and LPG use, due to fewer vessels and a lower TEU through port.

"We expect total emissions will rise significantly in the current year, with the return of cruise to our business.

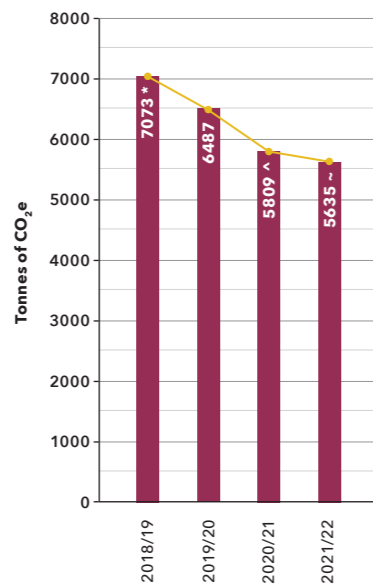
"However, the return of cruise aside, as we continue improving our climate change dataset, the more complete our greenhouse gas emission data will become. This typically results in an increase in the total emissions and, realistically, the total will keep going up for some time, before we start to trend down. It's not dissimilar to the introduction of near-miss reporting in safety – it always goes up, before it goes down.

"We're looking forward to reaching the point, where the dataset is comprehensive and climate change initiatives start to bring total emissions down."

The 2021/22 year was our second round of Toitū auditing and our team was praised for the high standard of data submitted.

Carolyn: "Each year, we're gathering improved data – that is, it's more accurate and detailed. Our Board and Leadership Team now receive quarterly reports by department, which allows us to factor this data into decision making, particularly when purchasing new equipment."

The change from reporting emissions by scope, to reporting them by category was a significant



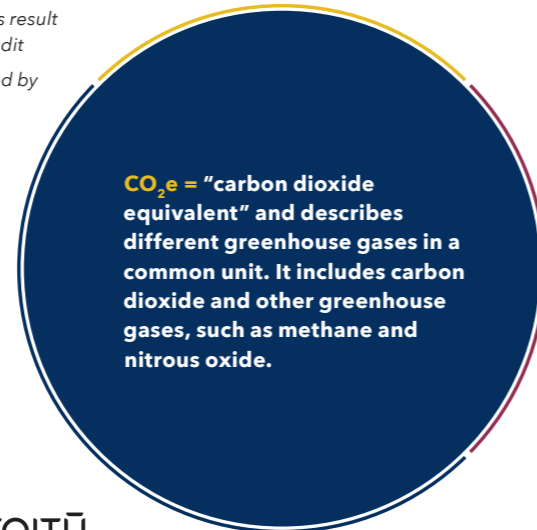
^ Figures slightly adjusted, as result of December 2021 Toitū audit
~ 2021/22 data will be audited by Toitū in December 2022

Emissions by category 2021/22*

During the past year, we made the transition from the higher-level "scope" classification for grouping emissions, to the new ISO standard of "categories".

Port Otago Sustainability Manager Carolyn Bennett says the decision to move to categories reflects the increasing focus on indirect emissions reporting. "This was previously gathered under Scope 3. However, under the ISO categories system, indirect emissions are now split into four sources.

"For our port, this adjustment will make us more aware of emissions generated by, for instance, purchased goods and services."



* This data is based on a self-assessment using Toitū emanage. The Toitū audit and verification is scheduled for December 2022.

step. "Reporting by category will be implemented across New Zealand next year, so we decided to make our move early and get our heads in that space."

Over the next 12 months, the company's primary focus is continuing to investigate alternative fuel options and developing an emissions reduction roadmap to achieve net carbon zero by 2050.



CATEGORY 1 Direct emissions arising from Port Otago business (i.e. fuels)	4023 tCO ₂ e 71.4% of total emissions	Made up of: <ul style="list-style-type: none"> Diesel 94.7% - Operations 795,932 litres - Marine 615,260 litres LPG 5% Petrol 0.3%
CATEGORY 2 Indirect emissions arising from energy (i.e. electricity)	1260 tCO ₂ e 22.4% of total emissions	Made up of: <ul style="list-style-type: none"> Electricity 100%
CATEGORY 3 Transport emissions (i.e. travel, freight)	63 tCO ₂ e 1.1% of total emissions	Made up of: <ul style="list-style-type: none"> Travel/accommodation/taxis 100% Freight - not currently measured; feasibility to measure being investigated
CATEGORY 4 Emissions from products/services used by Port Otago (i.e. waste, electricity distribution losses)	289 tCO ₂ e 5.1% of total emissions	Made up of: <ul style="list-style-type: none"> Waste 61% Electricity distribution losses 39%

CATEGORY 5^

Emissions associated with Port Otago's use of products/services in Otago (i.e. end-of-life treatment of sold products, downstream leased assets, investments)

CATEGORY 6^

Indirect emissions from all other sources (i.e. emissions that do not fall into any of the other categories)

^ These two categories are not currently measured by Port Otago. We are analysing our data to establish if the volume of emissions generated in these categories is sufficiently significant to measure.

Climate change response

Integrated Reporting and decision-making

With Port Otago's move to integrated reporting, our decision-making process around capital and operating expenditure has also moved.

Chief Executive Kevin Winders says that, like most companies, decisions tended to be weighted towards the most favourable economic outcome. "Health and safety is the exception, where saving lives and reducing harm comes out on top. Prior to Integrated Reporting, we were trying to be more sustainably minded and responsible, but without much structure. IR has changed that, by introducing us to integrated thinking. All Capex and Opex submissions include a checklist up front, whereby the submitter identifies whether the proposal improves financial, safety and/or environmental performance."

A very real example of this was played out during the financial year, with the straddle carrier replacement review.

Straddle carrier replacement plan

Port Otago has an ageing straddle carrier fleet. The 14 straddles have an average age of 11.5 years and an average running time of 29,500 hours. Previously, the machines have been run to 40,000 hours, which equates to a 17-year lifespan. This saw about two new straddles purchased every two years.

With hybrid and electric technology advancing, year on year, the Board requested a review of the straddle carrier replacement strategy. Port Otago's Process Improvement Leader within the Operations team, Ben Mulvey, was charged with the task. "Port Otago is a little different to other ports, in that our straddles are not in continuous use. This is because we service fewer container ships per week relative to larger ports. Such ports will achieve a 50,000-hour asset life in less than 10 years. At Port Otago, 14 straddles are required on hand for peak work periods during vessel exchanges, but - outside of peak times - the straddles have downtime before the next vessel arrives."

Hybrid vs electric

Ben's research and analysis showed that hybrids are already on the way out. "We realised early on that our level of operating hours and corresponding energy consumption offers insufficient benefit to justify technology such as hybrid diesel electric systems that offer only marginally reduced CO₂e emissions. When extrapolated over a 15-year procurement plan, battery-electric was an option to substantially reduce CO₂e emissions, while purchasing hybrid straddles would be investing in outgoing technology that didn't substantially reduce our CO₂ emissions."

Electric technology does address CO₂ emissions. "But the technology in straddle carrier operations is still early in the development curve. Utilising our existing fleet out to 50,000 hours will allow rapidly emerging battery-electric technology adoption to mature.

"Electric is an exciting option, but probably in three to five years, when (a) the technology is proven and (b) the industry adoption is established."

The likely scenario is that we will use this extra time to watch electric technology develop, while simultaneously keeping a keen eye on the development of other energy sources, such as hydrogen.

Climate change adaptation

Climate change adaptation is potentially a blind spot for the port. We need to undertake scenario modelling of the likely impacts of climate change on our assets, including sea-level rise and increasing extreme weather events. One idea is to engage a university student to undertake a thesis in this area.

What is embodied carbon?

Embodied carbon consists of the carbon emissions associated with making a product or service. This includes the extraction of raw materials, manufacturing, transportation, installation, maintenance, renovation and disposal of end-of-life products and infrastructure.

Port Sustainability Manager Carolyn Bennett: "For example, if we upgraded all 14 of our straddle carriers to electric now - including some that are less than five years old, we'd get a big 'tick' for reducing our diesel emissions and look amazing. But the real story is that, in doing so, we would create a huge amount of embodied carbon - through the manufacturing of the new straddles, the transport to get them to New Zealand, and the cutting up and recycling of our old straddles. So, it might look lovely and green at first glance, but we would have just dumped equipment that was still fit for purpose."

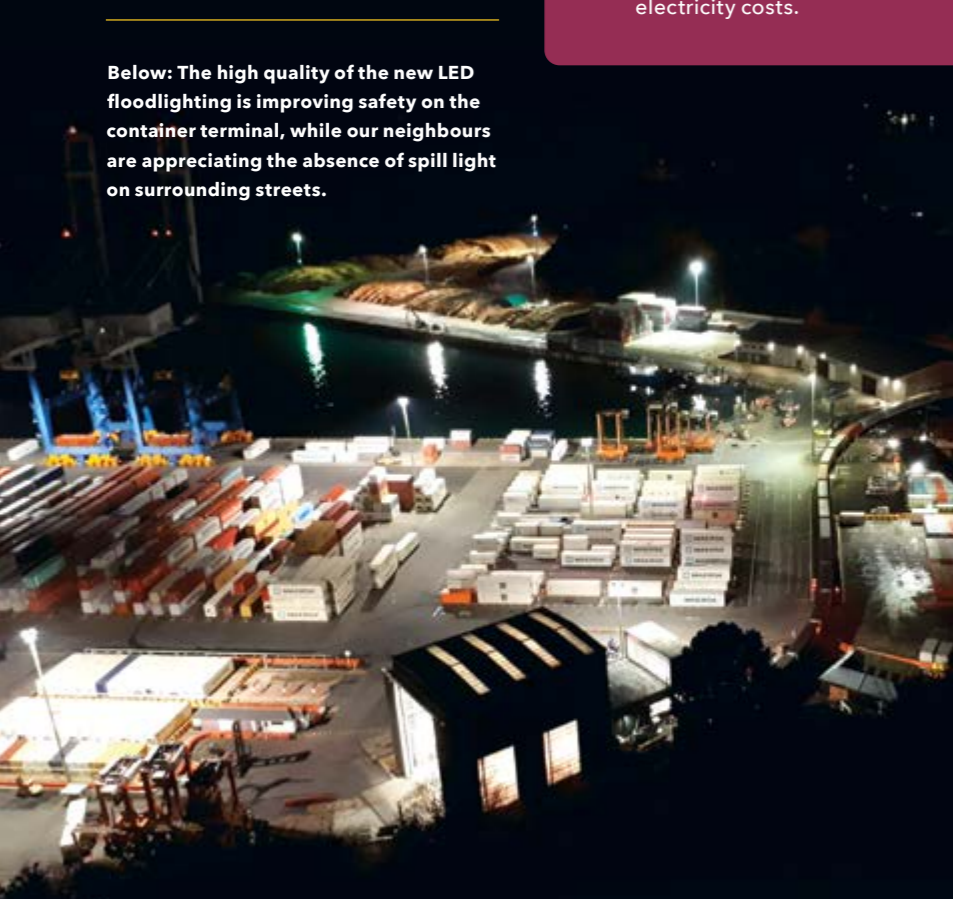


LED upgrade nears completion

Our LED lighting project made significant progress during the year. All of Port Otago’s warehouse lighting and our Dunedin town wharves’ floodlighting were upgraded to LED, at a total financial year spend of \$336,000.

The project will be completed over the coming year, when another \$700,000 is spent upgrading the remaining 15 of Port Chalmers Container Terminal’s 19 floodlighting towers to LED. The cost includes new control cabinets to provide electricity and data connections to all towers.

Below: The high quality of the new LED floodlighting is improving safety on the container terminal, while our neighbours are appreciating the absence of spill light on surrounding streets.



Tackling material issues across four capitals

This large project addresses four of our 12 material issues:

- **Safety** - LED provides better quality light and has zero warm-up time. It also requires much less maintenance work at heights, with bulbs rarely needing to be replaced.
- **Improved relationships with our neighbours** - with LEDs, it is easier to control light spill and brightness, and to switch off lights when not required.
- **Climate change response** - by reducing our electricity consumption and consequently carbon emissions.
- **Financial returns** - through annual savings in maintenance and electricity costs.

Completion percentages

At 30 June 2022, the LED project was 91% complete.

Internal upgrades: 98% complete.
Only the maintenance workshops remain and these lights will be replaced on an as-required basis.

External upgrades: 70% complete.
The current year’s container terminal upgrades will see the external work 100% completed.

Per annum savings

At the completion of the LED lighting upgrade project, the annual savings will be:

Carbon savings	43.777 tCO ₂ e
Electricity saved	375,000kWh
Electricity cost	\$60,000
Maintenance costs	\$60,000
Total savings (across towers and warehouses)	\$120,000 per annum

What’s happening with waste?

Port Otago is tackling waste (i.e. items to landfill) on several fronts: our solar power trial at Sawyers Bay Warehouse, modern freezer doors, recycling digital equipment, reducing our paper use, and recycling our PPE (Personal Protective Equipment).

While overall, our waste emissions rose - from 89 tCO₂e in 2020/21, to 175 tCO₂e in 2021/22 - that number does not tell the whole story.

Port Otago Sustainability Manager Carolyn Bennett says general skip waste actually reduced - from 81.7 tonnes last year, to 79.5 tonnes in 2021/22. “However, the overall figure was up, because we’ve been undertaking some long-overdue work to clean up our sumps and drains. This has created more than 80 tonnes of extra oil and sludge (all contaminated by bark and dirt, so unfortunately could not be re-used or recycled), which accounts for a big chunk of the 175 tCO₂e. This sump/drain cleanup will now be an annual activity.”

Solar power trial

A long-term solar power trial is underway at our Sawyers Bay warehousing site.

Twenty-three solar photovoltaic panels - capable of producing 8.97kW of power - have been installed on the office block roof. Together with a 10kW inverter/controller and installation, the system cost \$34,000.

The site uses an average of 77,000kWh of electricity annually and the panels are expected to produce 11,000kWh of clean[^] electricity per year.

Port Otago’s Infrastructure Asset Engineer John Visser says the project is the first industrial three-phase solar system installed by the company. “While there will not be any meaningful results for at least a year, we are looking

forward to summer’s sunshine hours and seeing the system’s full potential.”

Carolyn says that, given the general move towards electric equipment in the future, the port wanted to investigate how we could generate our own electricity. “Realistically, Otago’s limited sunshine hours and our harsh marine environment are challenging, so undertaking a trial at our relatively small Sawyers Bay site was an ideal opportunity.”

In terms of CO₂e, 11,000kWh of electricity translates to 1.177 tonnes of emissions, which is less than 1% of Port Otago’s total annual emissions.

Carolyn: “This small and relatively inexpensive trial is likely to demonstrate that solar energy isn’t a particularly viable option, given our locality. However, we expect to learn a lot about solar operations, including the practicalities around how they deteriorate over time, and how frequently panels require cleaning and the associated safety challenges. The monitoring and reporting software systems for power production and consumption are also of interest. Collectively, this knowledge will inform future decisions, such as whether to invest in much larger scale solar power systems - for instance for our Chalmers Properties warehouses in Te Rapa, Hamilton.

“It also informs our wider thinking around future energy options for our port operation.”

[^] Solar energy is described as a “clean” source of energy, because it transforms renewable energy from the sun into electricity rather than using non-renewable fossil fuels, such as coal, gas or diesel which generate carbon emissions.

New doors improve efficiency

In June 2022, Leith Coldstore had four high-performance, thermal-insulated Ulti-Flex doors installed.

They replaced doors that were about

25 years old, that regularly iced up and lacked a thermal break. The new doors’ opening/closing speed is up to 1.5 metres per second (m/sec), compared to 2.5m/sec for the old doors. So now a door fully opens almost twice as fast as the old doors. This lifts productivity and minimises temperature loss from within the freezer.

The new doors are also improving safety, with forklift drivers having a full line of sight almost immediately as the door opens, and a motion-sensor safety light system.

Digital Wings

For the past two years, we’ve been working with Digital Wings - a not-for-profit trust that refurbishes and redistributes retired computers and printers to community organisations to enhance educational and employment opportunities. Over the past three years Digital Wings has diverted 699.4 tonnes of e-waste from going to landfill and 1.5 million people have benefited from utilising this equipment.

In addition to helping our wider community, the programme helps us reduce our Scope 3 greenhouse gas emissions - 23% of which come from waste.

In the past year, about 600kg of Port Otago equipment was diverted into the programme, including 108 phones, 16 laptops, 39 computers, seven servers and 27 screens. In 2020/21, 800kg of waste went into the programme. This resulted in 0.29 tCO₂e reduction in carbon emissions relating to waste.

Paper wastage

In 2019, we used an average of 70,000 sheets of A4 paper per month. Partly thanks to Covid and people working remotely, the per-month figure for 2021 was less than half - at 34,200.

(Continues next page)

Noise

Port Otago's in-house Project Footprint team, which focuses on the company's sustainability work, is reviewing how this figure can be lowered further.

	Sheets of A4 paper
2019/20	627,500
2020/21	465,000
2021/22	360,000

PPE gets new life

For the past two years, we have partnered with Cargill Enterprises to de-logo and recycle PPE.

Because of the nature of a port business - large machinery and shipping containers moving, day and night - it is critical PPE is bright and shiny. As a result, a lot of our safety clothing reaches the end of its working life in our workplace, while still having plenty of "wear" left in it.

Carolyn says the original idea was that the Cargill Enterprises team would de-logo the clothing, then it would be donated to charity shops as unbranded PPE to be sold on. "It was a solid plan, but the Cargills men and women came up with an even better one. They suggested they would be great initial recipients, and we agreed."

Cargills Chief Executive Geoff Kemp says the team loves its ex-port gear. "The items are excellent quality and our people recognise that. Not only does the gear look great, it's warm. They're pretty chuffed."

Since the partnership began, more than 300 items of clothing have headed across to Cargills and the team there now has all the kit they need. So, they are continuing to de-logo the items, but now send them on to like-minded organisations around New Zealand, such as Southland disAbility Enterprises [SDE] in Invercargill and Kilmarnock in Christchurch.

Number of noise complaints drop

The installation of silencers to the six Rio Class vessels during 2019 and the February 2022 removal of the Monte Rosa from the Southern Star service saw our vessel-related noise complaints drop - from a high of 105 four years ago, to 32 in 2020/21 and only 12 during 2021/22.

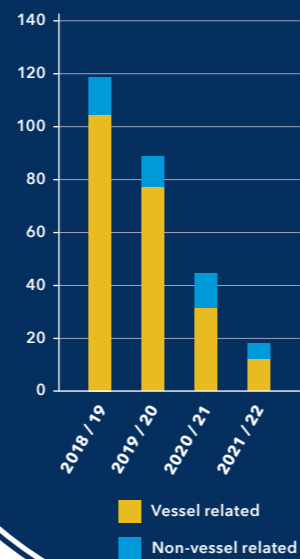
Our relationship with our immediate port neighbours has benefited from the concerted effort to reduce noise.

Credit must also go to Maersk. If a ship is arriving into port and there are noise issues, the Captain will advise, so we can adjust our berthing plan and alert neighbours in advance (via Facebook) to the cause of the noise and timeframes. The overall tone of Facebook comments is appreciative of our open communication and that we are proactively doing what we can to minimise the noise impact.

Takutai fitted with silencers

In September 2021, a series of silencers was installed on Port Otago's backhoe dredge, the Takutai. While her accommodation block and operator cabin were well insulated for sound, it was a different story outside. Her rear-mounted digger, hydraulic systems generator and plant room ventilation fans were all significant sources of noise - generating 93 and 94dBA at two locations on deck. Marine Fleet Manager Brandt Leeuwenburg: "The highest level of hearing protection (Class 5) was required to go outside during operation. We worked with silencer manufacturers NCS Acoustics to determine our options. Three solutions - one for each source of noise - were proposed and actioned. Additional mufflers were added to the excavator engine and the generator, and an in-line silencer was installed within the air intake fan." Testing at the same two on-deck locations came in at 73 and 82dBA, which is well below the WorkSafe 90dBA threshold and means that hearing protection is no longer required on deck. To put that in perspective, that means the noise for the crew is essentially half what it was - and noticeably quieter for our harbour community.

Noise Complaints



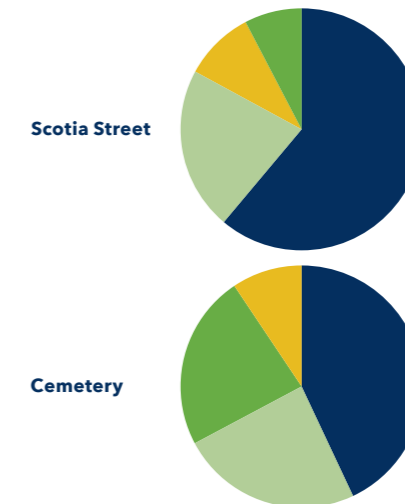
Tracking our "bangs and crashes"

Port Otago monitors noise from two specific points in our wider community: Scotia Street on Flagstaff Hill and the Careys Bay community monitor in the cemetery. As well as measuring the average noise level, these monitors automatically record audio of any high noise events (events above 75dB LAFmax). These noise events can be generated by port activity, trains, wind, local vehicles, even birds close to the microphone.

Up until four years ago, someone would listen to samples of the audio recordings to determine what the noise events were. To overcome this, Port Otago developed software that could analyse the recordings, recognise common noise events and determine their likely source. This is a ground-breaking system that allows for much greater analysis and management of noise events from port activity.

Sources of night-time bangs and crashes

These two pie graphs indicate the sources of night-time (10pm to 7am) noise events at each noise monitor.



- Key:**
- Blue** Port events (e.g. bangs and crashes, noisy ships)
 - Green** Non-port events (e.g. noisy cars)
 - Yellow** KiwiRail (general rail-related noise)
 - Pale green** Other (e.g. weather events)

The term "non-vessel" noise covers the bangs and crashes that are often generated on the container terminal and logging area, generally created by metal on metal - e.g. a container lowered too quickly onto another, or by heavy machinery moving logs within the hull of a logging ship.

Careys Bay resident and Port Noise Liaison Committee member Mary McFarlane: "In recent years, there has been a decrease in operational noise originating from Port Otago. The absence of sudden booming bangs and crashes, which wake residents multiple times, has meant a healthier sleep environment and consequently safer work places."

STEPS TOWARDS OUR GOALS IN 2022/23:

- Setting our science-based climate change target
- Getting started on a climate change adaptation plan
- Harbour plan engagement

Capital #4:

Our know-how and skills

Material issues

Innovation

Cyber security

Goals

- Improve our efficiency through automation and digitisation, such as systems for berth management, property management and supply chain connectivity.
- Work with our supply chain partners to embrace new and agile ways of working landside.
- Develop a strong platform to train and develop our team.
- Establish effective processes to protect the port from cyber attacks and respond rapidly.

Work ons

- Digitisation
- Cyber security

Key metrics

Metric:	2021/22	2020/21	2019/20	Performance
Training sessions	1099	1831	1316	✗
Average training hours per employee	9.5	16.3	30	✗
Transfers, promotions and secondments	21	16	16	✓
% of new appointments that were internal	45%	62%	42%	✗

Our stakeholders told us...

“Anything that can be done to speed up processes with IT systems is a good thing for supply chain innovation.”

Sandy Graham
CEO
Dunedin City Council

“If Port Otago had a cyber security incident, it would bring the region to its knees.”

Jamie Barton
General Manager Marketing & Sales
Niagara

Improving our systems for the long haul

“Automation is the future, as more demands will be put on ports to deliver around the clock.”

Peter Dynes
MD
Dynes Transport

It's an ongoing effort to unravel the legacy of our old IT systems and databases at the port. Like many organisations, these have evolved over time, often without records kept of how issues were “fixed” along the way. The quality of data is also not where we want it to be. That said, this is a long-term project and we are *Staying the course*. We continue to invest in recruiting a strong team to tackle our IT challenges, which encompass innovation for the supply chain and cyber security.

Pat Heslin, one of our Board members, highlights the opportunity presented by IT innovation: “Digitisation of the port will allow data to be provided to our supply chain stakeholders in real time to improve efficiency and decision making.” While we may be a little port located in the South Island of New Zealand, for the exceptional producers of the region, we are the gateway to the rest of the world. We take this seriously and agree with Francisca Griffin, Chair of the West Harbour Community Board, when she suggests: “Why not become a world innovator, even as a small port in a small country of the world?”

New Zealand sits at the end of the supply chain and may therefore not be on the radar for geopolitical cyber attack in the same way as other markets. However, we must not become complacent and Ransomware remains a real and present threat. A cyber attack could impact critical IT, such as safety systems that prevent people from getting hurt. Rachel Pullar, our new Head of Digital, highlights the investment

needed: “Using investment in safety as a benchmark to prioritise resources towards mitigating critical risks, current investment in cyber security is increasing significantly. It is a risk of the highest significance with the potential to stop the port in its tracks for a period.” We completed a cyber review resulting in 13 immediate actions, which have all been implemented, demonstrating the seriousness with which the port takes its cyber security.

Innovation

New initiative encouraging safety leadership

A major training initiative - the Safety Leadership Programme - was launched in March 2022. Developed in-house, the programme aims to empower our safety leaders. It has a positive impact on two of our material issues, namely innovation and our culture and wellbeing hauora.

Port Otago's Learning and Development Lead Justin Wilson built the programme, which is targeted at Health and Safety Representatives, frontline leaders and other safety leaders. "Our participants are health and safety leaders because they care about their fellow workers and this

programme builds on that by giving them the tools, knowledge, and responsibility to create a positive safety culture within their teams."

In this first round, 22 people are involved, split into four cohorts, with each cohort's members drawn from different parts of the business.

The programme runs over six months and includes six four-hour block courses on topics such as improving pre-start meetings, how to approach potentially difficult conversations, and incident investigation protocols. Each participant is mentored by a

Leadership Team member, who they meet with regularly to check on progress.

Central to the programme is a project. "Each participant identifies a health and safety issue from their work area and implements a real-life solution. At the conclusion of the course, each person presents their project."

Justin says the individuals are fizzing with great ideas and enthusiasm. "This isn't like other courses. It's led by the participants, who work together to complete their course work and help each other with their projects."

Cohort members also work together to do VSLs (Visual Safety Leadership conversations) in each other's work areas.

"For instance, within one cohort, a Cargo Handler and a Marine team member arranged to conduct VSL together on a Port Otago vessel. Ultimately, we want our safety leaders to be able to support each other across work areas. Fresh eyes on a job can be extremely beneficial when it comes to hazard identification and when safety leaders work together really clever solutions can be formulated."

All course and project work is carried out in work time and is structured around a course workbook.



Dunedin Bulk Port Team Leader Hayden McKenzie is proposing multi-lingual signage to highlight the importance of PPE to foreign crew, as they come off fishing vessels.

Team member: Cargo Handler Scott Currie

Project: Lashing - Safety update

Background:

Scott has worked for Port Otago for 14 years and is a Cargo Handler. His role involves crane dogman duties and operating straddles.

Problem identified:

Scott's project was motivated by a fatality at another port, where a team member was crushed beneath a container. Port Otago also has team members working in similar areas of container ships. His project is to eliminate potential crushing/fall from load incidents by fully removing the labour until it is safe to go back and complete the work.

Solution:

A major change to lashing to eliminate critical risks by changing the timing of some work on board ships. "The change is to have no lashers working underneath the crane on board the ships, while the crane is loading or unloading, and to instead catch up that work later, when the crane is operating in another area."

The solution did, however, throw up another issue. At night, lashers are dependent on light from the crane to work. "We trialed new PPE helmets with LED headlamps to provide sufficient lighting to safely work away

from the cranes' lighting. The lamps worked well and the next step is to budget for more helmets, so we can fully test the proposed change. That is, can we stage the lashing jobs safely, without adding significant time to the ship exchanges."

Comment on programme:

"The in-house programme is more targeted towards our company and systems and an improvement over general health and safety training we were purchasing. It has been great working with reps and leaders from other areas of the company, as it is easy to only focus on your own department."

Team member: Dunedin Bulk Port Team Leader Hayden McKenzie

Project: PPE signage for foreign fishing vessel crew

Background:

Hayden has worked for Port Otago for seven years, initially as a Forklift Operator at the bulk port, before moving into a Team Leader role. His role involves directing workflows to move product from fishing vessels into cold storage, and packing into containers for market.

Problem identified:

Hayden had noticed that crew coming off fishing vessels would sometimes not wear PPE - specifically high-vis

vests and closed shoes. "A lot of the time, you're not sure if it's a language barrier, but - regardless - we want to be more inclusive. These guys are mostly Ukrainian, Russian, Indonesian and Korean."

Solution:

Signs in several languages to communicate the need for PPE. "We want to make sure that everyone can understand how important it is to keep each other safe." As this report went to print, Hayden

was developing wording and images, before then establishing which languages to translate the text into. He's also planning to include a Te Reo Māori translation.

Comment on programme:

"The course is fantastic and Justin is a great teacher. We've learned what our responsibilities are and our role in communicating those to our teams. Taking responsibility for safety is everyone's issue, not just management."



Rewarding talent

Port Otago prides itself on recognising exceptional talent within the team. Our sixth highest-ranked material issue is “recruiting and retaining the best team for the job” and internal promotions directly support this issue. They are a three-way win for all parties: for the individual, Port Otago and our wider logistics sector.

This is supported by one of the goals within *Our know-how and skills* capital “to develop a strong platform to train and develop our team”.

During the year, 21 of our team were promoted, seconded or transferred – up from 16 individuals during each of the previous two years.

Dynes Transport MD Peter Dynes: “The key thing is getting great people wanting to move to Dunedin and developing the great people already there.”

Head of People Leigh Carter says the process starts at recruitment. “When we recruit, we set the bar high – and that’s really paying off.

“Promoting internally is great for us, as people already know our business. It’s also great for our people, as they don’t have to look elsewhere for ongoing development and progression.

“While we are doing well in this space, there’s room for improvement and we have initiatives in the pipeline, including more regular performance and development conversations, and introducing a Learning Management System later this year.”

Allison Rendell

D Shed Supply Chain Scheduler/Planner



CAREER PATHWAY

Before Port Otago: 7 years with Starbucks
Barista → Shift Supervisor
↓
6 years with Real Journeys
Milford Sound overnight crew → Cruise Coordinator → HR Advisor
↓
Port Otago - 2018: Seasonal Security Assistant → Cruise Ship Coordinator → Supply Chain Admin → Coldstore Supervisor → Scheduler/Planner

Q: How did you come to be at Port Otago?

A: I had moved to Dunedin and struggled to get a foot in the door, with no contacts in the city. I applied for a Seasonal Security Assistant job and the rest is history.

Q: What has been your progression within Port Otago?

A: Each time, a manager has generally suggested I consider the next role. I have always been able to pick up new systems and applications quickly. I love a challenge; the harder the better. That’s why I love logistics. The variables are always changing and every day is different.

Q: What does your current job involve?

A: I ensure orders are scheduled in line with shipping arrivals, available resources, and are grouped appropriately to maximise output. Most of my time is consumed by daily tasks, making sure everyone knows the plan and having everything ready for them.

Q: Have you had sufficient support, once promoted?

A: Training was minimal but I always had someone who I could call if I got stuck or needed help. I do think there is room to improve how training happens, but it’s also about available resources.

Q: Do you have your eye on any particular roles at port?

A: I’d like my current role to be expanded to encompass all areas of the Port Otago Supply Chain, purely as a Planner/Scheduler. I’d also like to join the Planning and Control team at the terminal as a Planner.



Ben Winder

Dunedin Depot Supervisor

CAREER PATHWAY

Before Port Otago: 10 years in the dairy industry
 Dairy farm general hand → Herd manager → Dairy farm manager
 ↓
 2 years with Foodstuffs
 Forklift Operator
 ↓
 2 years with freight company
 Forklift Operator → Supervisor
 ↓
Port Otago - 2019: Forklift Operator → Team Leader → Dunedin Depot Supervisor

Q: How did you come to be at Port Otago?

A: I'd always heard that Port Otago was a good company to work for. I put my name forward for a job, got through and started in Supply Chain as a Forklift Operator.

Q: What has been your progression within Port Otago?

A: I drove forklifts for a year, then Port Otago's Supply Chain Manager and my manager suggested I apply to be Team Leader in the Dairy Warehouse, which I did for two years. A couple of months ago, my manager Ian [Dairy Warehouse Manager] pointed out the Dunedin Depot Supervisor role and asked if it was something I'd be interested in. He recognised my strength in organising and running a team.

Q: What does your current job involve?

A: Dunedin Depot is the port's town-based container depot and I'm responsible for its day-to-day operations and our eight-strong team. We are responsible for surveying empty containers and determining if they need washing, repairing and/or upgrading to meet shipping lines' requirements.

Q: Have you had sufficient support, once promoted?

A: Yes. In each role, I've received full training.

Q: Do you have your eye on any particular roles at port?

A: This role feels like a massive 'tick' for me, right now. I'm excited about the online training that Port Otago is introducing and how accessible that will be. I plan on upskilling and pursuing my career here at Port Otago.



Michelle Braid

MDF Team Leader

CAREER PATHWAY

Before Port Otago: 13 years in supermarket sector
 Storeperson → Forklift Operator
 ↓
Port Otago - 2018: Forklift Operator → Team Leader

Q: How did you come to be at Port Otago?

A: I was looking for a way to advance my career - for something different that would challenge me in a new way. The annualised hours that come with forklift driving at Port Otago also appealed.

Q: What has been your progression within Port Otago?

A: I started in the Sawyers Bay Depot and was only a month into the job when Covid happened. They were short staffed in D Shed, so I went there for six months, then into the Timber team, where I ended up staying. You can never know too much in this place. Deanna [Port Otago's Supply Chain Manager] and my manager Lennie encouraged me to apply for the MDF Team Leader role, which I started in October 2021.

Q: What does your current job involve?

A: I'm in charge of making sure our daily packing tasks are completed, which includes hands-on packing orders and unloading rail wagons. I make sure the correct containers are coming in and out of the depot. The job is full-on.

Q: Have you had sufficient support, once promoted?

A: Yes. I was given training by Lennie and the rest of the MDF team helped me, whenever I had questions.

Q: Do you have your eye on any particular roles at port?

A: I'd like to be a Cargo Handler, for the same reason that attracted me to forklift driving - that it's a new and exciting skill.

Covid impacts on training

Like most businesses, Covid has had a significant impact on all training during the year.

The number of training sessions (measured on a per-head basis) dropped 40%, from 1831 in 2020/21, to 1099 in 2021/22. The average training hours per employee dropped by a similar percentage (42%) - from 16.3 hours, to 9.5.

Port Otago Head of Safety Gavin Schiller: "Most of our training is delivered through physical classroom attendance programmes, which unfortunately were negatively impacted due to lockdown restrictions, physical distancing requirements, working from home, and work team bubbles.

"On a positive note, it has resulted in us placing more emphasis on the development of our online Learning Management System, ensuring we will be in a better training position, should similar events happen again."



Fire training goes virtual

During the year, our Safety team purchased a virtual reality fire extinguisher simulator. Research shows that this virtual training is just as effective as the traditional "live" fire extinguisher training. About quarter of the Port Otago team have undergone training sessions, which cover fire behaviour and classifications, and how to use the most common types of fire extinguishers.

Sharing our noise reduction efforts

Port Otago has joined the national peak maritime port body, Ports Australia, which exists to represent and connect the port sector in Australia and the South Pacific.

Ports Australia operates several committees, including a sub-committee focused on noise mitigation. Its purpose is to share experiences and best practice, and undertake initiatives, where necessary, to help ports operate sustainably within their communities. Port Otago's work in reducing public complaints related to vessel noise and developing software capable of automatically classifying sources of noise on and around our port (see story page 79) has attracted praise from the noise sub-committee.

Noise reduction work

Our vessel-related noise complaints have dropped from 105 four years ago, to 12 during 2021/22. (See story pages 78-79.) Most of these complaints related to six Rio Class vessels, whose auxiliary generators (used to keep chilled/frozen containers at temperature) emitted a disruptive low-frequency noise.

Our Environmental Manager Rebecca McGrouther says the noise sub-committee was impressed with the work Port Otago did with shipping line Maersk to reduce the low frequency noise impacting on the community. "Several of the ports involved had already benefitted from our work in this space and the sub-committee is now drawing on our workings to help other ports deal with similar issues."

Rebecca and our noise consultant Craig Fitzgerald (Marshall Day Acoustics) are presenting a paper titled "Ship 'rumble': Rio Class low frequency noise mitigation" at PIANC*'s September 2022 Asia Pacific Conference in Melbourne. The paper outlines Port Otago's experience dealing with the noisy Rio Class container ships and working with the shipping company to install the silencers, which have largely eliminated the noise problem.

Automated noise monitoring software

In November 2021, Rebecca presented our automated noise monitoring system to the noise sub-committee. "The group was particularly impressed by how it allowed us to pinpoint specific 'bangs and crashes' noted by the community, and tie each event back to an individual machine in real time."

* PIANC was historically the Permanent International Association of Navigation Congresses and is the global association representing waterborne transport infrastructure.

Cyber security

Cyber security remains key focus

For a second year, Cyber security falls within our top 10 material issues - at ninth place last year and 11th this year.

Port Otago Head of Digital Rachel Pullar says the past 12 months have been productive. "We have completed an external review of our cyber security processes and protections, and partnered with an expert cyber security vendor to develop and execute a security related workplan.

"Another key initiative was the creation of a specialist cyber security position within Port Otago, focused on monitoring and continually improving our cyber security processes."

The team has also been refining various security and response processes to boost internal capability in relation to cyber security.

STEPS TOWARDS OUR GOALS IN 2022/23:

- Getting our Learning Management System platform up and running
- Achieving full cyber security protection

Capital #5:

Our assets

Material issues



Shipping volatility

Wharf capacity and infrastructure

Goals



- Grow the container business by investing in additional storage and depot capability.
- Grow the bulk business by increasing storage capacity and enhancing shipping flexibility with Victoria Channel improvements. Relocate storage (where it makes sense), develop wharf replacement options and work with customers on fit-for-purpose infrastructure to meet future needs.
- Respond dynamically to shipping volatility with storage and digital solutions.
- Rebuild the cruise business by engaging with the cruise industry, investing in Pilot accommodation, maintaining capability and having safe landside practices ready to go.
- Continue to build a sustainable property portfolio as a fundamental part of the port's financial sustainability.

Work ons



Efficient supply chains

Responding to shipping volatility

Our stakeholders told us...



"Maintaining export ability through resilience and planning in the face of ongoing shipping constraints has been the key."

Brendan Miller
GM Supply Chain
Fonterra

"When something is built at the port, it will be there for 50 or 100 years, so ensuring it is fit-for-purpose for the long term is critical."

Sean Bolt
GM Marine
Port Otago

Key metrics



Metric:	Category	2021/22	2020/21	2019/20	Performance
Infrastructure	Gross crane rate	26.0/hr	26.2/hr	25.5/hr	—
Wharf utilisation	Berth utilisation Container ships	19%	24%	26%	✗
	Berth utilisation cruise and log ships	26%	30%	36%	✗
	Full yard daily averages in TEU & % days >90% full	1823 20%	1894 31%	1508 16%	—
Vessel movements	Arrivals	405	430	476	✗
Exports	Total volume (tonnes)	1.88m	2.00m		✗
	Total value	\$5.3b	\$4.4b		✓
Imports	Total volume (tonnes)	772k	700k		✓
	Total value	\$1.1b	\$735m		✓
Container business	TEU volume	166,200	174,800		✗
	Dairy export/import	\$2,529m	\$2,185m		✓
	Meat export/import	\$2,119m	\$1,579m		✓
	Seafood export/import	\$146m	\$119m		✓
	Fruit export/import	\$39m	\$24m		✓
	Wood export/import	\$123m	\$80m		✓
	Other export/import	\$544m	409m		✓
Bulk business	Oil/LPG import	\$539m	\$301m		✓
	Fish import	\$153m	\$89m		✓
	Log export	\$150m	\$182m		✗
	Cement import	\$23m	\$10m		✓
	Fertiliser import	\$47m	\$31m		✓
	Other bulk import	\$56m	\$28m		✓
Property business	Total investment value	\$589m	\$500m		✓
	Occupancy rates	99%	93%*	93%	✓

*100% at 31 August 2021

Adapting to disruption

“The port balances different users of the wharf space well. If there are challenges, they are kept in the background and the port fields them without exposing one port user to the issues of another.”

Debbie Summers
Chair
Cruise NZ

Global shipping remains a tale of disruption and last minute schedule changes. The difference this year is that we have all learned to live with it, operating more smoothly with disciplined planning horizons. Earlier visibility of things that require solving has also been important, such as additional storage space and shortfalls in container supply. Port Otago hasn't experienced the congestion affecting some other ports in New Zealand, which helps us to service our customers efficiently.

Achieving the right balance between bulk and container storage and accommodating cruise ships as they return will always be an operational priority for the port. We welcomed Niagara back to the port this year and they stressed the importance of moving containers before demurrage and detention charges kick in. To avoid these charges, we manage our container storage dynamically in the face of last minute shipping changes. However, our log customers remain concerned about the impact on wharf capacity of the potential move to Dunedin Bulk Port. These forestry companies have already voiced concerns about their wharf space at Port Chalmers and worry that space will become more restricted. This is one of the issues we need to work through with them.

Infrastructure development has continued at the port this year with the Crane 3 upgrade finally progressing after Covid delays. We also developed our own carpark, freeing up parking spaces on local roads in the process. Building our new office has also been a focus for the port. It is a wonderful multi-stakeholder project integrating our new administration building with a new Maritime Museum, an exciting development with our partners in the community.

Maico Lenhard, Alliance Logistics & Distribution Manager: “Two factors enabled us to keep our exports flowing: planning pre-season; and our relationships with logistics partners. Port Otago is one of Alliance’s main logistics partners. If we have succeeded in our season, Port Otago has played a big part in that. We’re pleased with the partnership and how port staff are committed to delivering the best. At the end of the day, we are NZ Inc.”

Sean Bolt, GM Marine, presented a case for a Strategic Asset Plan for future wharf capacity and infrastructure, incorporating long-term forecasts for the types of exports likely from Otago in the next 10, 20 and 30 years. There will be implications for land transport, in particular rail, changing storage needs, such as cold stores and new types of shipping. Climate change impacts also need to be taken into account with respect to the produce it will be possible to grow in Otago in decades to come. With so many moving parts, future planning in this space definitely presents a challenge.

It has been a big year for innovation in our property business, working with IAG, Steel & Tube and NZWindows to meet their needs. We are also proud to be using our property know-how to build an exciting new office for our shareholder, Otago Regional Council.

Last but not least, we finally have the green light for cruise ships to return to our port. After a long hard slog lobbying for this outcome with our partner, Cruise NZ, we look forward to seeing cruise ships berthed on our wharf again before too long.

“The port can’t control shipping line decisions but the team has increased its proactivity on the pain points for customers, such as lack of container availability, by talking with the carriers around pulling forward empty container supply in anticipation of issues.”

David Ross
CEO
Kotahi

Shipping volatility

Covid continues to impact on shipping

Covid continued to play havoc during 2021/22, with global shipping schedules remaining unreliable, empty containers difficult to source and container terminal capacity requiring careful management. Both Port Otago and customers were acutely aware of this unwelcome situation, with shipping volatility increasing to our seventh most material issue this year, up from tenth last year.

Brendan Miller, GM Supply Chain at Fonterra, explained: "When the port becomes congested, efficiency is lost as customers have fewer and fewer days on which to send product to the port. Things become "lumpy" and customer costs go up. As Port Otago is the last call for the majority of the vessels, effective forecasting is key."

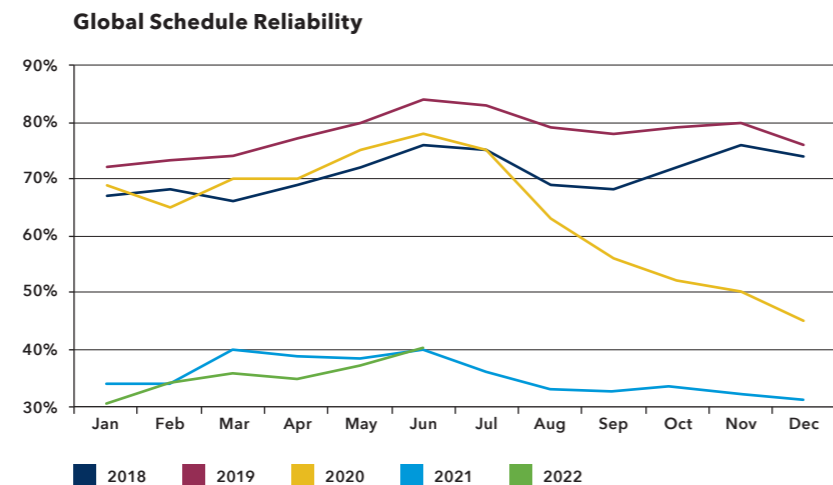
Shipping schedule

Port Otago Commercial Manager Craig Usher says that, while the schedule was still far from predictable, the January return of Maersk's OC1 Northbound service to a weekly rotation made a significant difference.

The OC1 service (Sydney - Melbourne - Port Chalmers - Tauranga - Manzanillo - Cristobal - Cartagena - Philadelphia - Charleston) had been fortnightly for several months, as Maersk worked to maintain its schedule of vessels.

In the meantime, Maersk's Southern Star service began arriving more consistently in 2022. On paper, it looked as though we were serviced weekly, across the two services. However, the vessels' arrivals tended to slide from one week to the next, creating a gap that was not a planned omission.

"Everyone wants the same thing - to move product efficiently and quickly,



especially at peak times. We had to be patient, as the biggest bottleneck for the OC1 internationally is the Panama Canal. If a vessel misses its window, it can be left waiting a week for another slot. Maersk needed to stabilise the service before we could be reintroduced as a weekly stop."

The impact of the re-introduced weekly service was immediate. "It reduced pressure on our terminal capacity and warehouses by getting product off our wharves at the port and onto ships, and was great news for customers, who were again able to get product away to market, weekly."

Craig says lines of communication with shipping lines - particularly Maersk - have become more open over the course of the pandemic.

"We have worked hard to improve the flow of information between port and shipping lines, and port and customers. Good news or bad, we provided regular updates to customers as shipping schedules moved around."

Yard capacity

Early on in the pandemic, we moved to daily management of cargo acceptance, rather than weekly. We have continued that practice and built in a forecasting tool that draws on shipping line bookings data, containers in port, and the future vessel plans. Craig: "It's improved our ability to review the changing scenarios and be more proactive where possible."

On-site storage

Where space has been available, we have worked with customers at short notice to bring in containers early. In this way, customers can pack more product in a shorter period and maximise their export window. "On the occasions when space has been available on the vessels, we have worked with carriers to bring cargo forward."

Wharf capacity and infrastructure

Smooth transition for oil distribution

New Zealand's import and distribution of oil changed significantly in April 2022.

For about 40 years, Refining NZ - whose shareholders include BP, Mobil and Z Energy - imported crude oil for processing at the Marsden Point refinery. The refined oil was then distributed fortnightly around the country's nine other ports by two coastal tankers. In the case of Port Otago, this involved topping up the storage tanks at Dunedin Bulk Port, with the oil then distributed around the region via trucks.

In April, Refining NZ closed down refining at Marsden Point, due to low profit margins. The company is now renamed Channel Infrastructure and instead imports pre-refined fuel directly from various countries, using Marsden Point as storage for Auckland's oil needs. For the nine other ports - including Port Otago - refined oil now arrives directly from overseas.

Port Otago GM Marine Sean Bolt says the change from coastal tankers to direct delivery from offshore has been smooth. "During the past four years, our Oil Jetty berth was deepened from -8.6m chart datum, to -8.9m. Together with our deepened channel, tanker companies now have more flexibility with regard to arrival and departure window times and how much cargo they can discharge.

"Tanker visit numbers remain similar, pre and post April's change, although we expect numbers to increase, as aviation fuel consumption rises in line with increased international travel."

Port Otago's Oil Jetty services incoming tankers that discharge petroleum products, including diesel, aviation fuel, bitumen and various grades of petrol.

Sourcing empty containers

Container supply was more consistent during the 2021/22 year, although customers were still kept to their vessel and equipment allocation caps.

Craig explains that, in pre-Covid times, forward packing was common and tended not to cause too much impact on operations. This has not been possible, with the container shortage.

Alliance Logistics & Distribution Manager Maico Lenhard says continual reefer (chilled container) supply is crucial to his company's operations. "Any constraint in the reefer supply has a cascade effect for the entire business - from cashflow and coldstore capacity, through to processing efficiency for our farmers finishing livestock."

Maico says the 2021/22 season was as challenging as the previous season, but the challenges themselves were different. "Like all New Zealand businesses dealing with Omicron, the lack of visibility around what would happen in the next week significantly increased stress levels across the business and supply chain.

"Most of the shipping companies capped weekly container supply and often their allocation was not aligned with our demands, but we worked through contingency plans to manage production. Overall, the New Zealand container supply was satisfactory, under extreme circumstances."



Sharewater proving its worth

Port Otago went fully live with new harbour management system Sharewater in mid 2022.

Sharewater is a cloud-based harbour management system developed by Napier Port. A harbour management system performs three key functions - berth planning, shipping movement planning (e.g. allocating Pilots, port vessels and crew), and capturing "actual" data (i.e. recording a vessel's time on berth, and water/power and tug use for the purpose of billing shipping lines). This initiative helps to address no less than four of our material issues, namely wharf capacity and infrastructure, shipping volatility, innovation and relationships (through our collaboration with other ports).

Port Otago GM Marine Sean Bolt says the out-going system was more than 20 years old and no longer supported technically. "Sharewater has allowed us to progress many enhancements that could no longer be built into the old system. These include a new visual planning screen, which shows all vessel visit bookings across all berths, and automatic restrictions when resourcing shipping movements. For example, the system will only allow you to allocate personnel with the required marine competencies to complete a particular task.

"Because Sharewater is cloud-based, the team can access it from anywhere, on any device. From a user perspective, it's modern, intuitive and a pleasure to use."

As the first commercial partner to take on Sharewater, Napier Port and Port Otago have used that scenario to mutual advantage.

"Napier Port's team has embraced the partnership and developed Otago-specific requirements, such as incorporating our dual locations of Dunedin and Port Chalmers. The result is a more universal harbour management system that enhances the tool for future users."

Sean says that interacting with the Napier team has two significant advantages. "We can access local support 24/7 and, as a port operation itself, the team has a sound understanding of our requirements."

eMPX and KeelCheck

Alongside Sharewater, we have introduced two complementary tools, to take full advantage of the overall upgrade.

- We have worked with Ports of Auckland to implement its electronic master pilot exchange tool (eMPX), which automates the previously paper-based Master/pilotage briefing process. This tool integrates with Sharewater to pull through vessel and visit data, streamlining the process and avoiding duplication.
- KeelCheck (OMC International) takes tidal, daylight, vessel and berth planning data, then calculates the tidal windows for safe navigation.

With Sharewater and eMPX already integrated, phase two of the project involves integrating KeelCheck, so we have a single operating interface.

In the month since Sharewater was fully adopted, the system has already proved its worth. "We've been able to eliminate duplication within our legacy port systems, while expanding the scope of our Business Intelligence reports."

Return of cruise

Cruise returns after two years

The first cruise ship for more than two years - the Celebrity Eclipse - is scheduled to berth at Port Chalmers on 26 October.

Prior to the ban on cruise vessels, the annual economic contribution of cruise to Otago was more than \$60 million. The Otago region is looking forward to the influx of tourists. It's not just about the money passengers spend while they are here, it's also about the vibrancy and buzz they create. Covid has been a long haul and the return of cruise is positive for the city and region.

As this Integrated Report went to print, 112 cruise ships were booked for the 2022/23 season, with most arriving in the December to February window.

Cruise Manager Carolyn Bennett says that, from a berth utilisation perspective, growth of expedition

cruising* will see these smaller cruise vessels (that generally berth at our Dunedin wharves) take some pressure off the Port Chalmers berths.

But, before the Celebrity Eclipse arrives, there's a lot of work to do, including re-instating the cruise terminal, which has been used for all sorts of activities in the meantime, including much of our Covid response.

Carolyn: "Tourist operators will now be required to complete our contractor pre-qual implemented during Covid times. And we have new Ops team members who need training in using the wharf-side gear required for cruise.

"We are also advertising for seasonal Security team members and getting great applicants, including many returning Security team members, which is brilliant.

"It's a busy time and an exciting time. I can't wait until the 26th."

* "Expedition cruises" generally involve smaller ships and fewer passengers, with emphasis on the on-shore experience.

Port Otago's Cruise Manager Carolyn Bennett (left) and Cruise Operations Lead Michelle Simpson



Key Cruise team retained

Two years ago - when the ban on cruise vessels was announced - Port Otago Chief Executive Kevin Winders immediately recognised the importance of retaining the company's three key Cruise team members: Cruise Manager Carolyn Bennett, Cruise Operations Lead Michelle Simpson and Cruise Ship Coordinator Allison Rendell. When it comes to recruiting and retaining the best team for the job, one of our top-ranking material issues, this was an insightful decision.

Carolyn was appointed to a new position of Sustainability Manager and also became a mother over the two-year period. While she enjoys the sustainability role, she loves cruise. "Cruise brings a vibrancy to the port. I can't wait to get back into it."

Michelle jumped into a position coordinating Port Otago's Covid response strategy. She then moved into an administrative support role and is currently Facilities Coordinator for the company.

Allison was also quickly deployed into Covid response activities, before moving into administrative and supervisor roles, and ultimately becoming Supply Chain Scheduler and Planner. Allison will remain in her current role, but help the team on super busy cruise days.

Property business

Asset management software lifting our game

It's been 10 months since the management of Port Otago's property and facilities moved across to a new asset management platform. This new system further enhances our IT and automation at the port.

"Yardi" is used widely throughout the world and is now the software platform behind Port Otago's property assets, including those owned by Chalmers Properties. Yardi links into our existing accounting system and is used for all lease and facilities management workflows and record keeping.

Port Otago Chief Financial Officer Stephen Connolly says Yardi has made a big difference in a short period of time. "Every aspect of our lease properties' management is within this one platform, which makes internal reporting very simple. Furthermore, our tenants are enjoying the transparency that comes via their portal access."

Yardi Regional Manager (Australia and New Zealand) Kelvin Manuel says Port Otago has adopted a wide range of Yardi products to automate and improve operations. "They are one of the most advanced users of Yardi products in New Zealand. The project team - made up of Port Otago and Yardi representatives - worked together to define best practice across multiple areas, which has resulted in enhanced tenant engagement and improved tenant services."

Dan O'Sullivan is Asset Manager for Chalmers Properties. He says all Chalmers Properties and Te Rapa Gateway tenants now have access to Yardi's tenant portal. "They can view invoices, statements and other relevant documentation, as well as log jobs for our Facilities Manager to action. This job log function includes the ability to add photos and descriptions, so the Facilities Manager simply reviews the request, creates a purchase order and sends the job on to a vendor. The tenant can track their request's progress, via the portal."

We recently began generating monthly reports out of Yardi's facilities manager tool, so the Chalmers Properties team has overview across all open jobs. "This provides a quick and clear oversight of performance and ensures deliverables are met."

Dan says Yardi's forecast manager tool allows for 10-year cashflow forecasts to be built with ease. "This includes assumptions around market rent from annual valuations and market rental growth profiles. This tool will be helpful for future budgeting purposes."

Turning judges' heads

Chalmers Properties' IAG Repairhub development (pictured) at Hamilton's Te Rapa Gateway won a merit award in the CBRE industrial property category at the 2022 Property Council New Zealand National Industry Awards. The awards consider a build's economic and financial aspects, project vision and innovation, design and construction, client satisfaction and sustainability/efficiency.

About the development

The Repairhub is a new vehicle repair facility for IAG New Zealand customers. The Te Rapa Gateway development is Repairhub's first purpose-built facility, rather than fitting a design into an existing commercial building.

Chalmers Properties General Manager David Chafer says the development was noteworthy because it meets both immediate

and future needs. "Our challenge was to design and construct a first-of-its-kind building that met Repairhub's requirements as a collision repair shop, while also being able to satisfy any future occupiers without significant alterations."

For instance:

- IAG required a 6-metre warehouse stud to the knee. We built to 8 metres and designed the space with no columns.
- Flexible spans, where either portals or roof rafters could be employed.
- Building services can be easily reconfigured and office partitions removed or relocated as needed.

Sustainable features include Toitū Gold-certified ColorCote products for the profiled metal roofing and cladding, and a warehouse roof designed to accommodate solar panels, as well as harvest rainwater for the Repairhub's car-washing facility. IAG Repairhub moved into the premises in February and began trading from the site in May, after an extensive fit-out.

Development specs

- Design-build-lease development by Chalmers Properties
- Client: Global insurance company IAG
- Site: 4500m², corner site within Te Rapa Gateway Industrial Park, Hamilton
- Warehouse/office: 1983m² / 278m²

STEPS TOWARDS OUR GOALS IN 2022/23:

- Ravensdown and Cross Wharf upgrades
- Delivering a great cruise experience for our region
- Completing our three new warehouses on time and on budget



Capital #6:

Our financial value

Material issues



Growth

Financial returns

Goals



- Provide consistent shareholder dividends with a portfolio that optimises returns, builds resilience and facilitates investment in the future.

Work ons

Balancing our business

Efficiency

Understanding our contribution to the regional economy

Key metrics



Metric:	2021/22	2020/21	2019/20	Performance
Profit for the year	\$70.5m	\$94.5m	\$50.5m	✗
Underlying profit	\$17.6m	\$21.4m	\$24.7m	✗
Dividend to ORC	\$13.0m	\$10.1m	\$10.0m	✓
Shareholder equity	\$694m	\$635m	\$549m	✓
Equity ratio	82%	85%	84%	✗

Our stakeholders told us...



"The port is thinking further ahead than the next few months, unlike many organisations that have gone through major restructures and redundancies over the past two years of Covid."

Craig Leishman
Head of Logistics ANZ
Danone

"Continue to be a strong, viable and consistent partner for Ravensdown. Be sustainable, future oriented and reliable by setting long term goals with us."

Garry Diack
CEO
Ravensdown

Keeping our returns healthy and our growth healthier



"Risks to returns relate to the loss of shipping lines and customers, non-return of cruise to pre-Covid levels and supply chain issues outside of the port's direct control. Continuing to build quality relationships will help mitigate this risk."

Pat Heslin
Deputy Chair
Port Otago

Our financial returns need to remain strong to provide consistent dividends for our shareholder, Otago Regional Council. Ultimately, it is the people of Otago who benefit, namely, our community. Throughout the pandemic, we worked hard to maintain healthy financials. With the loss of cruise, one of the four pillars of our business, our reliance grew on converting development opportunities from our property business. David Chafer, our GM Property, explained this: "The property business has actively supported financial returns, developing new revenues by building on the port's land holdings and converting development opportunities." But as a port, we will always rely on cash flow from moving product across the wharf.

Retaining and growing the container part of our business depends on many things, including customer relationships based on good day-to-day communications and planning for the future, sufficient wharf capacity and up-to-date facilities. We are confident that our container customers know how important they are to us, as we work together closely for improved mutual returns. However, our forestry customers have told us they often feel second rate with their returns not valued by the port. This is clearly something we need to work on for continued strong financial performance.

Healthy growth is the only way the port will remain relevant. If any part of our business shrinks, we run the risk of losing our share of an increasingly competitive market. We need to be the port that all the shipping lines want to visit, the preferred shipping point for exporters and the most desirable cruise destination. We can also be the port that offers end-to-end supply chain solutions using our unique property business know-how and portfolio. All of this is no small task and requires significant investment. With this in mind, Otago Regional Council helped us to access funds through the New Zealand Local Government Funding Agency (LGFA) to invest in growth. The LGFA provides more efficient financing costs and diversified financing sources for New Zealand local authorities and council-

controlled organisations like us.

Many of our stakeholders are also calling for us to bring the value chain together to plan for future growth in the region. They want us to take a lead, bringing together government (local and regional), transport (shipping, rail and road) and customers (containers and bulk). Francisca Griffin, Chair of the West Harbour Community Board, encourages us to innovate, even though we are "a small port in a small town in a small country"! She also reminds us of the need for sustainable growth: "Growth must be done mindfully, in such a way that everyone wants to be a part of it."

Energy prices continue to go through the roof and there is no sign of relief ahead. Hence, we need to consider securing the port's energy

future in a way that reduces our contribution to climate change. This will require working closely with our shipping lines on the fuels they use and KiwiRail on the potential for increased electric rail transport.

"The port is in the driver's seat for growth - investment in capacity now will build future opportunity and resilience."

Supplier of financial services



“Growth requires generational investment decisions, such as building a new wharf that will be here for 100 years.”

Stephen Connolly
Chief Financial Officer, Port Otago

Underlying profit as financial performance measure

Port Otago understands the importance of reported profits meeting accounting standards. Because we comply with accounting standards, users of the financial statements know that comparisons between different companies can be made with confidence and that there is integrity in our reporting approach.

However, we believe an underlying profit measurement can also assist understanding business performance

– particularly for an organisation such as Port Otago, where revaluation changes can distort financial results and make it difficult to compare profits between years.

For this reason, Port Otago refers to underlying profits, alongside reported results. That is, when we report the results, we exclude fair value changes of investment property adjusted for changes that relate to development projects completed during the year.

The table shows the reconciliation between reported profit and underlying profit for the years ended 30 June 2022 and 2021.

	2022 \$000	2021 \$000
Profit for the year	\$70,476	\$94,507
<i>Less</i>		
Unrealised change in the fair value of investment property	(\$59,765)	(\$82,240)
Income tax on revaluations	\$3,588	\$1,391
Profit for the year before revaluations	\$14,299	\$13,658
<i>Plus</i>		
Development margin on completed property projects	\$4,043	\$8,484
Income tax on development margin	(\$758)	(\$730)
Development margin net of tax	\$3,285	\$7,754
Underlying profit	\$17,584	\$21,412

Notes to table

We have made the following adjustments to show underlying profit for the years ended 30 June 2022 and 2021:

1. Reversed out the impact of revaluations of investment property in 2022 and 2021. A user of the financial statements should monitor changes in investment property over time as a measure of growing value. However, a change in one particular year is too short to measure long-term

performance. Changes between years can be volatile and, consequently, will impact comparisons. The revaluation is unrealised and therefore is not considered when determining dividends in accordance with the dividend policy.

2. Added back the unrealised change in the fair value of investment property that relates to investment property development projects completed during the year.

This margin is the result of commercial arrangements entered into and is largely within our control, year by year.

3. Reversed out the taxation impacts of the above movements in both the 2022 and 2021 financial years.

Financial returns for the 2022 financial year

Revenue

Revenue for the year of \$88.2 million was 2% lower than the previous year, following disruption in international supply chains, but offset by increased property rentals. Last year, land sales of \$2.4 million from the Te Rapa Gateway development settled, although there were no land sales during the 2022 financial year. Our strategy of investing in investment property in the remaining lots at Te Rapa Gateway is providing increased rental income, as we partner with customers to assist with their storage needs into the future. Property rentals were up 16% to \$31.4 million, as new property investments were completed and ongoing lease renewals.

Marine and cargo services revenue was down 7% to \$48.2 million, with international supply chain disruption continuing to have an effect. This was also the second season without any cruise vessel arrivals, but we are looking forward to the return of cruise for the 2022/23 season.

Container business

Container TEU throughput was down 5%, to 166,200 TEU, with lower tranship containers transiting through Port Otago. Export and import full container volumes were similar to last year, which reflects the consistent cargo flows to and from the region.

Bulk business

Total bulk cargo volumes were also down, at 1.7 million tonnes, compared to 1.9 million tonnes last year. Log exports - 16% lower than last year - were 1.0 million tonnes, as exporters managed in-market price fluctuations, particularly in the Chinese log market. Other bulk cargo volumes, including fuel, cement, fertiliser and LPG, were similar to last year.

Operating costs

Total operating costs, excluding last year's cost of sales of property inventories, were 2% favourable with staff costs 3% lower, as we realised the benefit of Covid pandemic restructuring initiatives and lower activity in the container trade. Inflationary pressures are negatively impacting our other operating costs, including fuel, electricity and insurance.

Shareholder equity

Total shareholder equity increased to \$694 million, up \$60 million from last year, with an equity ratio of 82% at June 2022. This is within the Statement of Corporate Intent target range of 70% to 85%.

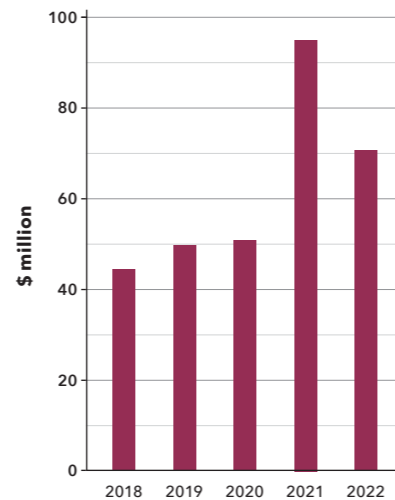
Borrowings

Total borrowings increased to \$108 million - up \$29 million from June 2021 - following the continual investment in our property portfolio and port assets. Through our shareholder, the Otago Regional Council, we accessed a new \$100 million debt facility during the year. This debt is passed through from the Local Government Funding Authority (LGFA) to the ORC and was substantially used to retire existing debt held with ANZ.

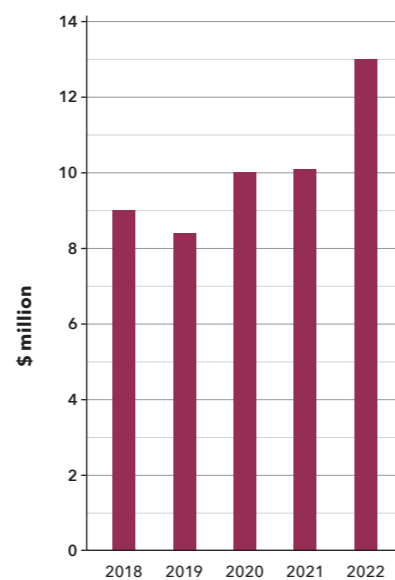
Dividends

Dividends of \$13 million were paid to our shareholder, the Otago Regional Council, compared to \$10.1 million last year. This is in line with our policy of consistent dividends to our shareholder.

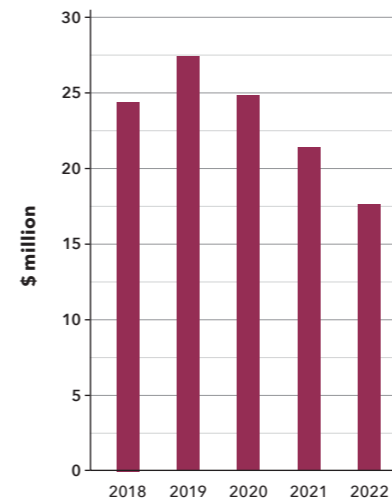
Net profit after tax



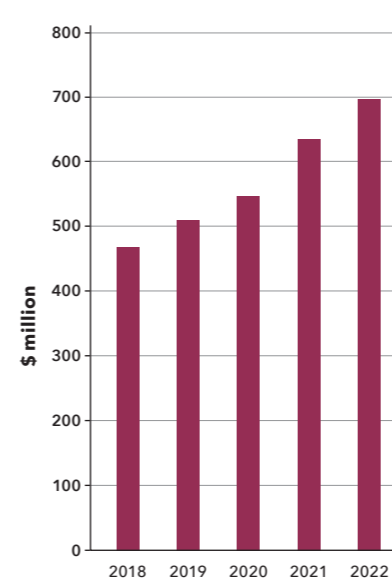
Dividends



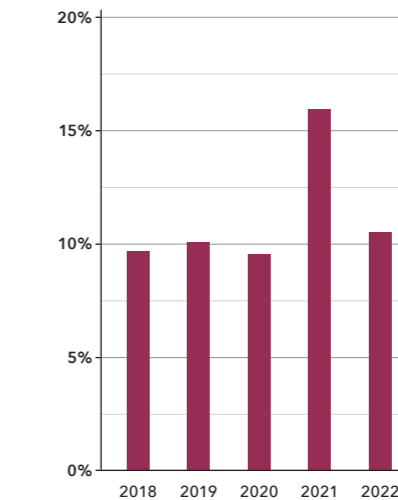
Underlying profit¹



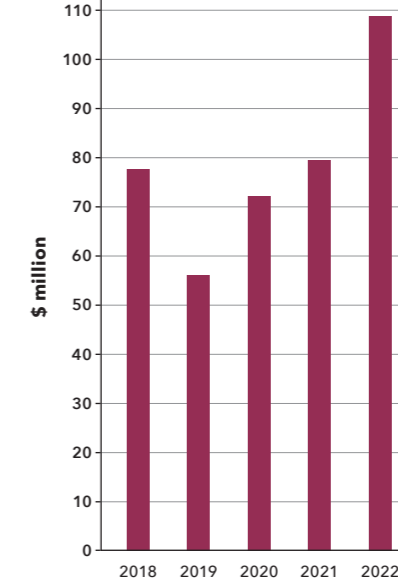
Shareholder equity



Return on equity



Bank debt



¹ Underlying profit is defined as profit for the year excluding the unrealised fair value change in the value of investment property, adjusted for the margin achieved on completed property development projects.

STEPS TOWARDS OUR GOALS IN 2022/23:

- Meeting the dividend expectations of our owner
- Bringing back cruise revenue as one of the four pillars of our business



Financial statements

Consolidated group financial statements

Consolidated income statement

~ for the year ended 30 June 2022

	Notes	2022 \$000	2021 \$000
Revenue	A1		
Marine and cargo services		48,228	51,973
Warehousing and logistics services		8,459	8,442
Property rentals		31,374	27,150
Sales of property inventories		-	2,433
		88,061	89,998
Other income			
Gain on sale of investment property and property, plant and equipment		100	31
Total revenue and other income		88,161	90,029
Operating expenses	A2		
Staff costs		(31,153)	(32,153)
Purchased materials and services		(22,433)	(21,531)
Cost of sales of property inventories		-	(1,643)
Depreciation and amortisation		(12,288)	(12,350)
Impairment of property, plant and equipment		-	(848)
Total operating expenses		(65,874)	(68,525)
Contribution from operating activities		22,287	21,504
Net financing costs	A3	(2,922)	(2,797)
Subvention payment	E3	(100)	(100)
Fair value change in ineffective interest rate swaps		1,203	602
Unrealised change in the fair value of investment property	B1	59,765	82,240
Profit before income tax		80,233	101,449
Income tax expense	A4	(9,757)	(6,942)
Profit for the year		70,476	94,507

Consolidated statement of comprehensive income

~ for the year ended 30 June 2022

	Notes	2022 \$000	2021 \$000
Profit for the year		70,476	94,507
Other comprehensive income that may be reclassified to profit and loss in subsequent periods			
<i>Cash flow hedges</i>			
Fair value change in effective interest rate swaps (net of tax)		2,385	1,598
Total comprehensive income for the year		72,861	96,105

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity

~ for the year ended 30 June 2022

	Notes	Share capital \$000	Property revaluation reserve \$000	Hedging reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 1 July 2020		20,000	246,277	(2,034)	284,369	548,612
Profit for the period		-	-	-	94,507	94,507
Transfer (from) / to		-	82,240	-	(82,240)	-
Other comprehensive income		-	-	1,598	-	1,598
Total comprehensive income		-	82,240	1,598	12,267	96,105
Transactions with owners in their capacity as owners						
Dividends paid	D2	-	-	-	(10,100)	(10,100)
Other movements						
Revaluation reserve reclassified to retained earnings on disposal of assets		-	(57)	-	57	-
Total other movements		-	(57)	0	57	0
Balance at 30 June 2021		20,000	328,460	(436)	286,593	634,617
Profit for the period		-	-	-	70,476	70,476
Transfer (from) / to		-	59,765	-	(59,765)	-
Other comprehensive income		-	-	2,385	-	2,385
Total comprehensive income		-	59,765	2,385	10,711	72,861
Transactions with owners in their capacity as owners						
Dividends paid	D2	-	-	-	(13,000)	(13,000)
Balance at 30 June 2022	D1	20,000	388,225	1,949	284,304	694,478

The accompanying notes form part of these financial statements

Consolidated statement of financial position ~ as at 30 June 2022

	Notes	2022 \$000	2021 \$000
Current assets			
Cash and cash equivalents		80	241
Trade and other receivables	C1	12,872	13,611
Non-current assets held for sale	B3	2,060	-
Maintenance inventories	C3	1,405	1,476
Derivative financial instruments	F6	1,128	-
Income tax receivable		-	1,004
		17,545	16,332
Non-current assets			
Property inventories	B2	16,428	21,495
Investment property	B1	572,185	479,290
Property, plant and equipment	B5	227,331	223,052
Intangible assets	B6	4,248	5,379
Derivative financial instruments	F6	3,153	1,021
Other financial assets	D3	1,210	-
		824,555	730,237
Total assets		842,100	746,569
Current liabilities			
Trade and other payables	C2	8,742	6,967
Borrowings	D3	8,250	5,240
Employee entitlements	C4	4,737	4,172
Derivative financial instruments	F6	-	636
Lease liabilities	C5	258	283
Income tax payable		848	-
		22,835	17,298
Non-current liabilities			
Borrowings	D3	99,960	73,850
Employee entitlements	C4	903	956
Derivative financial instruments	F6	-	619
Lease liabilities	C5	2,567	2,825
Deferred tax liabilities	A4	21,357	16,404
		124,787	94,654
Total liabilities		147,622	111,952
Equity			
Share capital		20,000	20,000
Reserves		390,174	328,024
Retained earnings		284,304	286,593
Total equity	D1	694,478	634,617
Total equity and liabilities		842,100	746,569

For and on behalf of the Board of Directors



P F Rea Chair



P F Heslin Deputy Chair

The accompanying notes form part of these financial statements

Consolidated cash flow statement ~ for the year ended 30 June 2022

Notes	2022 \$000	2021 \$000
Cash flows from operating activities		
Receipts from customers	84,295	88,355
Proceeds from sale of property inventories	-	2,433
Net GST received (paid)	(210)	397
Payments to suppliers and employees	(46,961)	(56,589)
Purchase of property inventories	(465)	(3,629)
Interest paid	(2,911)	(2,562)
Subvention payments	(100)	(100)
Income tax payments	(3,878)	(6,596)
Net cash flows from operating activities	29,770	21,709
Cash flows from investing activities		
Proceeds from sale of investment property	214	-
Proceeds from sale of property, plant and equipment	314	36
Purchase of investment property	(29,447)	(10,515)
Purchase of property, plant and equipment	(15,480)	(7,592)
Advances from joint operations	-	27
Interest capitalised	A3 (159)	(190)
Net cash flows from investing activities	(44,558)	(18,234)
Cash flows from financing activities		
Proceeds from borrowings	208,215	59,600
Repayment of borrowings	(180,305)	(52,800)
Dividends paid	D2 (13,000)	(10,100)
Repayment of lease liabilities	(283)	(241)
Net cash flows from financing activities	14,627	(3,541)
Increase (decrease) in cash held	(161)	(66)
Cash held at beginning of period	241	307
Cash held at end of period	80	241

The accompanying notes form part of these financial statements

Notes to the financial statements

Reporting entity

Port Otago Limited ("the Company") is a limited company incorporated and domiciled in New Zealand. The address of its registered office and principal place of business is disclosed in the directory of the Integrated Report.

The financial statements presented are those of Port Otago Limited and its subsidiaries ("the Group"). The ultimate owner of the Group is the Otago Regional Council. Port Otago Limited operates a full service container port at Port Chalmers and provides wharf facilities in Dunedin. The principal activities of the Group are further described in section E.

These financial statements have been prepared to comply with the Companies Act 1993, the Financial Reporting Act 2013 and the Port Companies Act 1988.

The financial statements of Port Otago Limited are for the year ended 30 June 2022 and were issued by the Board on 6 September 2022.

Basis of preparation

These financial statements of Port Otago Limited have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand.

Accounting policies applied in these financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) issued and are effective as at the time of preparing these statements as applicable to Port Otago Limited as a profit-oriented entity. In complying with NZ IFRS Port Otago Limited is simultaneously in compliance with International Financial Reporting Standards (IFRS).

The preparation of financial statements in accordance with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The financial statements are presented in New Zealand dollars. All values are rounded to the nearest thousand dollars (\$'000).

Measurement base

These annual financial statements have been prepared under the historical cost convention except for the revaluation of certain assets and the recognition at fair value of certain financial instruments (including derivative financial instruments).

New standards, amendments and interpretations

Change in accounting policy - Software-as-a-Service arrangements

The IFRS Interpretations Committee (IFRIC) has issued two agenda decisions related to accounting for Software-as-a-Service (SaaS) arrangements.

In April 2021, the IFRIC specifically considered how an entity should account for configuration and customisation costs incurred in implementing these (SaaS) service arrangements. The IFRIC concluded (the second agenda decision) that these costs should be expensed, unless the criteria for recognising a separate asset are met. Following the change in accounting policy, \$425,954 previously capitalised and included in intangible assets was fully depreciated during the year ended 30 June 2022.

Critical estimates and assumptions

The Group makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results and are continually being evaluated based on historical experience and other factors, including expectations of future events that are expected to be reasonable under the circumstances. There are no estimates or assumptions in the view of Directors that have a risk of causing a significant adjustment to the carrying amounts of assets or liabilities within the next financial year.

Further information about areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is disclosed in the relevant notes:

- Fair value measurements of property portfolio assets (note B4)
- Property, plant and equipment (note B5).

Comparatives

Certain prior period assets and liabilities have been reclassified between functional categories for consistency with the current period.

Covid-19 impact

The Group continues to monitor and manage the impacts of Covid-19, and has negotiated abatement arrangements with tenants. The Covid-19 Response (Management Measures) Legislation Act 2021, which was enacted in November 2021, mandated rent abatements by landlords. The Group provided rental abatements of \$283,355 for the year ended 30 June 2022 (2021: \$15,608).

Reconciliation of profit for the year to net cash flows from operating activities ~ for the year ended 30 June 2022

	2022 \$000	2021 \$000
Profit for the year	70,475	94,507
Plus/(less) non-cash items:		
Unrealised change in the value of investment property	(59,765)	(82,240)
Depreciation and amortisation	12,288	12,350
Impairment of property, plant and equipment	-	848
Movement in the fair value of ineffective interest rate swaps	(1,203)	(602)
Movement in non-current employee entitlements	(53)	(101)
Movement in deferred tax	4,026	2,035
Plus/(less) items classified as investing activities:		
Gain on sale of property, plant and equipment	(100)	(31)
Movement in working capital items:		
Trade and other receivables	741	1,516
Trade and other payables	1,775	(1,165)
Current employee entitlements	565	(1,513)
Provisions	-	(227)
Income tax payable	1,852	(1,689)
Maintenance inventories	71	(35)
Property inventories	(465)	(1,986)
Movement in other working capital items classified as investing activities	(437)	42
Net cash flows from operating activities	29,770	21,709

Reconciliation of liabilities arising from financing activities to cash flows ~ for the year ended 30 June 2022

Notes	2022 \$000	2021 \$000
Interest bearing liabilities		
Opening interest bearing liabilities	82,198	74,577
Lease additions	-	1,062
Cash movements		
Repayment of borrowings	(180,305)	(52,800)
Subscribed borrower notes	D3 (1,210)	-
Proceeds from borrowings	209,425	59,600
Repayment of lease principal	(283)	(241)
Closing interest bearing liabilities	109,825	82,198

The accompanying notes form part of these financial statements

Section A

Financial performance

A1 Revenue

Marine and cargo services and warehousing and logistics services revenue

Marine and cargo services revenue is derived from an integrated performance obligation for the provision of channel navigation, berthage, wharfage, stevedoring and empty container services. Warehousing and logistics services revenue is derived from the storage and container packing of customer cargo. Revenue is based on the service price specified in the relevant tariffs or specific customer contract. The contract price for the services performed reflects the value transferred to the customer and is accounted for as a single performance obligation and recognised over-time. Revenue is shown net of rebates and discounts.

Property rentals

Port property rentals are derived from leased property (see note B5) integral to the import and export of goods through the port and subject to an operating lease with a port customer. Revenue is recognised on a straight-line basis over the lease term.

Investment property rentals are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

	2022 \$000	2021 \$000
Disaggregation of property rentals		
Port property rentals	7,670	7,265
Investment property rentals	23,704	19,885
Property rentals	31,374	27,150

Sales of property inventories

Income from the sales of property inventories is recognised when an unconditional contract for the sale is in place, it is probable the consideration due will be received and control has transferred to the purchaser.

A2 Operating expenses

Expenses incurred in the financial year of \$65.9 million (2021: \$68.5 million) for the Group include the following:

	2022 \$000	2021 \$000
Staff costs		
Wages and salaries	29,668	30,601
Superannuation employer contributions	1,485	1,552
Total staff costs	31,153	32,153

Salaries and other short-term employee benefits paid to key management personnel during the financial year totalled \$3,701,272 (2021: \$3,331,002). No other incentives were paid.

	2022 \$000	2021 \$000
Audit fees - Audit New Zealand	93	127
Audit fees - Ernst & Young	130	-
Non audit services - Ernst & Young	62	-
Directors fees	500	387

Non audit services comprises fees to Ernst & Young for Director and Executive remuneration advice conducted prior to appointment as auditor (\$61,190) and provision of a tax model (\$750).

	Notes	2022 \$000	2021 \$000
Depreciation and amortisation			
Depreciation of property, plant and equipment	B5	10,981	11,427
Amortisation of intangibles	B6	1,142	802
Amortised leasing costs		165	121
Total depreciation and amortisation		12,288	12,350

A3 Net financing costs

Borrowing costs directly attributable to the acquisition and/or construction of property, plant and equipment and long-term investment property development projects are capitalised as part of the cost of those assets. Other borrowing costs are expensed in the period in which they are incurred.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the asset to that asset's net carrying amount.

	2022 \$000	2021 \$000
Interest income	1	-
Interest expense and bank facility fees	(2,878)	(2,798)
Interest on lease liabilities	(204)	(189)
Interest capitalised	159	190
Net financing costs	(2,922)	(2,797)
Weighted average capitalisation rate on funds borrowed	3.1%	3.4%

A4 Income tax

Income tax expense

Income tax expense represents the sum of the tax currently payable and deferred tax except to the extent that it relates to items recognised directly in equity, in which case the tax expense is also recognised in equity. The current tax payable is based on taxable profit for the period. Taxable profit differs from profit reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the tax rates that have been enacted by the balance date. Port Otago Limited is part of a consolidated tax group including its subsidiaries, Chalmers Properties Limited and Fjordland Pilot Services Limited. The total charge for the year can be reconciled to the accounting profit as follows:

	2022 \$000	2021 \$000
Profit before income tax	80,233	101,449
Prima facie tax expense at 28%	(22,465)	(28,406)
Non deductible items	(47)	(70)
Non assessable income	29	-
Unrealised change in the fair value of investment property	13,146	21,636
Tax loss offset (via subvention payment)	100	100
Prior year adjustment	(15)	(92)
Deferred tax relating to the origination and reversal of temporary differences	(505)	(110)
Income tax expense	(9,757)	(6,942)
<i>Allocated between:</i>		
Current tax	(5,816)	(4,914)
Prior period adjustments to current tax	85	7
Deferred tax	(4,026)	(2,035)
	(9,757)	(6,942)

Deferred tax

Deferred tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the balance date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

Deferred tax (assets) and liabilities	Property, plant and equipment \$000	Investment property \$000	Property inventories \$000	Financial instruments \$000	Other \$000	Total \$000
Balance at 1 July 2021	10,759	7,071	238	(64)	(1,600)	16,404
Charged / (credited) to hedging reserve direct to equity	-	-	-	927	-	927
Charged / (credited) to income statement	(510)	4,556	(1)	337	(356)	4,026
Balance at 30 June 2022	10,249	11,627	237	1,200	(1,956)	21,357

Balance at 1 July 2020	11,365	4,730	380	(855)	(1,873)	13,747
Charged / (credited) to hedging reserve direct to equity	-	-	-	622	-	622
Charged / (credited) to income statement	(606)	2,341	(142)	169	273	2,035
Balance at 30 June 2021	10,759	7,071	238	(64)	(1,600)	16,404

Imputation credits

	2022 \$000	2021 \$000
Imputation credits available to shareholders for future use	47,211	47,693

Section B

Capital assets used to operate the business

B1 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in the Income Statement for the period in which they arise. Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The fair value of investment property reflects the Directors' assessment of the highest and best use of each property and amongst other things, rental income from current leases

and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects the cash outflows that could be expected in respect of the property. No depreciation is provided for on investment properties.

For tax purposes, depreciation is claimed on building fit-out, and is also claimed on buildings. A deferred tax liability is recognised where the building component of the revalued building exceeds the tax book value of the building. The deferred tax liability is capped at the amount of depreciation that has been claimed on each building. Gains or losses on the disposal of investment properties are recognised in the Income Statement in the period in which the risks and rewards of the investment property have been fully transferred to the purchaser. Borrowing costs are capitalised if they are directly attributable to the acquisition or

construction of a qualifying property. Capitalisation of borrowing costs will continue until the asset is substantially ready for its intended use. The rate at which borrowing costs are capitalised is determined by reference to the weighted average borrowing costs and the average level of borrowings.

	Notes	2022 \$000	2021 \$000
Balance at beginning of year		479,290	378,489
Transfer from property inventories	B2	5,531	7,751
Transfer to non-current assets held for sale	B3	(2,060)	-
Capital expenditure and improvements		28,661	10,328
Net movement in prepaid leasing costs		512	171
Net movement in lease incentives		376	121
Interest capitalised		110	190
Unrealised change in the fair value of investment property		59,765	82,240
Balance at end of year		572,185	479,290
<i>Comprising:</i>			
Industrial		316,605	258,940
Retail		31,900	31,900
Office		2,850	2,800
Leasehold		220,830	185,650
		572,185	479,290
Breakdown of valuations by valuer			
Savills (NZ) Limited (Savills)		-	208,725
Bayleys Valuations Limited		248,755	-
CBRE Limited (CBRE)		31,900	31,900
Jones Lang LaSalle Limited (JLL)		65,936	55,371
CVAS (NZ) Limited (Colliers)		209,350	182,075
		555,941	478,071
Plus investment property builds under construction and carried at cost		16,244	1,219
		572,185	479,290

B2 Property inventories

Transfers from investment property to property inventories occur when there is a change in use evidenced by the commencement of a development with a view to sale. Future development stages that have not yet commenced and are being held for capital appreciation are accounted for in investment property. Property inventories are accounted for as inventory under NZ IAS 2 and initially recognised at deemed cost represented by the fair value at the time of commencement of the development. Further costs

directly incurred through development activities are capitalised to the cost of the property inventories. Property inventories are valued annually and are measured at the lower of cost and net realisable value. Where costs exceed the fair value of the property inventories the resulting write-downs are included in the Income Statement in the period in which they arise.

Disposals are recorded in revenue as sales of property inventories with the cost of sales recorded in operating expenses as cost of sales of property inventories.

The \$16.4 million carrying value at balance date reflects the cost of 7.3 hectares of developed land for sale. In their June 2022 valuation, Jones Lang LaSalle stated a net realisable value of \$42.1 million for this land on hand. At June 2021, the \$21.5 million carrying value of developed land reflects the Group's 10.4 hectare share of the developed land. Jones Lang LaSalle stated a net realised value for the Group's share of developed land on hand at June 2021 of \$33.2 million.

	Notes	2022 \$000	2021 \$000
Balance at beginning of year		21,495	27,554
Transfer to investment property	B1	(5,531)	(7,751)
Land acquired from joint venture partner		-	2,499
Development expenditure and improvements		464	833
Disposals		-	(1,640)
Balance at end of year		16,428	21,495
<i>Comprising:</i>			
Developed land for sale		16,428	21,495
		16,428	21,495

Inventory classified as non-current

The non-current portion of property inventories relates to land and developments that are expected to be held for greater than 12 months.

B3 Non-current assets held for sale

Property classified as held for sale is measured at:

- fair value for investment property held for sale (NZ IAS 40); and
- fair value less estimated costs of disposal, measured at the time of transfer, for items transferred from property, plant and equipment (NZ IFRS 5).

Property is classified as held for sale if the carrying amount will be recovered through a sales transaction rather than through continuing use. Property is not depreciated or amortised while it is classified as held for sale.

The non-current assets held for sale represent investment properties which were sold and settled subsequent to balance date.

	Notes	2022 \$000	2021 \$000
Balance at beginning of year		-	-
Transfer from investment property	B1	2,060	-
Disposals		-	-
Balance at end of year		2,060	-

B4 Fair value measurements of property portfolio assets

Critical estimates and assumptions

The valuation of investment property requires estimation and judgement. The fair value of investment properties is determined from valuations prepared by independent valuers using Level 3 valuation techniques. Level 3 valuation techniques use inputs for the asset that are not based on observable market data, that is, unobservable inputs. All investment properties were valued as at balance date by Bayleys, CBRE, JLL or Colliers (2021: Savills, CBRE, JLL or Colliers) who are independent valuers and members of the New Zealand Institute of Valuers. There is a policy of rotation of independent investment property valuers. Other than in exceptional circumstances, the terms of rotation for ground leases are every four years and all other investment properties, every three years.

As part of the valuation process, management verifies all major inputs to the independent valuation reports, assesses movements in individual property values and holds discussions with the independent valuer. The fair value was determined using Level 3 valuation techniques via a combination of the following approaches:

- **Direct Capitalisation:** The subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.
- **Discounted Cash Flow:** Discounted cash flow projections for the subject property are based on estimates of future cash flows, supported by the terms of any existing lease and by external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
- **Sales Comparison:** The subject property is related at a rate per sqm as a means of comparing evidence. In applying this approach a number of factors are taken into account such as, but not limited to, size, location, zoning, contour, access, development potential and end use, availability of services, profile and exposure, current use of surrounding properties, geotechnical and topographical constraints.

Significant inputs used together with the impact on fair value of a change in inputs:

As at 30 June 2022	Range of significant unobservable inputs		Fair value measurement sensitivity to significant	
			increase in input	decrease in input
Market capitalisation rate (%) ¹	4.0 %	9.0 %	Decrease	Increase
Market rental (\$ per sqm) ²	\$12	\$396	Increase	Decrease
Discount rate (%) ³	6.1 %	9.5 %	Decrease	Increase
Rental growth rate (%) ⁴	1.0 %	3.3 %	Increase	Decrease
Terminal capitalisation rate (%) ⁵	4.1 %	9.3 %	Decrease	Increase
Profit and risk rate (%) ⁶	5.0 %	5.0 %	Decrease	Increase
Development sell down period (years) ⁷	0.25 - 0.50 years	0.75 years	Decrease	Increase

As at 30 June 2021	Range of significant unobservable inputs		Fair value measurement sensitivity to significant	
			increase in input	decrease in input
Market capitalisation rate (%) ¹	4.0%	7.8%	Decrease	Increase
Market rental (\$ per sqm) ²	\$10.50	\$456	Increase	Decrease
Discount rate (%) ³	5.8%	9.3%	Decrease	Increase
Rental growth rate (%) ⁴	1.6%	3.0%	Increase	Decrease
Terminal capitalisation rate (%) ⁵	4.0%	8.0%	Decrease	Increase
Profit and risk rate (%) ⁶	5.0%	5.0%	Decrease	Increase
Development sell down period (years) ⁷	2 years	2 years	Decrease	Increase

1. The capitalisation rate applied to the market rental to assess a property's value, determined through similar transactions taking into account location, weighted average lease term, size and quality of the property.
2. The valuers assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction.
3. The rate applied to future cash flows relating transactional evidence from similar properties.
4. The rate applied to the market rental over the future cash flow projection.
5. The rate used to assess the terminal value of the property.
6. The rate provides an allowance for the risks and uncertainties associated with similar activities in conjunction with current market conditions.
7. The length of time in years anticipated to complete the sell down of developed land.

Investment Property - reconciliation of Level 3 fair value measurements	2022 \$000	2021 \$000
Balance at beginning of year	479,290	378,489
Unrealised change in the fair value of investment property	59,765	82,240
Improvements	29,659	10,810
Transfers to non-current assets held for sale	(2,060)	-
Transfers from property inventories	5,531	7,751
Balance at the end of the year	572,185	479,290

B5 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When significant, interest costs incurred during the period required to construct an item of

property, plant and equipment are capitalised as part of the asset's total cost. Property is classified as property, plant and equipment if the property is held to meet the strategic purposes of the port, or to form part of buffer zones to port activity, or to assist the provision of port services, or to

promote or encourage the import or export of goods through the port. Included in harbour improvements and capital work in progress is the capitalised cost of channel dredging of \$9,127,000 (2021: \$9,127,000).

	Land \$000	Buildings and improvements \$000	Harbour improvements \$000	Plant, equipment and vehicles \$000	Work in progress \$000	Total \$000
Cost						
Balance 1 July 2020	38,636	86,256	91,030	117,036	4,845	337,803
Additions	1,062	-	-	-	7,591	8,653
Transfer (from) / to	-	3,359	305	4,101	(8,684)	(919)
Disposals	-	(760)	-	(279)	-	(1,039)
Cost at 30 June 2021	39,698	88,855	91,335	120,858	3,752	344,498
Balance 1 July 2021	39,698	88,855	91,335	120,858	3,752	344,498
Additions	-	-	-	-	15,485	15,485
Transfer (from) / to	-	2,707	-	3,170	(5,888)	(11)
Disposals	(95)	(675)	-	(1,289)	-	(2,059)
Cost at 30 June 2022	39,603	90,887	91,335	122,739	13,349	357,913
Accumulated depreciation						
Balance 1 July 2020	207	26,590	24,327	59,081	-	110,205
Depreciation for period	260	3,197	1,999	5,971	-	11,427
Disposals	-	(756)	-	(278)	-	(1,034)
Impairment of property, plant and equipment	-	-	848	-	-	848
Accumulated depreciation at 30 June 2021	467	29,031	27,174	64,774	-	121,446
Balance 1 July 2021	467	29,031	27,174	64,774	-	121,446
Depreciation for period	313	3,001	1,839	5,828	-	10,981
Disposals	-	(530)	-	(1,315)	-	(1,845)
Accumulated depreciation at 30 June 2022	780	31,502	29,013	69,287	-	130,582
Net book value						
At 30 June 2021	39,231	59,824	64,161	56,084	3,752	223,052
At 30 June 2022	38,823	59,385	62,322	53,452	13,349	227,331

Included in property, plant and equipment are the following assets, all integral to the import or export of goods through the port and subject to an operating lease with a port customer.

Leased assets	Land \$000	Buildings and improvements \$000	Total \$000
Cost			
Balance 1 July 2020	9,589	40,405	49,994
Additions	-	913	913
Disposals	-	(744)	(744)
Cost at 30 June 2021	9,589	40,574	50,163
Balance 1 July 2021	9,589	40,574	50,163
Additions	-	39	39
Disposals	(95)	(186)	(281)
Cost at 30 June 2022	9,494	40,427	49,921
Accumulated depreciation			
Balance 1 July 2020	-	7,996	7,996
Depreciation for period	-	1,065	1,065
Disposals	-	(744)	(744)
Accumulated depreciation at 30 June 2021	-	8,317	8,317
Balance 1 July 2021	-	8,317	8,317
Depreciation for period	-	1,055	1,055
Disposals	-	(41)	(41)
Accumulated depreciation at 30 June 2022	-	9,331	9,331
Net book value			
At 30 June 2021	9,589	32,257	41,846
At 30 June 2022	9,494	31,096	40,590

Critical estimates and assumptions

At each balance date, the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful lives and residual value estimates of property, plant and equipment requires the Group to consider a number of factors such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset. An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the Income Statement and carrying amount of the asset in the Statement of Financial Position. The Group minimises the risk of this estimation uncertainty by physical inspection of assets, asset replacement programmes and analysis of prior asset sales.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis so as to allocate the costs of assets over their estimated useful lives. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, and depreciated on a straight-line basis over the remaining estimated useful life of the asset.

Land	nil
Buildings and improvements and building fit-out	5-50 years
Harbour improvements	
- Wharves	10-70 years
- Berth and channel dredging	nil
Vessels and floating plant	5-30 years
Right-of-use assets	1-10 years
Other plant, equipment and vehicles	3-35 years

Impairment of property, plant and equipment

Property, plant and equipment assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If an indication of impairment exists then the asset's recoverable amount is estimated. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised immediately in the Income Statement.

During the 2021 comparative period, an impairment charge of \$848,000 was recognised following an engineering review of the Ravensdown wharf which concluded that there are operational limitations to the existing structure.

B6 Intangible assets

The cost of acquiring an intangible asset is amortised from the date the asset is ready for use on a straight-line basis over the periods of expected benefit.

	Notes	Computer software \$000	Resource consents \$000	Total \$000
Cost				
Balance 1 July 2020		7,732	5,645	13,377
Transfer from property, plant and equipment work in progress	B5	914	5	919
Disposals		-	-	-
Cost at 30 June 2021		8,646	5,650	14,296
Balance 1 July 2021		8,646	5,650	14,296
Transfer from property, plant and equipment work in progress	B5	11	-	11
Disposals		-	-	-
Cost at 30 June 2022		8,657	5,650	14,307
Accumulated amortisation				
Balance 1 July 2020		6,428	1,687	8,115
Amortisation expense		546	256	802
Disposals		-	-	-
Accumulated amortisation at 30 June 2021		6,974	1,943	8,917
Balance 1 July 2021		6,974	1,943	8,917
Amortisation expense		887	255	1,142
Disposals		-	-	-
Accumulated amortisation at 30 June 2022		7,861	2,198	10,059
Net book value				
At 30 June 2021		1,672	3,707	5,379
At 30 June 2022		796	3,452	4,248

Computer software

During the year, the Company revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements. SaaS arrangements are service contracts providing the Group with the right to access the cloud provider’s application software over the contract period.

Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider’s application software, are recognised as operating expenses.

Costs incurred for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The amortisation periods range from 1 to 5 years. The useful lives of these assets are reviewed at least at the end of each financial year.

Resource consents

For resource consents the amortisation periods range from 3 to 25 years. Where the periods of expected benefit or recoverable values have diminished, due to technological change or market conditions, amortisation is accelerated or the carrying value is written down. Resource consents relate to the granting of the consents which will allow Port Otago Limited to deepen to 15 metres and widen the channel in Otago Harbour so larger ships will be able to call at Port Chalmers. Consents were granted in January 2013 and were activated in March 2015. Amortisation of the carrying amounts commenced on the activation of the consents and will be amortised over the life of the consents which is either 3 years or 20 years. An additional 25 year consent was granted in June 2017 to undertake maintenance dredging and disposal of dredge spoil.

Section C

Operating assets and liabilities used to operate the business

C1 Trade and other receivables

Trade and other receivables arise in the ordinary course of business and are initially valued at fair value and subsequently measured at amortised cost using the effective interest method less any provision for impairment. Port Otago invoices for services as they are performed, generally on a monthly basis. They

are non-interest bearing and have payment terms of generally the 20th of the month following the invoice. The carrying value of trade and other receivables includes an expected credit loss allowance of \$380,000 in respect of trade receivable balances at 30 June 2022 (2021: \$245,000). To measure the expected credit loss

allowance amount, historical loss rates are adjusted to reflect forward-looking information. Trade receivables are grouped in accordance with the days past due. The Group identified business confidence and global growth as the most relevant credit risk factors.

	2022 \$000	2021 \$000
Trade receivables	11,567	10,831
Prepayments	1,305	2,780
Balance at end of year	12,872	13,611

The status of trade receivables at the reporting date is as follows:

	2022 \$000	2021 \$000
Not past due	11,348	6,559
Past due 30-60 days	60	3,665
Past due 61-90 days	87	266
Past due more than 90 days	452	586
Gross receivable	11,947	11,076
Less allowance for expected credit losses	(380)	(245)
Balance at end of year	11,567	10,831

C2 Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

	2022 \$000	2021 \$000
Accounts payable	2,352	2,545
Other accrued charges	5,670	3,492
GST payable	720	930
Balance at end of year	8,742	6,967

C3 Maintenance inventories

Inventories are stores, materials and maintenance spares to be consumed in the rendering of services and are stated at the lower of cost and net

realisable value. The cost of stores, materials and maintenance spares are determined on a weighted average basis. The carrying

amounts of maintenance inventories include appropriate allowances for obsolescence and deterioration (2022: nil, 2021: nil).

C4 Employee entitlements

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave, sick leave, long service leave, retiring allowances, superannuation contributions and incentive plans when it is probable that settlement will be required. Provisions made in respect of employee benefits expected to be settled within 12 months

are measured at undiscounted amounts based on remuneration rates that the Group expects to pay. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by

employees up to the reporting date. These provisions are affected by a number of estimates including projected interest rates, the expected length of service of employees and future levels of employee earnings. Long service leave accrued to key management personnel at balance date totalled \$58,282 (2021: \$70,721).

	2022 \$000	2021 \$000
Accrued wages, salaries and other benefits	947	667
Annual leave	3,657	3,375
Long service leave	866	919
Retiring allowances	37	37
Sick leave	133	130
Balance at end of year	5,640	5,128
<i>Analysed as:</i>		
Current	4,737	4,172
Non-current	903	956
	5,640	5,128

C5 Leases

As lessor

The Group has entered into commercial property leases including perpetual ground leases. These leases have remaining non-cancellable lease terms of up to 21 years. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group has determined that it retains all significant risks and rewards of ownership of the commercial property leases and has therefore classified the leases as operating leases. Property leased out under operating leases is included in investment property and property, plant and equipment in the Statement of Financial Position. Future minimum rentals receivable under non-cancellable commercial property leases including amounts up to the next renewal term for perpetual ground leases are:

	2022 \$000	2021 \$000
Rentals receivable		
Less than 1 year	28,766	24,329
1 - 2 years	27,011	22,942
2 - 3 years	24,828	21,277
3 - 4 years	23,835	20,105
4 - 5 years	18,452	18,873
Greater than 5 years	84,905	86,869
Minimum future lease receivable	207,797	194,395

As lessee

The Group leases plant, equipment and land for port operations typically for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The Group recognises a right-of-use asset and a lease liability at the commencement date of a lease except for short-term leases, where the lease term is less than 12 months, or related to low value assets, which are expensed on a straight-line basis over the term of the lease. On initial recognition lease liabilities are recognised at the net present value of the future lease payments discounted using the interest rate implicit in the lease. Lease liabilities are subsequently measured at amortised cost. Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability. Right-of-use assets are included within property, plant and equipment in the Statement of Financial Position and are subsequently measured on the same basis.

	2022 \$000	2021 \$000
Right-of-use assets - plant, equipment and land		
Balance at beginning of year	2,971	2,223
Additions	-	1,062
Depreciation	(352)	(314)
Balance at end of year	2,619	2,971
Lease liabilities		
Balance at beginning of year	3,108	2,287
Additions	-	1,062
Interest expense	204	189
Lease payments - cash	(487)	(430)
Balance at end of year	2,825	3,108
Lease liabilities		
Current	258	283
Non-current	2,567	2,825
	2,825	3,108

Section D

Business funding

D1 Equity

	2022 \$000	2021 \$000
Share capital	20,000	20,000
Property revaluation reserve	388,225	328,460
Hedging reserve	1,949	(436)
Retained earnings	284,304	286,593
Total equity	694,478	634,617

Capital management strategy

The Group's capital is its equity, which comprises the share capital, reserves and retained earnings noted above. Equity is represented by net assets. The owners of the Group require the Board to manage its revenue, expenses, assets and liability transactions prudently. The Group's equity is therefore managed as an integral component of these prudent transactions. The objective of managing the Group's equity is to ensure that the Group effectively achieves its objectives while providing a financial return to the owners. The Group manages capital on the basis of the equity ratio with a target range of 70% to 85%.

Share capital

At 30 June 2022 Port Otago Limited has 20,000,000 ordinary shares authorised and issued (2021: 20,000,000 ordinary shares authorised and issued). All shares are fully paid (\$1.00 per share) and have no par value. All shares carry equal voting rights and the right to share in any surplus on the winding up of the Group.

Property revaluation reserve

The property revaluation reserve relates to the revaluation of investment properties.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments relating to interest payments that have not yet occurred.

Retained earnings

The purpose of the retained earnings reserve is to hold funds for future investment or returns to the shareholder.

D2 Dividends

	2022 \$000	2021 \$000
First interim dividend paid 30 cps (2021: 22.5 cps)	6,000	4,500
Second interim dividend paid 30 cps (2021: 23 cps)	6,000	4,600
Final dividend 5 cps (2021: 5 cps)	1,000	1,000
Dividends for the financial year	13,000	10,100
<i>Adjust for dividends declared after year end:</i>		
2022 Final dividend declared September 2022	(1,000)	-
2021 Final dividend declared October 2021	1,000	(1,000)
2020 Final dividend declared September 2020	-	1,000
Dividend distributed to owners as disclosed in the Consolidated Statement of Changes in Equity	13,000	10,100
Dividends - cents per share (cps)	65	50

D3 Borrowings

Borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income

Statement over the period of the borrowings, using the effective interest method. The effective interest rate, incorporating the effect of hedge contracts, is 3.1% (2021: 3.6%).

The carrying amount of borrowings

reflects fair value as the borrowing finance rates approximate market rates.

	2022 \$000	2021 \$000
Current liabilities		
Bank loans	8,250	5,240
Total current liabilities	8,250	5,240
Non-current liabilities		
Bank loans	-	73,850
Related party loans - Otago Regional Council	99,960	-
Total non-current liabilities	99,960	73,850
Total borrowings	108,210	79,090

Bank loans

The Group has a \$31 million (2021: \$81 million) Short Term Advances Facility with ANZ Bank New Zealand Limited (ANZ) which the Group may draw from for terms ranging from call to the termination of the agreement, which is 1 July 2024. In addition the Group has a revolving \$29 million (2021: \$29 million) Commercial Flexi Facility with ANZ which is subject to an annual review. The next review is due on 30 November 2022.

The financial undertakings provided to the ANZ are an adjusted equity % (shareholder investment / total tangible assets) of greater or equal to 50% and interest cover ratio (EBIT : interest costs) greater or equal to 2.50 : 1. All financial undertakings were in compliance as at 30 June 2022.

The security for advances is a cross guarantee and indemnity between Port Otago Limited, Chalmers Properties Limited and Te Rapa Gateway Limited in favour of the lender, general security agreement over the assets of Port Otago Limited and Chalmers Properties Limited and registered first-ranking mortgages over land.

Related party loans

During the year, Port Otago Limited and its shareholder the Otago Regional Council (ORC) entered into an agreement whereby the ORC will provide unsecured loans up to a maximum of \$100 million. The loan amounts, interest rates and repayment dates match loans provided by the New Zealand Local Government Funding Agency (LGFA) to the ORC. Port Otago Limited pays all reasonable costs and expenses incurred by the ORC in connection with the establishment of its LGFA facility and ongoing fees. All loans under the agreement are unsecured.

The maturity dates for the loans range from August 2022 to June 2029 (2021: nil). The ORC or Port Otago Limited may terminate the related party loan agreement by giving 24 months notice to the other party. If the termination notice is provided by the ORC, any funding break costs are incurred by the ORC. At 30 June 2022, no termination notice had been received from the ORC.

When borrowing long-term from LGFA, borrower notes must be subscribed for in an amount of 2.5% of long-term borrowings. Borrower notes are used by LGFA as a source of capital to ensure there is sufficient capital to match the growth in the LGFA's balance sheet. LGFA redeems the borrower notes plus interest when the related borrowings are repaid or no longer owed to LGFA. At 30 June 2022, the Group had subscribed to borrower notes totalling \$1,210,255 (2021: nil).

	2022 \$000	2021 \$000
Other financial assets		
Borrower notes	1,210	-
Total other financial assets	1,210	-

Section E

Group structure

E1 Investment in subsidiaries

The financial statements include those of Port Otago Limited (the Company) and its subsidiaries accounted for by line aggregation of assets, liabilities, revenues, expenses and cash flows that are recognised in the financial statements.

Business combinations are accounted for using the acquisition

method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Subsidiaries are entities that are controlled, either directly or indirectly, by the Company. The results of

subsidiaries acquired or disposed of during the period are included in the Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions are eliminated on consolidation.

E2 Principal subsidiaries

The Group included the following subsidiaries at 30 June 2022. All subsidiaries have a 30 June balance date.

Name	% of ownership interest		Principal activity	Principal place of business
	2022	2021		
Chalmers Properties Limited	100%	100%	Property investment	Dunedin and Auckland
Te Rapa Gateway Limited	100%	100%	Property investment	Hamilton
Fiordland Pilot Services Limited	100%	100%	Shipping services	Fiordland

There are no significant restrictions to the Company settling the liabilities of the subsidiaries or the Company's access to the assets, except for the general security agreement and registered first-ranking mortgages over land as detailed in note D3. There has been no significant change in the risks associated with these interests.

Chalmers Properties Limited has provided an advance to Te Rapa Gateway Limited to fund its share of land acquisition and development expenditure. The current intention of Chalmers Properties Limited is to provide ongoing financial support to Te Rapa Gateway Limited.

Port Otago Limited and Chalmers

Properties Limited have a \$300,000 overdraft offset facility arrangement which is included in the Group debt facility detailed in note D3. The purpose of this arrangement is to minimise any interest costs to the two entities.

E3 Transactions with related parties

The amounts owing to/from related parties are payable in accordance with the Group's normal terms of trade. No related party debts have been written off or forgiven during the year. Amounts receivable and amounts payable from related parties are set out below. Total remuneration paid to Key Management Personnel is disclosed in note A2.

Transactions with Otago Regional Council

Note D3 details the agreement entered into between the Otago Regional Council (ORC) and Port Otago Limited during the year whereby the ORC will provide unsecured loans up to a maximum of \$100 million.

During the year the Group and the ORC entered into an agreement for the ORC to transfer 2021 tax year losses to the Group. In conjunction with the tax loss transfer of \$257,364 (2021 tax year: \$257,857), by way of a tax loss offset, the Group made a subvention payment of \$100,086 (2021 tax year: \$100,278) to the ORC. The consequence of the tax loss transfer and the subvention payment was a \$100,086 reduction in income tax payments in the current year (2021: \$100,278). The amount paid to the Otago Regional Council for rates, rentals and resource consent fees during 2022 was \$150,135 (2021: \$175,380) with no balance outstanding at year end (2021: nil). The amount received from the Otago Regional Council as a contribution towards the operation of the Harbour Control Centre at Port Chalmers was \$60,000 (2021: \$60,000) with \$17,250 receivable at year end (2021: \$17,250).

Directors

Mrs D J Taylor and **Mr T D Gibson** are Directors of Silver Fern Farms Limited, a customer of the Group. The amount received from Silver Fern Farms Limited during 2022 for container storage was \$4,343 (2021: \$2,800) with nil receivable at year end (2021: nil).

Mr R J Fulton is a Director of Fulton Hogan Limited, a supplier and customer of the Group. The amount paid to Fulton Hogan Limited during 2022 for the supply of goods and services was \$1,233,105 (2021: \$1,249,110) with nil payable at year end (2021: \$105,870). The amount received from Fulton Hogan Limited during 2022 for property rentals was \$82,457 (2021: \$82,457).

Ms R C Lloyd is the Chief Executive of Toitū Envirocare, a supplier to the Group. The amount paid to Toitū Envirocare during 2022 for services was \$34,228 (2021: \$35,750) with nil payable at year end (2021: nil).

Section F

Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk and interest rate risk). The Group's overall risk management programme focuses on the unpredictability of financial

markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group has a treasury policy which limits exposure to market risk for changes in interest rates and foreign currency, counter-party credit risk

and liquidity risk. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The Group does not hold derivative financial instruments for speculative purposes.

F1 Credit risk

Credit risk is the potential loss from a transaction in the event of default by a counterparty on its contractual obligations. Financial instruments which potentially subject the Group

to credit risk, principally consist of bank balances, trade and other receivables, derivative financial instruments and other financial assets.

Risk management

Credit risk is managed for cash and cash equivalents, derivative financial instruments and deposits with banks, as well as credit exposures to trade receivables transactions. Derivative counterparties and cash transactions are limited to high credit quality financial institutions who currently have a Standard & Poors long-term credit rating of AA- or better. The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group's credit risk is also attributable to trade receivables which comprise a large number of customers, spread across diverse industries. The Group only extends credit after performing a credit assessment, which may include a review of their financial strengths, previous credit history with the Group, payment habits with other suppliers and bank references.

F2 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due. The Group manages the risk by targeting a minimum liquidity

level by continuously forecasting cash flows and matching the maturity profiles of financial assets and liabilities. The Group's exposure to

liquidity risk on undiscounted cash flows relating to non-derivative and derivative financial liabilities is shown below:

	Weighted average effective interest rate	Carrying amount \$000	Contractual cash flows \$000	Less than 1 year \$000	1-5 years \$000	Greater than 5 years \$000
As at 30 June 2022						
Trade and other payables		(8,742)	(8,742)	(8,742)	-	-
Lease liabilities		(2,825)	(3,717)	(444)	(2,218)	(1,055)
Borrowings (secured)	3.5%	(8,250)	(8,251)	(8,251)	-	-
Related party loans (unsecured)	2.4%	(99,960)	(103,668)	-	(103,668)	-
Related party borrower notes (unsecured)	2.8%	1,210	1,331	34	1,297	-
Interest rate derivatives						
Current portion		1,128	1,208	1,208	-	-
Non-current portion		3,153	3,531	-	3,223	308
Total interest rate derivatives (net)		4,281	4,739	1,208	3,223	308
Total as at 30 June 2022		(114,286)	(118,308)	(16,195)	(101,366)	(747)
As at 30 June 2021						
Trade and other payables		(6,967)	(6,967)	(6,967)	-	-
Lease liabilities		(3,108)	(4,204)	(453)	(1,804)	(1,947)
Borrowings (secured)	2.7%	(79,090)	(84,340)	(5,240)	(79,100)	-
Interest rate derivatives						
Current portion		(636)	(716)	(716)	-	-
Non-current portion		402	445	-	158	287
Total interest rate derivatives (net)		(234)	(271)	(716)	158	-
Total as at 30 June 2021		(89,399)	(95,782)	(13,376)	(80,746)	(1,660)

F3 Market risk

Foreign currency risk

Foreign currency risk is the risk arising from the variability of the NZD currency values of the Group's assets, liabilities and operating cash flows, caused by changes to foreign exchange rates. The Group does not have any material exposure to currency risk except for the one-off purchases of assets (e.g. plant and equipment) denominated in foreign currencies. The main foreign currencies the Group transacts with are EUR, USD and AUD. The Group treasury policy requires that foreign exchange contracts must be entered into for the purchase of major items of plant and equipment and that the full amount of the purchase must be hedged. Foreign exchange instruments approved under the treasury policy are forward exchange contracts and currency options.

Interest rate risk

Interest rate risk is the risk of loss to the Group arising from adverse fluctuations in interest rates. The Group has exposure to interest rate risk as a result of long-term borrowings which are used to fund ongoing activities. The Group aims to reduce uncertainty of changes in interest rates by entering into floating-to-fixed interest rate swaps to fix the effective rate of interest to minimise the impact of interest rate volatility on earnings. By using floating-to-fixed interest rate swaps, the Group agrees with other parties to exchange at specific intervals (normally quarterly), the difference between the fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amount. Instruments approved under the treasury policy include vanilla interest rate swaps and forward start swaps.

Effects of hedge accounting on the financial position and performance

The effects of the hedge accounted interest rate swaps on the Group's financial position and financial performance are outlined in the table below. The maturity date for the outstanding interest rate swaps range from March 2023 to March 2027 (2021: July 2021 to March 2027).

	2022 \$000	2021 \$000
Carrying amount - asset / (liability)	2,708	(604)
Notional amount	44,200	64,850
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments recognised in the hedging reserve during the financial year	3,312	2,220
Weighted average hedged rate	2.1%	2.8%

Effects of non-hedge accounting on the financial position and performance

The effects of the non-hedge accounted interest rate swaps on the Group's financial position and financial performance are outlined in the table below. The maturity date for the outstanding interest rate swaps range from March 2025 to June 2029 (2021: March 2025 to June 2029).

	2022 \$000	2021 \$000
Carrying amount - asset / (liability)	1,573	371
Notional amount	13,000	13,000
Change in fair value of outstanding non-hedging instruments recognised in the income statement during the financial year	1,203	602
Weighted average non-hedged rate	1.5%	2.0%

An analysis by maturities of interest rate swaps is provided in note F6 and a summary of the terms and conditions of borrowings in note D3.

F4 Summarised sensitivity analysis

The table below illustrates the potential profit and equity (excluding retained earnings) impact for reasonably possible market movements where the impact is significant.

2022	-100bps		+100bps	
	Profit \$000	Other Equity \$000	Profit \$000	Other Equity \$000
Interest rate risk				
Hedge accounted derivatives	-	(1,797)	-	3,655
Non-hedge accounted derivatives	(1,142)	-	1,993	-
Borrowings	1,082	-	(1,082)	-
Total sensitivity to interest rate risk	(60)	(1,797)	911	3,655

2021	-100bps		+100bps	
	Profit \$000	Other Equity \$000	Profit \$000	Other Equity \$000
Interest rate risk				
Hedge accounted derivatives	-	(2,271)	-	823
Non-hedge accounted derivatives	(229)	-	923	-
Borrowings	790	-	(790)	-
Total sensitivity to interest rate risk	561	(2,271)	133	823

F5 Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital

structure to reduce the cost of capital. The Group monitors balance sheet strengths and flexibility using cash flow forecast analysis and detailed budgeting processes. In addition, the Group monitors capital on the basis of

the equity ratio which is calculated as equity divided by total assets. The equity ratio as at 30 June 2022 is 83% (2021: 85%).

F6 Derivative financial instruments

	2022 \$000	2021 \$000
Current assets		
Interest rate swaps	1,128	-
Total current assets	1,128	-
Non-current assets		
Interest rate swaps	3,153	1,021
Total non-current assets	3,153	1,021
Current liabilities		
Interest rate swaps	-	(636)
Total current liabilities	-	(636)
Non-current liabilities		
Interest rate swaps	-	(619)
Total non-current liabilities	-	(619)

The notional principal amount of the interest rate swap contracts are as follows:

	2022 \$000	2021 \$000
Less than 1 year	10,000	20,650
1 - 2 years	12,100	10,000
2 - 3 years	8,000	12,100
3 - 4 years	13,100	8,000
4 - 5 years	9,000	13,100
Greater than 5 years	5,000	14,000
Total	57,200	77,850

Derivatives

The Group uses derivative financial instruments to reduce exposure to fluctuations in interest rates and foreign currency exchange rates. The use of hedging instruments is governed by the treasury policy approved by the Board. Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured to fair value at balance date with an adjustment made for credit risk in accordance with NZ IFRS 13 Fair Value Measurement. The Group carries interest rate derivatives at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate derivative fair values are valued and are calculated using a discounted cash flow model using FRA rates provided by ANZ Bank New Zealand Limited based on the reporting dates of 30 June 2022 and 30 June 2021. The fair values are estimated on the basis of the quoted market prices for similar instruments in an active market or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. Changes in the fair value of derivatives which have been successfully designated as part of a cash flow hedge relationship are recognised in the cash flow hedge reserve, to the extent they are effective. Any accounting ineffectiveness is recognised in the Income Statement. If the derivative is not designated as a hedged instrument, the resulting gain or loss is recognised immediately in the Income Statement.

Hedge accounting

The Group manages its exposure to fluctuations in interest rate and foreign currency exchange rates through the use of derivatives. At the start of a hedge relationship, the Group formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedges

The **effective** portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve, while the gain or loss relating to the ineffective portion is recognised in the Income Statement. Amounts recognised in equity are recycled in the Income Statement in the period when the hedged item will affect profit or loss (for instance when the interest payment that is hedged takes place). The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings are recognised in the Income Statement within finance costs when the related interest is recognised. If the hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any amounts previously recognised in equity at that time remain in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur amounts previously recognised in equity are transferred to the Income Statement.

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic effectiveness assessments to ensure an economic relationship exists between the hedged item and the hedged instrument. For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match, and therefore it is expected that the value of the forward contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying exchange rate. Ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty. The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. Hedged ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to differences in critical terms between the interest rate swaps and loans.

Section G

Other disclosures

G1 Capital expenditure commitments

At 30 June 2022 the Group had commitments for capital expenditure of \$46.8 million (2021: \$20.2 million) which relates to purchases and refurbishments of port assets and investment property.

G2 Contingencies

There are no contingent liabilities at 30 June 2022 (30 June 2021: nil) other than those arising in the normal course of business.

G3 Significant events after balance date

Dividends

On 6 September 2022 the Directors declared a final dividend of \$1.0 million for the year ended 30 June 2022. As the final dividend was approved after balance date, the financial effect of the dividend payable of \$1.0 million has not been recognised in the Statement of Financial Position.

G4 Statutory disclosure

The following disclosures are made pursuant to the Companies Act 1993 in respect of the financial year ended 30 June 2022.

Directors' interests

Directors have disclosed the following general interests for the year ended 30 June 2022 in accordance with Section 140 of the Companies Act 1993:

Director	Entity	Relationship	
P F Rea	Waitomo Group Limited <i>(and its wholly owned subsidiaries)</i>	Director	
	Robos International Limited	Director	
P F Heslin	Forsyth Barr Custodians Limited	Chair	
	Forsyth Barr Cash Management Nominees Limited	Chair	
	BHH Investments Limited	Director	
	Jedaka Limited	Director	
	P Heslin Limited	Director	
T D Gibson	Fiscus Limited	Director	
	Livestock Improvement Corporation Limited <i>(and its wholly owned subsidiaries)</i>	Director	
	Manage My Health Global Limited	Director	
	Miraka Limited <i>(and its wholly owned subsidiaries)</i>	Director	
	Omnieye Holdings Limited	Director	
	Silver Fern Farms Holdings Limited <i>(and its wholly owned subsidiaries)</i>	Director	
	Silver Fern Farms Cooperative Limited	Director	
	Skills Consulting Group Limited	Director	
	The Equanut Company Limited	Director	
	Tūhana Consulting Limited <i>(and its wholly owned subsidiaries)</i>	Director	
	T Campbell	Electricity Invercargill Limited <i>(and its wholly owned subsidiaries)</i> <i>(Retired 31 October 2021)</i>	Chair
		Southern Generation LP	Chair
		Todd Corporation Limited <i>- Minerals Committee</i>	Chair
Todd Corporation Limited <i>(and its wholly owned subsidiaries)</i> <i>(Retired 26 May 2022)</i>		Director	
Energia Potior Limited		Director	
PowerNet Limited <i>(Retired 31 October 2021)</i>		Director	
D J Taylor		Orion New Zealand Limited <i>(Retired 31 March 2022)</i>	Chair
	External Reporting Board	Deputy Chair	
	OTPP New Zealand Forest Investments Limited	Director	
	Silver Fern Farms Holdings Limited <i>(and its wholly owned subsidiaries)</i>	Director	
	Silver Fern Farms Cooperative Limited	Director	
	The Aspen Institute New Zealand Limited	Director	
R J Fulton	Allied FH Limited	Chair	
	WFH Properties Limited <i>(and its wholly owned subsidiaries)</i>	Chair	
	Blackhead Quarries Limited	Director	
	Fulton Hogan Limited <i>(and its wholly owned subsidiaries)</i>	Director	
	Helenslee Investments Limited	Director	
	Horokiwi Quarries Limited	Director	
R C Lloyd	Pokeno Village Holdings Limited	Director	
	Concept Car Limited	Director	
	Toitū Envirocare	Chief Executive	

Employee remuneration

During the year, the number of employees or former employees of Port Otago Limited and its subsidiaries who received total remuneration in excess of \$100,000 are:

Remuneration range (\$)	Number of employees
690,001 - 700,000	1
460,001 - 470,000	1
320,001 - 330,000	1
290,001 - 300,000	1
270,001 - 280,000	1
250,001 - 260,000	1
240,001 - 250,000	2
230,001 - 240,000	2
220,001 - 230,000	1
200,001 - 210,000	2
170,001 - 180,000	3
160,001 - 170,000	4
150,001 - 160,000	1
140,001 - 150,000	5
130,001 - 140,000	8
120,001 - 130,000	14
110,001 - 120,000	15
100,001 - 110,000	33

Remuneration includes salary, short term incentives, motor vehicles and other sundry benefits received in the person's capacity as an employee. Incentive payments are paid in the following financial year to which they relate.

Donations

During the year the Group made donations of \$2,582 (2021: \$3,369).

Directors of subsidiary companies

Directors fees for Chalmers Properties Limited are included in the Group Directors remuneration. No directors fees were paid by Fiordland Pilot Services Limited and Te Rapa Gateway Limited.

The following persons held office as Directors of subsidiary companies at 30 June 2022:

Company	Director
Chalmers Properties Limited	P F Rea
	P F Heslin
	T D Gibson
	T Campbell
	R J Fulton
	R C Lloyd
Fiordland Pilot Services Limited	P F Rea
	P F Heslin
	T D Gibson
	T Campbell
	R J Fulton
	R C Lloyd
Te Rapa Gateway Limited	P F Rea
	P F Heslin
	T D Gibson
	T Campbell
	R J Fulton
	R C Lloyd

Directors remuneration

Remuneration paid by the Port Otago Group to Directors during the year was:

	2022	2021
P F Rea (Chair)	\$000	\$000
P F Heslin	124	100
T D Gibson	78	67
T Campbell	65	54
D J Taylor	64	54
R J Fulton	49	54
R C Lloyd	60	50
	60	8
	500	387

Indemnities and insurance

Pursuant to section 162 of the Companies Act 1993 and the Constitution, Port Otago has entered into deeds of indemnity and insurance with the Directors of the Group to indemnify them to the maximum extent permitted by law, against all liabilities which they may incur in the performance of their duties as Directors of any company within the Group.

Insurance cover extends to Directors and Officers for the expenses of defending legal proceedings and the cost of damages incurred. Specifically excluded are proven criminal liability and fines and penalties other than those pecuniary penalties which are legally insurable. In accordance with commercial practice, the insurance contract prohibits further disclosure of the terms of the policy. All Directors who voted in favour of authorising the insurance certified that in their opinion, the cost of the insurance is fair to the Company.

Use of company information

There were no notices received from Directors of the Company requesting to use Company information received in their capacity as Director, which would not otherwise have been available to them.

Auditors

The Auditor-General continues as the Company's auditor in accordance with the Port Companies Act 1988. The Auditor-General has appointed Ernst & Young to undertake the audit on its behalf.

The Group audit fee for the year ended 30 June 2022 was \$129,825 (2021: \$127,000).

For and on behalf of the Board of Directors



P F Rea
Chair
6 September 2022



P F Heslin
Deputy Chair
6 September 2022

Independent Auditor's Report



To the readers of Port Otago Limited Group's financial statements for the year ended 30 June 2022

The Auditor-General is the auditor of Port Otago Limited group (the Group). The Auditor-General has appointed me, Bruce Loader, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Group on his behalf.

Opinion

We have audited the financial statements of the Group on pages 113 to 151, that comprise the statement of financial position as at 30 June 2022, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Group:

- present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

Our audit was completed on 6 September 2022. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the Group for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Port Companies Act 1988.

Responsibilities of the Auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material

if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention

in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board is responsible for the other information. The other information comprises the information included on pages 1-109, and 152 - 155, and 158 - 160, but does not include the financial statements on pages 113 to 151, and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the Integrated Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit we have carried out engagements in the areas of Director and Executive remuneration advice conducted prior to appointment as auditor and provision of a tax model, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the Group.

Bruce Loader
Ernst & Young
On behalf of the Auditor-General
Christchurch, New Zealand

Performance targets

A comparison of actual performance with the targets in the Statement of Corporate Intent is as follows:

	ACTUAL	TARGET	OUTCOME/COMMENT	
Health, safety and well-being				
Critical risk: Visible Leadership Conversations	667	1,000	Target not achieved due to Covid restrictions	●
Total Recordable Incident Frequency Rate (TRIFR) - per 1 million hours	5.1	<10	Target achieved	●
Financial				
EBIT	\$22m	\$25m	Target not achieved	●
Shareholder funds (equity) or net assets	\$694m	\$640m	Target achieved	●
Stay in business capex (SIB)	\$12m	\$40m	Target not achieved	●
Investment in growth / decarbonisation	\$32m	\$45m	Target not achieved	●
Return on equity	10.6%	2.5%	Target achieved	●
Equity ratio	82%	Between 70% - 85%	Within SCl target range of 70% to 85%	
Interest cover ratio	7	5	Target achieved	●
Dividend	\$13m	\$13m	Target achieved	●
Environmental				
Straddle fleet that is an electric/diesel hybrid	27%	27%	Target achieved	●
Number of harbour spills caused by Port Otago	1	0	Target not achieved	●
Percentage of resource consent compliance monitoring events achieving full compliance	100%	100%	Target achieved	●
Compliance with Port and Harbour Safety Code (PHSC)				
The requirements of the PHSC continue to be met	Yes	Yes	Target achieved	●
Risk assessments of new tasks or reviews post incident completed	Yes	Yes	Target achieved	●
Financial performance measure				
EBIT	Definition			
	Earnings before interest, taxation, realised and unrealised investment property gains			
Return on equity	Profit divided by average shareholder's equity			
Equity ratio	The percentage that equity represents of total assets within the target range of between 70% and 85%			
Interest cover ratio	The number of times interest is covered by the profit before tax, interest and unrealised fair value movements and unrealised impairment charges.			

Five year summary

Trade and operational analysis	2022	2021	2020	2019	2018
Container and bulk cargo vessel arrivals	383	403	476	458	442
Otago cruise vessel arrivals	-	-	112	115	87
Total ship calls	383	403	588	573	529
Container throughput (teu's)	166,200	174,800	191,900	208,600	204,700
Bulk cargo tonnes (000's)	1,667	1,853	1,467	1,764	1,686
Employees	290	296	319	343	329
Financial comparisons					
	2022	2021	2020	2019	2018
	\$000	\$000	\$000	\$000	\$000
Revenue #	88,061	89,998	108,297	121,704	109,389
EBITDA #	34,475	34,671	42,466	44,043	40,377
Profit for the year	70,476	94,507	50,493	49,302	43,856
Underlying profit	17,584	21,412	24,727	30,687	22,603
Dividends for financial year *	13,000	10,100	10,000	8,450	9,000
Shareholders' equity	694,478	634,617	548,612	508,090	468,075
Total assets					
Port operations	260,250	243,344	248,137	224,472	226,506
Investment property	581,850	503,225	407,641	377,867	356,721
Total group	842,100	746,569	655,778	602,339	583,227
Cash flows					
Cash flows from operating activities	29,770	21,709	28,167	35,929	31,303
Port operations capital expenditure	(15,480)	(7,592)	(23,118)	(14,501)	(36,707)
Investment property purchases and improvements	(29,447)	(10,515)	(16,645)	(7,294)	(3,372)
Shareholders' equity	82%	85%	84%	84%	80%
Return on average shareholders' funds **					
before unrealised revaluations	1.6%	2.1%	4.3%	5.4%	4.8%
after unrealised revaluations	10.6%	16.0%	9.6%	10.1%	9.7%
EBIT return on average assets #					
Port operations	2.1%	2.0%	4.3%	6.5%	5.7%
Property portfolio	3.1%	3.6%	5.2%	5.1%	5.3%
Total group	2.8%	3.0%	4.9%	5.8%	5.6%

* Includes the final dividend for the financial year declared after balance date, as disclosed in Note D2.

** Profit, divided by average shareholders' equity

Excludes gain on sale of investment property and property, plant and equipment

Directory

Directors

Paul Rea	Chair
Pat Heslin	Deputy chair
Tim Gibson	
Tom Campbell	
Jane Taylor (retired 31 March 2022)	
Bob Fulton	
Becky Lloyd	
Chris Hopkins (appointed 1 July 2022)	

Leadership team

Kevin Winders	Chief Executive
Stephen Connolly	Chief Financial Officer
Sean Bolt	GM Marine
Leigh Carter	Head of People
David Chafer	GM Property
Jonny Cook	GM Operations
Deanna Matsopoulos	Supply Chain Manager
Rachel Pullar	Head of Digital
Gavin Schiller	Head of Safety
Craig Usher	Commercial Manager
Jodi Taylor	Executive Assistant

Address

15 Beach Street
 Port Chalmers 9023
 New Zealand
www.portotago.co.nz

Bankers

ANZ Bank New Zealand Limited

Solicitors

Anderson Lloyd

Auditors

Ernst & Young on behalf of the Auditor-General

