



# Port Otago Statement of Corporate Intent

For FY21, FY22 and FY23

Approved by the Port Otago Board  
6 October 2020



# Contents

Introduction .....3  
Our key roles and our objectives .....5  
Our commitment to social responsibility .....7  
Our people .....7  
Our governance .....8  
Our capital structure and our dividends ..... 10  
How we will report to our shareholders ..... 10  
Appendix 1 Our targets ..... 12

## Contact Details

### Head office

15 Beach St  
PO Box 8  
Port Chalmers 9023  
New Zealand

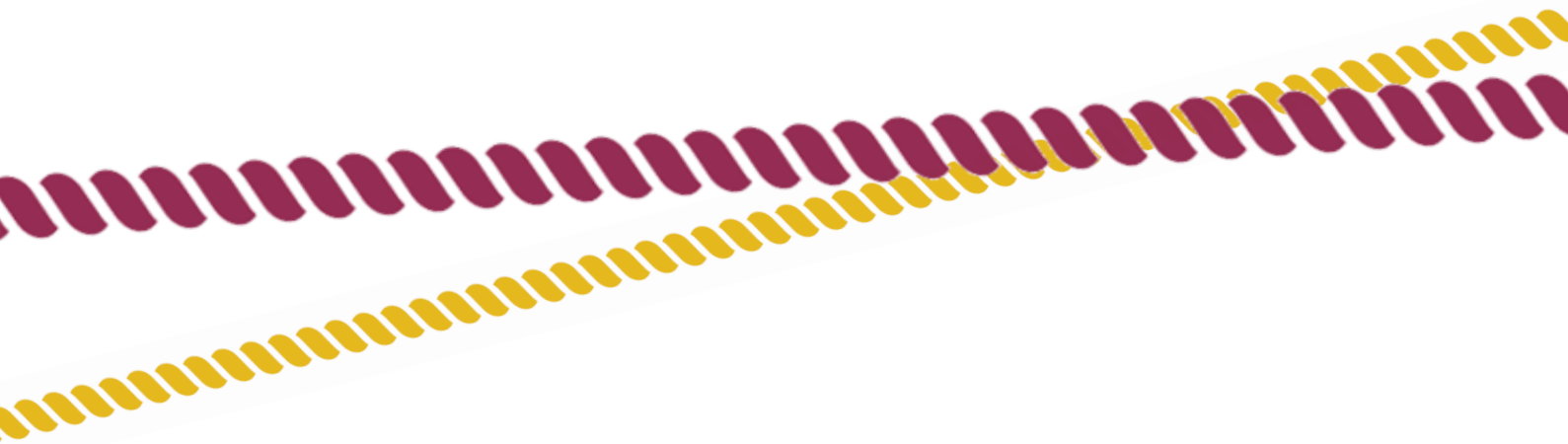
+64 3 472 7890  
[www.portotago.co.nz](http://www.portotago.co.nz)

### Directors

- Paul Rea – chair
- Pat Heslin
- Tim Gibson
- Tom Campbell
- Jane Taylor
- Bob Fulton

### Chief Executive

Kevin Winders



## Introduction

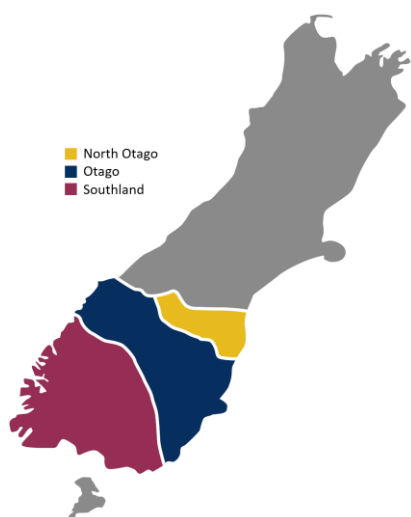
It was from Port Chalmers that New Zealand's first cargo of frozen meat left for London aboard the refrigerated ship *Dunedin* in February 1882, signalling the start of our country's modern export trade. The Otago Harbour Board managed the port and harbour from 1874 until 1988, when the Port Companies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

Port Otago is located on the Otago Harbour of the South Island of New Zealand. It is the primary export port for southern New Zealand and the country's third largest port by product value. Port Otago benefits from a deep natural harbour, 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 services the largest container ships in the New Zealand trade. It can store more than 7000 containers and has the highest number of reefer points of any New Zealand port, with 1850.

The company has more than 38,000m<sup>2</sup> 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 has a purpose-built forestry berth and adjacent 5.5 hectare log storage area at Port Chalmers. There is also additional log storage and berthage at the company's Dunedin sites.

Port Chalmers is the primary South Island port for cruise ships and generally the port of call immediately before or after visiting Fiordland. This aspect of the business is currently on hold, due to Covid-19.



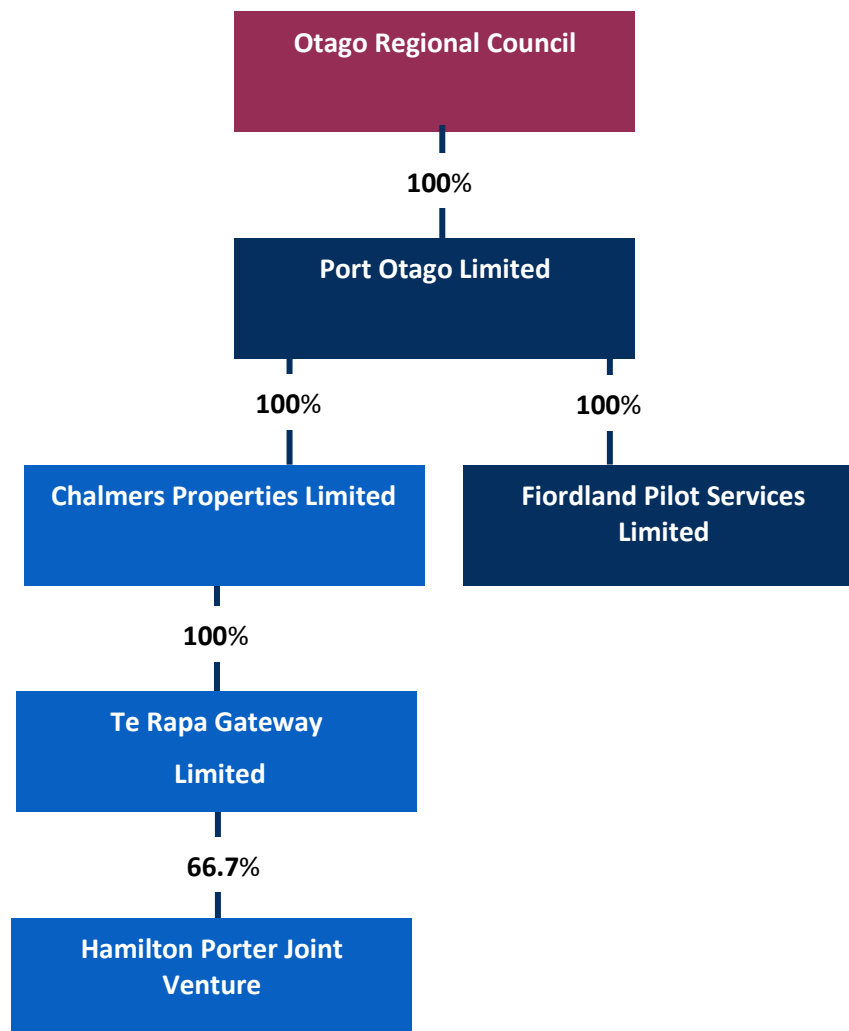
## Company structure

This Statement of Corporate Intent (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 FY21, FY22 and FY23.

Port Otago Group’s structure:



# Our key roles and our objectives

## Our vision and values



## Principal objectives

We aim to operate as a successful and sustainable business that delivers value to our shareholders in the form of both financial and non-financial returns on investment. To achieve this, we aim to:

- Achieve our performance targets, as set out in this SCI
- Understand and meet our customers' needs
- Undertake new investments in the port supply chain and property sectors – investments which are expected to support efficient supply chains and increase the business's commercial value
- Continually improve safety, operational efficiency and effectiveness
- Prudently and efficiently invest in channel and wharf infrastructure
- Manage key risks
- Comply with relevant legislation, regulation and planning requirements.

## Business Model/Value Creation



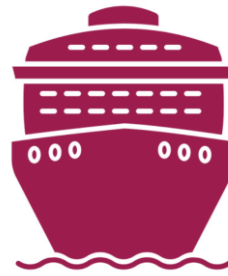
### Container business

- Exports
- Imports
- Transhipments
- Depot activity
- Warehousing



### Bulk business

- Logs
- Oil
- Fish
- Cement
- LPG
- Fertiliser



### Cruise business

- Port Chalmers
- Dunedin
- Fiordland



### Property business

- Leasehold
- Commercial Property
- Property Development

Port Otago undertakes the following activities:

- Container business:
  - Container terminal handling services which include receipt, delivery, transit, storage and shipment of export and import containerised cargos
  - Provision of warehousing services
  - Operation of inland depots, which involve storage, receipt, delivery, repair and washing of containers
  - Marine services, including pilotage (Port Chalmers and Dunedin), towage and dredging
- Bulk business:
  - Provision of wharves, plant and other services to facilitate the discharge of coastal cargos
  - Breakbulk and bulk cargo handling services
  - Marine services, including pilotage (Port Chalmers and Dunedin), towage and dredging
- Cruise business:
  - Marine services, including pilotage (Port Chalmers, Dunedin and Fiordland) and towage
  - Provision of landside services to cruise ships
- Property business:
  - Management of the Dunedin leasehold property portfolio
  - Management of Dunedin/Hamilton/Auckland commercial property portfolios
  - Design/build and lease of new commercial properties
  - Development of Te Rapa Gateway industrial park

## Our customers and stakeholders

We aim to engage with, collaborate with and provide good customer service to:

- Export and import customers across our region
- Sea and land-side supply chain partners
- Tenants and leaseholders
- Regulatory agencies.

## Our commitment to social responsibility

Port Otago aims to maximise the value it creates across all of its stakeholders. It is important to us to act in a socially responsible manner and as a good corporate citizen, with empathy for our community.

### Our commitment to sustainability

Sustainability encompasses a broad range of environmental, social, economic, cultural and governance issues that are meaningful to our shareholders, employees, community, Māori, customers and other stakeholders. By integrating sustainability principles into our strategy, we create long-term value for Port Otago and our communities. To ensure that we understand the issues of most importance to our key stakeholders, we undertake an independent materiality process to determine our priorities. We call these priorities our Material Issues, which can be environmental, social, economic or governance-related, and they form the basis of our sustainability strategy and reporting.

Our sustainability objectives are to:

- Develop a sustainability framework based on our Material Issues
- Adapt our approach, as we better understand the port's impact and role within our social, economic and physical environments, through monitoring and stakeholder engagement
- Be accountable and transparent by setting meaningful sustainability targets and reporting on our performance against those targets.

## Our people

Port Otago will aim to attract, retain, develop and motivate employees at all levels – to support our principal objective, which is to operate as a successful business.

We are a socially responsible and equal-opportunities employer. We aim to provide a work environment that ensures we have skilled employees. Port Otago will continue with initiatives that focus on recruitment, training, retention and succession.

*Diversity* refers to characteristics that make people different from each other, including gender, gender identity, age, ethnicity, disability, beliefs, sexual orientation, family responsibilities, work style and experience, socio-economic background, thinking style and personality type. Diversity exists within our current and potential employees and in our customers, partners, suppliers and other stakeholders.

*Inclusion* means providing a work environment where everyone feels they can fully participate at work and where each person is valued for their unique perspectives, skills and experiences.

Port Otago will develop and foster an inclusive environment where we value and embrace diversity. Our objectives are to:

- Treat people with fairness and respect
- Foster a culture where discrimination is unacceptable
- Hire and promote the best person for the job, regardless of background
- Develop the relevant skills, diverse experience and attributes of our people.

## Our commitment to keeping each other safe

Health and safety (including well-being) is everyone's responsibility. Port Otago will provide a safe environment for our team, contractors and visitors. We will aim to have a fit-for-purpose health and safety management system, one with effective and robust:

- Objectives and performance targets
- Identification and management of critical safety risks
- Board and management reporting
- Incident investigation, applying lessons learnt
- Investment to achieve our health and safety objectives
- Compliance with legislation.

## Our governance

### 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 three standing committees are:

- Audit and Risk Committee – 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
- Health and Safety Committee – which assists the board in discharging its responsibilities with respect to health, safety and well-being
- Remuneration Committee – which reviews the company's remuneration policies and practices, and reviews and sets the remuneration of the company's CE and LT.

## 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

Audit New Zealand, 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.

## Our capital structure and our dividends

Port Otago aims to manage its long-term capital structure so it has sufficient financial flexibility to cope with significant capital replacements and investments without the need to seek additional capital from its shareholder, while at the same time maintaining a sustainable and reliable dividend stream to the shareholder.

We will pay dividends to our shareholders after taking into account the company's current and forecast financial position and performance, current and forecast investment and funding requirements, and the solvency test, pursuant to section 53 of the Companies Act 1993.

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

## Acquisitions and divestments

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with Port Otago's objectives. When the board considers a transaction to be significant to the company's business operations, we will consult with our shareholder.

Major transactions, as defined by the Companies Act 1993, will be subject to shareholder's approval by special resolution. However, when considering a significant acquisition or disposal of assets or securities, Port Otago will consult with its shareholder with as much lead-time as is commercially practicable in the prevailing circumstances. Where we decide to incorporate or subscribe for shares in subsidiaries to undertake our commercial activities, we will ensure effective management.

Board control of any subsidiary is exercised by our directors and management.

## Capital expenditure

Port Otago will confer with the shareholder in respect of any significant proposed capital expenditure, which is not included within, or is inconsistent with, the SCI before contractual commitments are entered into.

## How we will report 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 2020. 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.

## Appendix 1 Our targets

Objectives	Key performance measures	Targets		
		2021	2022	2023
<b>Health, safety and well-being</b>	Critical Risk: Visible Leadership Conversations	500	500	500
	Total recordable incident frequency rate (per 1 million hours)	<20	<15	<10
	Severity rate (days lost)	3	2	1
<b>Operational</b>	Gross crane rate (as measured by Ministry of Transport)	27.5	27.5	27.5
	Ship rate (as measured by Ministry of Transport)	55	55	55
<b>Financial</b>	EBIT	\$25m	\$28m	\$32m
	Shareholders' funds (Equity) or Net Assets *	\$550m	\$560m	\$570m
	Return on equity *	3.0%	3.3%	3.7%
	Equity Ratio*	88%	TBC	TBC
	Interest cover ratio	9	10	11
	Debt	\$71m	TBC	TBC
	Dividend proposed	\$10.1m	\$10.4m	\$10.7m
<b>Environmental</b>	Straddle fleet that is an electric/diesel hybrid	27%	27%	55%
	Number of harbour spills caused by Port Otago	0	0	0
	Percentage of resource consent compliance monitoring events achieving full compliance	100%	100%	100%
<b>Compliance with Port &amp; Harbour Safety Code (PHSC)</b>	The requirements of the PHSC continue to be met	Yes	Yes	Yes
	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.

Financial performance measure	Definition
<b>EBIT</b>	Earnings before interest, taxation, realised and unrealised investment property gains
<b>Return on equity</b>	Profit divided by average shareholder's equity
<b>Equity ratio</b>	The percentage that equity represents of total assets within the target range between 70% and 85%
<b>Interest cover ratio</b>	The number of times interest is covered by the profit before tax, interest, unrealised fair value movements and unrealised impairment charges.