



Statement of Corporate Intent

For FY2024, FY2025 and FY2026

Approved by the Port Otago Board

Contents

Introduction.....	3
About Port Otago	3
Company structure	4
Our value chain	6
Our material issues.....	7
Strategy for a better business	9
Performance targets.....	10
Governance and leadership	11
Reporting to our shareholders.....	13

Contacts

Head office

15 Beach St
PO Box 8
Port Chalmers 9023
New Zealand
+64 3 472 7890
www.portotago.co.nz

Directors

Tim Gibson – Chair
Pat Heslin
Tom Campbell
Bob Fulton
Becky Lloyd
Chris Hopkins
Anne McLeod

Intern

Kate Faulks

Chief Executive

Kevin Winders

Introduction

This Statement of Corporate Intent (SCI) outlines our plans for the next three years, FY2024, FY2025 and FY2026. We encourage you to read this SCI in conjunction with our 2023 Integrated Report.

About Port Otago

It was from Port Chalmers that New Zealand's first cargo of frozen meat left for London aboard the refrigerated ship *Dunedin* in February 1882, signalling the start of our country's modern export trade. The Otago Harbour Board managed the port and harbour from 1874 until 1988, when the Port Companies Act 1988 saw the registration of Port Otago Limited and the company's shares vested in the Otago Regional Council (ORC).

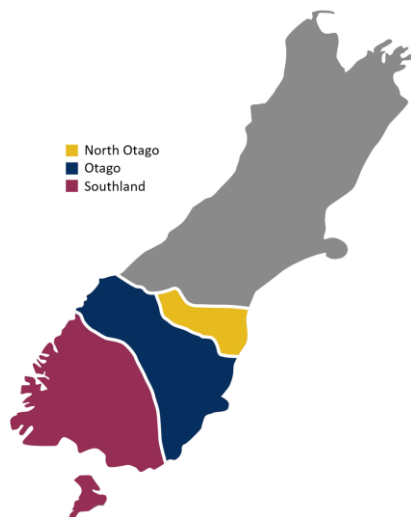
Port Otago remains 100% owned by the ORC and its stated principal objective is to operate as a successful and sustainable business that delivers value to shareholders in the form of both financial and non-financial returns on investment.

Port Otago is located on the Otago Harbour of the South Island of New Zealand. Port Otago benefits from a deep natural harbour taoka, its strategic location for vessel rotation to and from deep-sea destinations and a large primary export cargo region.

Port Otago is a Lifeline Utility under the Civil Defence Emergency Management (Act) 2002, defined as entities that provide essential infrastructure services to the community. The company has a responsibility to ensure its ability to function at the fullest possible extent during and after a civil defence emergency.

Our region

Port Otago's role facilitating trade for the region's exporters and importers has a significant impact on the economic, as well as the social and environmental, well-being of the Otago-Southland region.



Our region has the infrastructure required for a successful port, including a fit-for-purpose road and rail network and a well-developed warehouse and cool storage sector.

Port Otago operates two wharf systems – Port Chalmers and Dunedin Bulk Port – within Otago Harbour. The lower harbour channel depth is 14.0m, while the upper harbour channel is 8.5m.

Port Chalmers is one of New Zealand's two deepest container ports and can service the largest container ships in the New Zealand. It can store more than 7000 containers and has one of the highest number of reefer points of any New Zealand port, with 1650.

The company has more than 38,000m² of covered warehousing at Port Chalmers, built to the high standards required by the dairy industry. It also has two wharf-side cold storage facilities in Dunedin, able to hold

up to 10,500 tonnes of chilled product. This is used primarily to service fishing customers.

Port Otago provides 8.0 hectares of log storage area at Port Chalmers and Dunedin Bulk Port.

Port Chalmers is the primary South Island port for cruise ships and generally the port of call immediately before or after visiting Fiordland.

Economic contribution

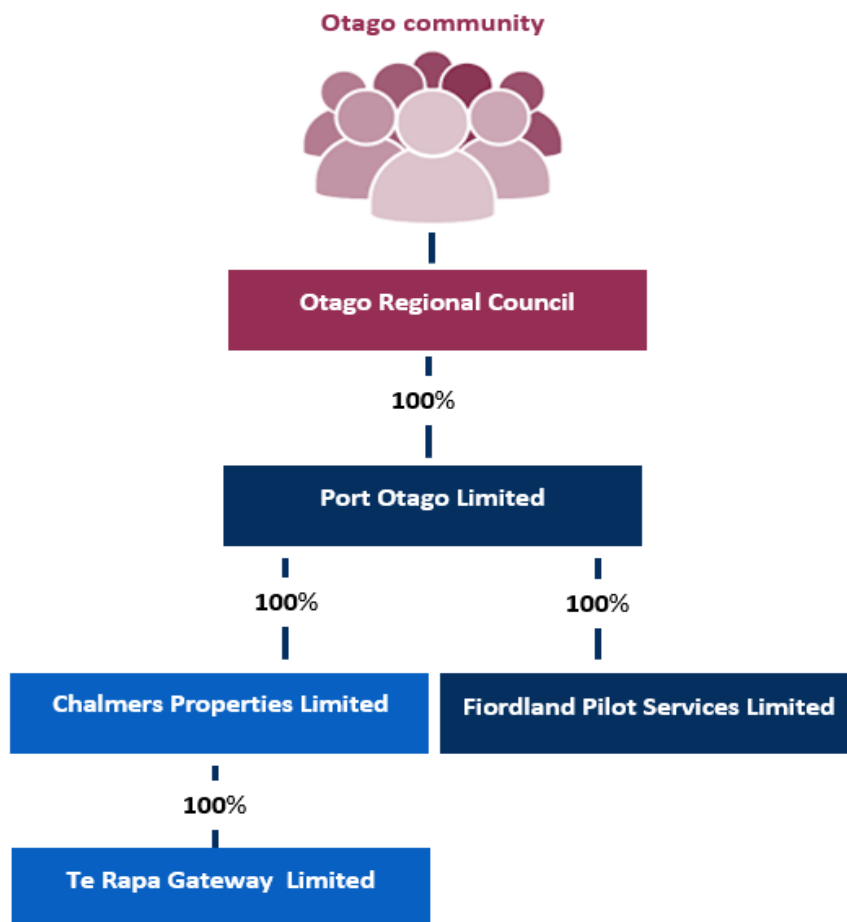
Port Otago operates across four sites: Port Chalmers, Dunedin Bulk Port, Dunedin Depot and Fiordland. It employs about 310 people and paid \$37.5 million in wages and salaries during 2022/23. Just under \$80 million was spent on materials and services, and capital projects.

Company structure

This SCI sets out Port Otago’s overall intentions and objectives. It also covers our wholly owned subsidiary companies, Chalmers Properties Limited, Fiordland Pilot Services Limited and Te Rapa Gateway Limited.

Port Otago and its subsidiaries are “Port Companies”, pursuant to the Port Companies (Act) 1988. This SCI has been prepared in accordance with this Act. Pursuant to section 5 of the Act, our principal objective is to operate as a successful business.

The company reviews and updates its SCI annually, in consultation with its shareholder. This SCI covers FY24, FY25 and FY26.



Integrated Sustainability Policy

Port Otago is committed to working with stakeholders to understand our material issues. We try to be open and honest about what we need to work on. Our commitments in this policy span the six capitals* and aim to create value, working hard to improve wherever we can.



* Integrated Reporting is based on creating value across the six capitals:

- | | |
|--|--|
| 1. <i>Human capital:</i> Our kaimahi. | 4. <i>Intellectual capital:</i> Our know how and skills. |
| 2. <i>Social and relationship capital:</i> Our wider team. | 5. <i>Manufactured capital:</i> Our assets. |
| 3. <i>Natural capital:</i> Our harbour taoka and beyond. | 6. <i>Financial capital:</i> Our financial value. |

Our value chain

The port's business model to create value

Inputs

Our kaimahi

- Our team of 310 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
- Climate change adaptation scenario modelling

Our know-how and skills

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

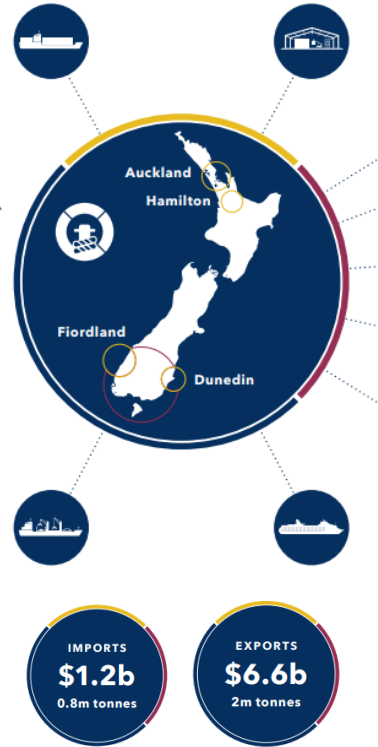
Our assets

- Assets owned and productivity optimised
- Land owned and space utilised efficiently
- Investment in long-term infrastructure
- Climate change adaptation scenario modelling

Our financial value

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

Our business activities & outputs



Outcomes

Our kaimahi

- 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 programme

- Customer relationships
- Multi-stakeholder approach

- Climate change targets
- Climate change adaptation
- Influencing our supply chain

- Digitisation
- Cyber security
- End-to-end supply chain innovation

- Efficient supply chains
- Responding to shipping volatility
- Responding to port network disruption
- Collaborating on future storage solutions
- Attracting more shipping services

- Building operational returns
- Property returns in a tight market
- Understanding and communicating our contribution to the regional economy

Progress



Our material issues

Port Otago is four years into Integrated reporting and identifying its material issues*. The first three years involved a survey and interviews with key stakeholders. From 2022/23, the full materiality process will be undertaken every two years (scheduled for 2023/24), with stakeholder engagement continuing in alternate years.

* Our materiality-related work is undertaken independently by Materiality Counts.

Top 12 material issues in order of priority

#1 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.

2023 interviews: **Decreased** priority (safety remains our #1 priority)

#2 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.

2023 interviews: **Increased** priority.

#3 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.

2023 interviews: **Decreased** priority.

#4 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.

2023 interviews: **Decreased** priority.

#5 Climate change

Adapting to current and future impacts of climate change and 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.

2023 interviews: **Same** priority.

#6 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.

2023 interviews: **Increased** priority.

#7 Shipping volatility

Shipping volatility continues with congestion at ports and disruption to shipping volumes and schedules. 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.

2023 interviews: **Same** priority.

#8 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 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.

2023 interviews: **Decreased** priority.

#9 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.

2023 interviews: **Decreased** priority.

#10 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.

2023 interviews: **Increased** priority.

#11 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.

2023 interviews: **Decreased** priority.

#12 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.



2023 interviews: **Increased** priority.

Strategy for a better business

Our *Strategy for a better business* was developed back in 2021 to tackle our material issues and creates value for stakeholders and the port. Board meetings continue to be structured using “strategy blocks” based on the six capitals, reminding us to regularly review progress towards our goals.

Our Kaimahi

GOALS: PROGRESS

- 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. 





Our wider team

GOALS: PROGRESS

- 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. 


Our harbour taoka and beyond

GOALS: PROGRESS

- **(New) Agree our climate change aspirations and targets. Immediate** 
- **(New) Execute our climate change plan covering climate change risk assessment, adaptation/mitigation strategies, reporting framework and current baseline. Longer term** 
- 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. 

Our financial value

GOALS: PROGRESS

- **(New) Develop a high-level scope to identify the economic impact of Port Otago on the wider region. Immediate** 
- Provide consistent shareholder dividends with a portfolio that optimises returns, builds resilience and facilitates investment in the future. 

Our know how and skills

GOALS: PROGRESS

- **(New) Investigate the value in future resilient supply chain services, e.g. green corridors, cold ironing and alternative fuels, including the costs, benefits and local demand. Longer term** 
- 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. 

Our assets

GOALS: PROGRESS

- **(New) Develop a capital asset plan with a 30-year view. Immediate** 
- 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. 
- Improve the quality of cruise business by engaging with the cruise industry, investing in Pilot accommodation, maintaining capability and a new pilot boat. 
- Continue to build a sustainable property portfolio as a fundamental part of the port's financial sustainability. 

Performance targets

Capital reference	Objectives	Key performance measures	Targets		
			2024	2025	2026
Our kaimahi	Health, safety and well-being	Critical Risk: Visible Leadership Conversations	1000	1000	1000
Our kaimahi	Health, safety and well-being	Total recordable incident frequency rate (per 1 million hours)	<10	<10	<10
Our financial value	Financial	EBIT	\$42m	\$45m	\$50m
Our financial value	Financial	Shareholders' funds (Equity) or Net Assets *	\$720m	\$730m	\$740m
Our financial value	Financial	Return on equity *	4.5%	4.5%	5.0%
Our financial value	Financial	Equity Ratio*	Between 70%-85%		
Our financial value	Financial	Interest cover ratio	7	7	7
Our financial value	Financial	Dividend **	\$16m ^	\$16m	\$17m
Capital reference	Objectives	Key performance measures	Targets		
			2024	2025	2026
Our harbour taoka and beyond	Environmental	Number of harbour spills caused by Port Otago	0	0	0
Our know-how and skills	Environmental	Percentage of resource consent compliance monitoring events achieving full compliance	100%	100%	100%
Our harbour taoka and beyond	Compliance with Port & Harbour Safety Code (PHSC)	The requirements of the PHSC continue to be met	Yes	Yes	Yes
Our know-how and skills	Compliance with Port & Harbour Safety Code (PHSC)	Risk assessments of new tasks or reviews post incident completed	Yes	Yes	Yes

*Excludes future unrealised fair value movements of investment properties and hedging interest rate swaps.

** Based on the intention to pay dividends within the range of 50-70% of the group's normalised operating surplus after tax.

^ Proposed 2024 dividend increased by \$1m from previous SCI due to timing of payment of final dividend. 2025 and 2026 proposed dividends remain consistent with the ORC Long-term plan 2021-2031

Financial performance measure	Definition
EBIT	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 between 70% and 85%
Interest cover ratio	The number of times interest is covered by the profit before tax, interest, unrealised fair value movements and unrealised impairment charges.

Governance and leadership

The board

Port Otago's shareholder appoints the directors to govern and direct the company's activities. The board is the overall and final body responsible for the proper direction and control of the company's activities and decision making. The board's responsibilities include the overall objectives, strategy, stewardship, performance and reporting of the company.

Statement of corporate intent (SCI)

The SCI is prepared based on the requirements within the Port Companies Act 1988. The board submits a draft SCI to the company's shareholder after due consultation with the shareholder and, after considering its comments, the board approves the final SCI and delivers it to the shareholder.

Board operation

The Port Otago board's operation is subject to the company's constitution and board charter, which sets out how the board and directors shall undertake their responsibilities.

The board chair leads the board and its relationship with the shareholder and other major stakeholders. The chair maintains a close professional relationship with the company's CE and, through the CE, the leadership team (LT).

New directors undertake an induction process to familiarise them with matters related to the company.

Conflicts of interest policy

These documents require all directors and employees to:

- Act with integrity, honesty, transparency, openness and in good faith
- Comply with the law, apply good judgment and proactively identify, disclose and manage conflicts of interest
- Promptly disclose or report any significant potential or perceived conflict or wrongdoing.

The company maintains an Interests Register that is reviewed at the start of every scheduled board meeting.

Policies

The board reviews the company's key policies at regular intervals.

Board performance and review

The board regularly reviews its performance and the performance of the CE. The reviews aim to identify opportunities and set plans for performance development and improvement.

Board meetings and committees

The board meets approximately 11 times per year. Additional meetings are convened as and when required. The board's annual work programme is set by the board before the start of each financial year. The board receives formal agenda papers and regular reports, generally a week in advance of meetings. Senior managers are regularly involved in board discussions. Directors also have other opportunities to obtain information and may seek independent expert advice.

The board delegates some responsibilities and tasks to board committees, but the board retains the ultimate responsibility and accountability for any committee's actions or inactions. Subject to any conflict issues, all directors receive agenda papers for committee meetings and all directors may attend committee meetings.

The board's four standing committees are:

- Health and Safety Committee (full governance committee) – which assists the board in discharging its responsibilities with respect to health, safety and well-being.
- Audit and Risk subcommittee – which liaises with the company's independent external auditor, and reviews the quality and reliability of internal controls and financial and regulatory information used by and issued by the board.
- People and Remuneration subcommittee – which reviews the company's remuneration policies and practices, and reviews and sets the remuneration of the company's CE and LT.
- Sustainability subcommittee – to help ensure the company is meeting its responsibilities around sustainable business practices.

Liability insurance and indemnity

Port Otago arranges comprehensive liability insurance policies for the company, directors and officers within the limits and requirements set out in the Companies Act 1993 and the company's constitution. The company also indemnifies directors and employees within the limits and requirements set out in the Act.

Legislative compliance

The board receives regular updates and representations from management on legislative compliance. Areas of relevant law include industry-specific regulation, health and safety, corporate, taxation, financial reporting, commercial, environmental, human resources and privacy.

Auditor

Ernst & Young, on behalf of the Auditor-General, is auditor of the company.

Our compliance with relevant legislation

Port Otago will continue its legislative compliance programmes and aim to ensure we meet our obligations under relevant legislation and regulations.

Reporting to our shareholders

Port Otago submits its draft SCI to its shareholder for consultation annually, as required under the Port Companies Act 1988. Where appropriate, we will submit a revised SCI to our shareholder. (See appendices for performance targets.)

We will submit an annual report to our shareholder. This annual report will include:

- Audited financial statements
- Performance relative to the targets set in this SCI
- Key issues and progress with sustainability
- Other information to enable an informed assessment of the group's performance and financial position.

Port Otago values shareholder communication facilitated by the Port Liaison Committee which enables periodic interchange with our shareholder

We will also submit an interim report to our shareholder. This report will contain unaudited information similar in content to our annual report and will comply with financial reporting standard NZ IAS 34 – Interim Financial Reporting.

Port Otago's accounting policies comply with applicable NZ IFRS standards and interpretations. We have applied the same accounting policies when preparing the SCI's financial forecasts, as for our audited financial statements for the year ended 30 June 2023. Our actual accounting policies during the three-year period of this SCI may change as a result of changes to NZ IFRS standards and interpretations.

No surprises policy

The company will endeavour to inform our shareholder prior to any significant decision being made public and will engage via the Port Liaison Group as required.

The commercial value of our shareholder's investment

Port Otago estimates the commercial value of its shareholder's investment in the group is at least that which is stated as shareholder's equity in our audited financial statements. This is reassessed annually, alongside our audited financial statements.

Activities subject to compensation

The company will provide the following services for the Otago Regional Council, for which Port Otago expects to be remunerated or reimbursed by the council:

- Assistance in matters of good navigation and safety on Otago Harbour.
- Provision of such services as may be requested by the Regional Council.
- Construction of a new office.