



2023 Port Otago Integrated Report

Are we there yet?



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	Port Otago terminology
Human capital	Our kaimahi
Social and relationship capital	Our wider team
Natural capital	Our harbour taoka and beyond
Intellectual capital	Our know-how and skills
Manufactured capital	Our assets
Financial capital	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 Rūnaka o Ōtākou. Over the past two years, we have made a conscious effort to incorporate relevant Te Reo words into our everyday 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 throughout this document, alongside English translations.

Te Reo	English translation
Hauora	Philosophy of health and wellbeing
Hui	Gathering, meeting, assembly
Kaimahi	Worker, employee, staff
Kōrero	Speech, discussion, conversation
Rakatahi	Young people
Rūnaka	Council, tribal council, assembly
Taoka	Treasure
Upoko	Leader
Whānau	Family
Whanaukataka	Relationship, kinship, sense of family connection
Whare Rūnaka	Meeting house

Please also see the inside back cover (page 163) for a list of acronyms used within this report and a brief glossary of common port terms.



2023 Port Otago Integrated Report

Are we there yet?

This saying conjures up images of summer holiday road trips with the kids in the back of the car, bored with the length of the journey and wanting to get to the idyllic destination as soon as possible. The answer to this question for the port is “no, not for some time yet”. We are still doing the research and trying to understand where we’re at and what we need to do. Our route planning is improving and we are on a better path than we were a couple of years ago. An efficient journey is critically important as climate change hits harder and sooner than any of us expected, and we are collaborating across the supply chain on this. Listening to stakeholders and learning from them is at the heart of our approach and we get better at that every year.

We are excited to share our fourth Integrated Report with you, *Are we there yet?*



Integrated Reporting

This is Port Otago’s fourth Integrated Report for stakeholders, driven by the Board and Leadership Team. It is not our style to sound our own trumpet, but we are extremely proud to share some good news on our progress with Integrated Reporting. Earlier this year, we decided we were ready to enter the Australasian Reporting Awards (ARA*) to see how we were tracking and receive feedback to improve. (It took us three integrated reports to build up the courage to enter.) We were humbled to be awarded the Integrated Reporting Award, along with an award for Communication (Private Sector) and a Bronze Award for Annual Reporting. The ARA provided useful feedback on how to further improve our communication with stakeholders through reporting, which we have tried to implement in this report.

We undertook our fourth materiality process this year - scaling back the survey, but still engaging with all stakeholders on what is most important (pages 18-21). With our shareholder, community, iwi, customers, partners, suppliers, regulators and government, we explored what makes our material issues such important priorities and - together with our strategy - these insights formed the basis of this report.

We continue using the Integrated Reporting <IR> Framework, while keeping an eye on global developments in reporting standards and their roll-out in New Zealand.

* More information can be found at www.arawards.com.au

Transparency

Being open and transparent with all stakeholders stays firmly at the top of our list. In fact, reporting back on stakeholder views by including quotes within this report is now embedded in our approach and we look forward to sharing them with you each year.

Richard Saunders, CEO, Otago Regional Council: “There has been a step change in the port’s willingness to engage with the community. Being owned by the Otago Regional Council means the port is effectively owned by the community, hence being community-conscious is critical. Furthermore, iwi have such a deep connection with the harbour, they value it so strongly, they also need to be intrinsically part of the port and the activities undertaken on the harbour.” This reminder from our shareholder to stay close to our community and iwi is important. Faced with

so many challenges in the business, from post-Covid recovery to ongoing shipping disruption and increasingly present climate change impacts, it is easy to focus on stakeholders directly involved in day-to-day business, such as customers, business partners and suppliers. But our local community surrounds and supports the port and we must never lose sight of that. Our relationship gets better year-on-year, but in terms of the title of this year’s report, *Are we there yet?*, the answer is “no”, there is always more that can be done.

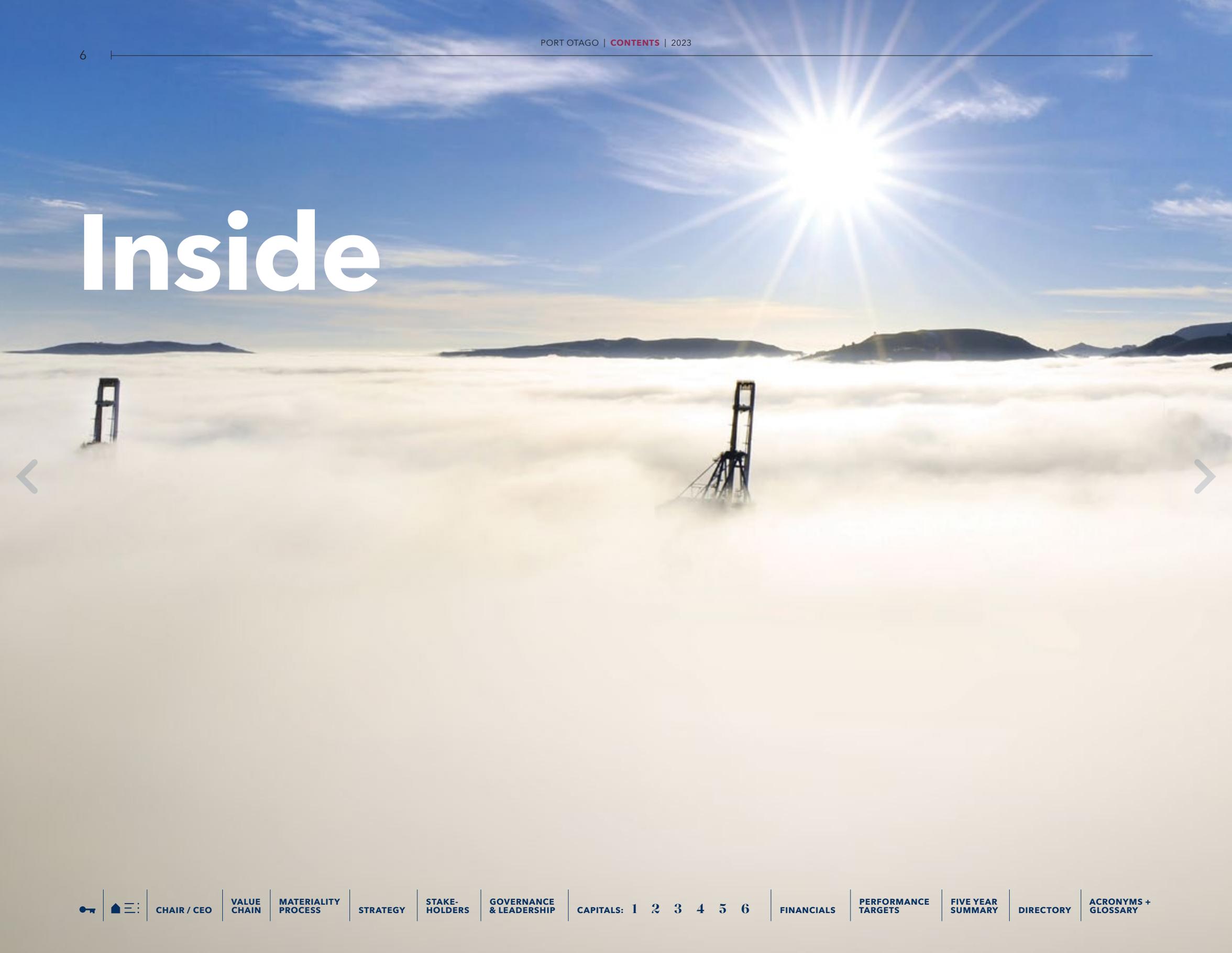
Feedback

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

Integrated Reporting

More information can be found at www.integratedreporting.org/resource/international-ir-framework/

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CHAIR / CEO

VALUE CHAIN

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STAKE-HOLDERS

GOVERNANCE & LEADERSHIP

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ELEMENTAL CHILDRENS FREE



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Our highs and lows



5589T



Carbon emissions down on last year by

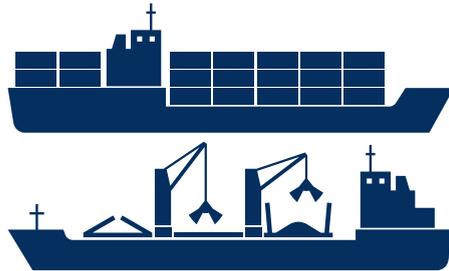
1.5%

\$32.0 million

Underlying profit up from \$17.6m last year

\$7.8 billion

Exports/imports handled through our port



10.6

TRIFR up from 5.1 last year

186,400



TEU up from 166,200 last year

13



Health and Safety Reps trained

93

Active sponsorships up from 51 last year

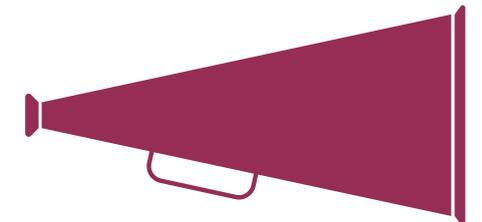
101

Cruise ships and over 149,000 passengers



32

Noise complaints up from 18 last year





Full year review from the Chair and Chief Executive

Highlights and challenges

Return of cruise

Unblocking the supply chain

Te Rauone Beach milestone

Delivering projects on time and on budget

Adapting to increasingly intense weather events

Optimising supply chains for customers and partners

Balancing customer demands with port infrastructure

Our direction

Material issue: Leadership

Our strategy of building a better business has kept us focused on continuous improvement and delivering key projects over the past four years. Earlier this year, the Board and Leadership Team came together to revisit our purpose and shape our plans for the future. The outcome was a deeper understanding of why we are here, what value we provide and how we adapt in the future. In keeping with the theme of this year's Integrated Report - *Are we there yet?* - the answer is "no", but we have clarity of purpose and that is fundamental.

We have simplified our vision: "To be a regional economic enabler with enduring relevance."

With that in mind, our goal is to be a "resilient portal to the world, measured by regional economic impact and the dividend to our shareholder".

We are refreshing our strategic plan around three themes:

- Improving our business as usual
- Resourcing near-term strategic projects, and
- Developing our thinking for the future.

As we fine-tune this plan, we will share our updated goals and our work plan for the future. Creating value for our stakeholders through integrated thinking - elements of which are included in this year's Integrated Report - is core to leadership at the port, and one of our material issues.

Group result

Material issues: Financial returns; Growth

We measure the year's financial outcome based on our underlying profit measure and are therefore pleased to report an underlying profit of \$32.0 million - up 82% on last year's \$17.6 million. The return of cruise, along with increased container transships, boosted our port earnings, while positive development margins from the completion of three Te Rapa Gateway design/build/lease warehouses (compared to two the previous year) lifted property returns.

Group revenue was \$111.3 million, compared to \$88.0 million last year, and includes \$68.8 million from marine and cargo services - up \$20.6 million on last year. This reflects the return of cruise vessels and increased activity in the container and bulk cargo trades.

Container TEU throughput of 186,400 was 12% higher, with transship volumes increasing 200% to 29,000 TEU. Full export containers from our region were up 2%. A total of 152 container vessels called during the year - up from 108 last year - as we welcomed the Maersk Polaris and ZIM services.

Total bulk cargo volumes were up 6% to 1.8 million tonnes, compared to 1.7 million tonnes last year. This was due to log exports increasing 4% to 1.0 million tonnes, and fuel, fertiliser and cement volumes all up on the previous year's volumes.

Property rentals were up 8%, to \$33.9 million, reflecting more warehouse tenants being secured at our Te Rapa Gateway development and ongoing lease renewals

in the Dunedin and Auckland property portfolios.

With container and bulk volumes up, cruise ships back and property rentals up, we tackled two of our material issues - increased financial returns and growth - head on.

Operating costs of \$78.3 million were up \$12.4 million, due to increased staff and operating costs resulting from the return of cruise, ongoing investment in IT systems, and maintenance costs.

Net Profit After Tax for the year was \$23.3 million, compared to last year's profit of \$70.5 million. However, last year's figure included a \$59.8 million unrealised change in the fair value of investment property. Pleasingly, our property portfolio valuations held up in a tough market, reflecting the quality of our properties and tenants. The revaluation adjustment, including development margin was -\$0.5m, a great result.

Total group assets increased to \$893 million, from \$842 million last year, with equity of \$704 million. Our operating cashflow was \$37 million, allowing for reinvestment in our business and increasing the dividend for our shareholder to \$14 million - up \$1 million on last year.

Our balance sheet remains strong. Total debt increased \$32 million during the year, to \$141 million at June 2023. Our debt/debt + equity ratio is a modest 17%. Our shareholder increased the available Local Government Funding Authority debt facility to \$150 million - up from \$100 million last year. This facility allows us to access debt at a lower cost of funds in an environment of increasing interest rates. Our \$60 million debt facility with the ANZ has also been retained. This is to provide available debt facilities, as opportunities for further investment are identified.

Making progress

The return of cruise

Material issue:
Recruiting and retaining the best team for the job

The highlight of the year was welcoming the Celebrity Eclipse - the first cruise ship to visit Fiordland and Port Otago for two and a half years.

The majority of our kaimahi turned out in the early morning of 26 October 2022 to welcome personally the vessel's 2640 passengers and 1140 crew. It marked the start of a challenging but rewarding cruise season. The decision to invest in our Cruise team through the two-plus-year Covid hiatus quickly paid dividends, as the team ironed out restart issues and settled into a professional offering for every ship. This is a great example of recruiting and retaining the best team for the job, a material issue relating to the value we place on our kaimahi at the port.

By season's end, we had looked after 101 cruise ships and 222,500 passengers and crew, making Port Otago New Zealand's largest cruise ship port for 2022/23. We estimate that the cruise sector delivered more than \$70 million of economic benefit to Dunedin City - valuable tourist spend that was desperately needed in a post-Covid era. While the economic benefit was significant, we acknowledge that our local community was impacted by the lack of buses and a Dunedin Railways train. We are working to deliver better outcomes in the upcoming season.

Coming up with supply chain solutions

Material issue:
Innovation

We are proud of our team for responding to the challenge that presented itself at Easter, when Fonterra, Kotahi and Maersk asked if we could solve a bottleneck in the New Zealand shipping network. Our kaimahi moved to a new 10-hour roster to deliver about 20% more moves in our terminal, allowing Maersk to bring the Polaris service to Port Chalmers and relieve pressure further up the network. Our ability to adapt and move quickly highlighted our kaimahi's readiness to support our shipping partners and regional customers. Their willingness allowed us to grow our container offering, optimising our natural deep-water port. It also demonstrated innovation - one of the more challenging material issues we face.

Attracting shipping lines

Material issue:
Shipping volatility

The arrival of the ZIM service during 2022/23 provided our regional exporters with a greater choice of shipping lines and a faster trans-Tasman transit option. The recent decision by ZIM to remove vessels from the New Zealand coast and contract space on MSC vessels was disappointing but understandable given the slowdown in the country's economy.

Attracting new shipping lines to visit is a key tactic to address shipping volatility, a material issue with knock-on effects in the supply chain.

Keeping the focus on safety

Material issue:
Safety

We have invested heavily in engineering solutions to improve defences for our critical risks. By replacing soft controls with hard controls, we have made significant progress in keeping our people safe over the past year. However, we still had three staff off work due to minor work-related incidents. This is not what we aspire to. Our highest priority is keeping all our kaimahi safe.

With the fresh perspective of Ross Buchan, our new Head of Safety, we are learning how our business can provide an environment for our people to "fail safely". This approach accounts for the fact things can and do go wrong. And, when they do, the outcome is a "safe fail". This approach has challenged many parts of our business, in a positive way.

Our Board, Health and Safety Committee and Rūnaka (safety council) continue listening to our Health and Safety Representatives to understand how work is done, versus how it is documented. During the year, we invested in our representatives with 13 attending the in-house Safety Leadership programme and upskilling to lead our safety culture. Safety is one of our material issues and will always be the number one priority.



“Our kaimahi turned out in the early morning of 26 October 2022 to personally welcome the vessel’s 2640 passengers and 1140 crew.”

To support our training initiatives, Port Otago launched a new Learning Management System this year and it now delivers the majority of training modules. Our training hours delivered per employee increased to 20 hours this year, compared to 9.5 hours last year. Importantly, individual training plans are now visible via the learning platform, enabling more targeted training. We have plenty of work to do and this platform sees us well placed to deliver for our kaimahi.

Building depth in our Board and Leadership Team

Material issues:

Leadership; Recruiting and retaining the best team for the job

Our Leadership Team continues to evolve, as we adapt to the challenges facing our business and the skill sets needed to deliver on our strategy.

Jonny Cook resigned in June as GM Operations and we proudly promoted our Supply Chain Manager, Deanna Matsopoulos, to the role. (See story page 52.) Deanna knows our business inside and out, having held most of our key challenging roles since she started as a receptionist 23 years ago. Leading our container operations team of 150 might be a challenge for some, but Deanna is looking forward to working with our kaimahi to improve their work-life balance, while delivering for our shipping partners and customers across the region.

Kevin Kearney returned to Port Otago after a stint with Scott Technology. As Strategic Project Manager, he brings automation/lean manufacturing experience to our team. Kevin is diving into our depot capability to lift our service offering, and working with our Infrastructure team to develop the port's climate change adaptation plan.

Paul Rea retired as Chair at the end of December 2022, after 11 years' service to Port Otago. We acknowledge Paul's contribution to our business and our region throughout his time on the Board. We welcomed Anne McLeod as a new Director in June 2023, and Kate Faulks as a Board intern in August 2022.

Keeping property moving

Material issue: Growth

During the year, we completed three design/build/lease projects in Hamilton. NZWindows, Spectrum Aluminium and Altus all moved into modern warehouse facilities within our Te Rapa Gateway industrial park.

We typically undertake three projects per year in Hamilton. While enquiries for new builds are slowing down, we have three projects underway: a third build for Steel & Tube; a first build for RML Construction; and a build-for-lease development. The impact of rising inflation has increased new build construction costs, requiring higher rents to justify the investment. This has flowed through to higher rents for existing

buildings and, over time, will lead to higher revenues across our rental portfolio. The additional rent is required to offset the rising cost of funds and restore margins to levels that deliver an acceptable return on our property portfolio.

We continue to diversify our risk by increasing our investment outside of Dunedin - into Hamilton and, to a lesser extent, Auckland. We are also divesting leasehold land in Dunedin, where sensible.

A refreshed maritime museum for Otago

Material issue:

Culture and wellbeing hauora

The Port Chalmers Maritime Museum extension and our administration building project tracked well during the year. Our kaimahi recently moved into the building and are adapting to the modern work space. We have high hopes for a positive impact on our culture and wellbeing hauora, contributing to another material issue.

The museum extension and upgrade side of the project is slightly behind schedule. Dealing with an 1877 Heritage Category 1 listed building requires more time and care than anticipated. We expect the museum to re-open its doors this summer.

The Whare Rūnaka design/build/lease for our shareholder is underway, with Octa, GHD and Calder Stewart on site. We plan to hand over to our shareholder in June 2025.

Upgraded wharf for Ravensdown

Material issues:

Wharf capacity and infrastructure; Relationships; Climate change

After several years considering options for Ravensdown, it was great to deliver a strengthened wharf allowing the return of bulk ships direct to the plant. The joint initiative - between Ravensdown and Port Otago - built on a relationship founded in 1931. We worked through the challenge of balancing economic returns with the benefit of continued operation of the plant and the right outcome was achieved. The upgraded wharf enables 190-metre bulk carriers to berth at Ravensdown and removes the need for trucks to carry product by road - reducing the impact for our West Harbour community and lowering our Scope 3 carbon footprint. This advances three material issues in one go: wharf capacity and infrastructure with the new Ravensdown Wharf; relationships (with customer Ravensdown and the local community); and climate change (through reduced Scope 3 greenhouse gas emissions).

Te Rauone Beach reaches milestone

Material issue: Relationships

Congratulations to the Te Rauone Beach Coastal Care Committee, whose members tirelessly advocated for an amenity beach for their community - and, this year, delivered.

Our Infrastructure and Marine teams worked alongside SouthRoads to build breakwater groynes and create a new sandy beach, which opened in time for summer 2022/23. We are immensely proud of our involvement with community leaders – Graeme Burns, Des Smith and Tina Owens – in delivering the first phase of the new amenity beach. In the next 12 months, we will fine-tune the groynes and beach to adapt to nature’s challenges.

We value our relationship with the community and working on this material issue is one of the most rewarding aspects of our day-to-day business.

Recognition for our reporting

Material issues:
Leadership; Relationships

We were humbled by the recognition and feedback received at the Australian Reporting Awards, as Port Otago won Integrated Report and Corporate Communications awards for last year’s Integrated Report. Thank you to our talented team of Carolyn Bennett, Jo Cain, Brigid Feely and Jodi Taylor who passionately tell our story in a way that reflects our southern values. We talk about what we have done, acknowledge it is not always perfect and that we need to get better.

Effective communication is crucial to building strong relationships with our stakeholders. The effort we put into our reporting reflects how seriously we take this responsibility.

Supreme Court decision

Material issue:
Growth

Our perseverance and determination over the past five years was rewarded when the long-awaited New Zealand Supreme Court decision was delivered in August 2023. It was a positive outcome for Port Otago and all the country’s ports.

The decision reinforces that, for an existing port operation, when regulators are considering any Regional Coastal Policy Statements or Resource Management Act applications, they should balance (a) the changes needed to operate a safe and efficient port, alongside (b) the protection of the marine environment. This decision reaffirms that the use of mitigation techniques (such as adaptive management) is permitted, rather than applying the “King Salmon” mantra of “avoid means avoid”, which potentially placed restrictions and undermined the ability of ports to cater for future changes in shipping. Clarifying this point of law will be fundamental to tackling shipping volatility – a material issue that is here to stay.

Acknowledgement: *This successful legal campaign was led by Len Andersen KC. Len died suddenly on 16 September - only days before this report was finalised. From the start, Len believed we were right in our stance and he argued with the best in the country to achieve the final outcome - from the Environment Court win in 2018, through the High Court and Court of Appeal losses and, last month, the important Supreme Court win. We were privileged to have Len as part of our kaimahi.*

Looking forward

For the year ahead, improving business as usual is a priority. This includes providing additional empty container storage to free up space on the terminal – a critical move to support our customers and shipping partners – and this work is underway.

We have engaged the New Zealand Institute of Economic Research (NZIER) to undertake an economic analysis to estimate the value of Port Otago to our region. This will enable us to better understand the impact of our decisions on the wider region and will feed into our climate change adaptation work, as we learn how to become more resilient throughout the supply chain while responding to increasingly common and extreme weather events.

The year ahead will be challenging, as New Zealand’s deteriorating economic conditions lower returns to our region’s farmers and reduce spending in our economy. We anticipate container volumes will be similar to this year, but with an increased focus on supply chains, as our customers look for efficiencies to buffer reduced revenues from their exports. We are watching developments in China, aware that our log customers are nervous about the year ahead and the possibility of reduced bulk volumes through the port. The cruise season is likely to be a record for Port Otago, with 130 ships booked, including 21 visits

into Dunedin Bulk Port this coming season. Our property business has a very high occupancy rate – and with quality tenants – so we expect returns to be stable, despite the property cycle unwinding during the coming 12 months. Our balance sheet remains strong, and we are well positioned to continue investing in improving supply chains for our customers, and taking advantage of opportunities that align with our strategic goals.



Tim Gibson
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 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

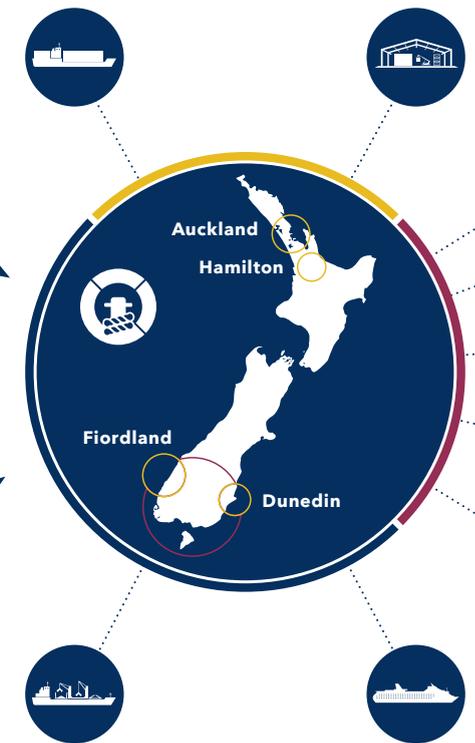
Our assets

- 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



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.

We are partnering with NZIER to better understand our contribution to the local and regional economy, which we look forward to sharing with you in next year's report.



Our priorities

"It was great to see Customs' contribution to the 2022 Integrated Report; we are happy to be quoted again this year."

Mike Bennet
Lower South Island Port Manager
New Zealand Customs Service

The materiality process

In each of the past three years, Port Otago undertook a comprehensive independent materiality process using a tried-and-tested best practice approach. Now that our material issues are well understood, we decided to give stakeholders a break from the full materiality survey. We undertook 26 one-on-one interviews across our key stakeholder groups of customers, partners, community and iwi, our shareholder, regulators and government. These stakeholders provided comprehensive representation of the four pillars of our business, namely bulk, containers, cruise and property.

Customers	Partners	Others
Alliance	Dynes Transport	Community and iwi: Te Rūnaka o Ōtākou
Carnival Australia	Foster Construction	Shareholder: Otago Regional Council
City Forests	HEB Construction	Regulators and government: New Zealand Customs Service
Fonterra	IDNZ	MPI (Ministry for Primary Industries)
Kotahi	Maersk	
Niagara	SouthRoads	
NZWindows		
Pan Pac		
Port Blakely		
Ravensdown		
Silver Fern Farms		
Steel & Tube		
T&G		
Wenita		

We learnt that, while our top 12 material issues remain the same (page 20) and our materiality matrix can still guide us (page 21), given the turbulence of recent times, some priorities have become more important, including relationships, climate change and community and iwi. In relation to our core business activities, wharf capacity and infrastructure, shipping volatility, cruise and property all increased in priority. Some issues are currently less of a focus for our stakeholders, because performance is strong and progress continues, including safety, financial returns, growth, and culture and wellbeing hauora.

Many stakeholders gave their approval to be quoted in this report, which is a real testament to the honest and open communication we aim for.

“I can see the feedback from stakeholders in the 2022 Integrated Report and how it is reflected in what the port is talking about doing next.”

David Ross
CEO
Kotahi

The material issues

Please refer to pages 18-19 of our 2022 Integrated Report for details of the materiality process on which our top 12 material issues are based. They are presented again here in order of 2022 priority and form the basis of the content of this report, our *Strategy for a better business* (pages 22-25) and Board and Leadership Team meeting agendas. Up-to-date stakeholder views on these material issues were established in this year's interviews and are covered in the six capital chapters (pages 42-117) along with our performance and plans. A full materiality process will be undertaken every two years. This will continue to be done independently to best practice, by Materiality Counts. Stakeholder engagement will continue in alternate years on the most important material issues for stakeholders.

#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.

#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.

2022 Materiality Matrix



Strategy for a better business



"We can see progress in the port's strategy and how it represents itself."

Shane Kingston
General Manager Sales Alliance

Strategy

This year, the Leadership Team and Board have worked on our *Strategy for a better business*, with new goals developed for Our harbour taoka and beyond (climate change), Our know-how and skills (resilient supply chain services), Our assets (plans for capital assets, property aspirations and South Island rationalisation) and Our financial value (regional economic impact scope). These new goals are highlighted on the next two pages. The pace of implementation for each goal is indicated as either “immediate” or “longer term” for accountability.

The strategy was developed back in 2021 to tackle our material issues and create value for stakeholders and the port. In 2022, we developed targets to sit below the goals. Board meetings continue to be structured using “strategy blocks” based on the six capitals, reminding us to regularly review progress towards our goals.

On the next two pages, you will see our enhanced strategy and our progress against the goals and targets within it. *Are we there yet?* No, but we are moving in the right direction. 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 improve our *Strategy for a better business*.

Strategy for a better business

Regional economic enabler with enduring relevance

Resilient portal to the world, measured by regional economic impact and dividend paid to shareholder.

KEY: PROGRESS TOWARDS OUR GOALS

Good progress

Underway

Needs attention

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.

STEPS TOWARDS OUR GOALS:

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

MATERIAL ISSUES:

SDGs

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

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.

STEPS TOWARDS OUR GOALS:

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

MATERIAL ISSUE:

SDGs

- Relationships

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.

STEPS TOWARDS OUR GOALS:

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

MATERIAL ISSUE:

SDGs

- Climate change response

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. 

STEPS TOWARDS OUR GOALS:

- Getting our Learning Management System platform up and running
- Achieving full cyber security protection
- Shift to the cloud
- Defend SOC/SIEM

MATERIAL ISSUES: SDG

- Innovation 
- Cyber security

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. 

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
- New pilot boat

MATERIAL ISSUES: SDGs

- Shipping volatility 
- Wharf capacity and infrastructure 


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. 

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: SDG

- Growth 
- Financial returns

SDG KEY

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

For more information on the Sustainable Development Goals (SDGs), visit <https://sdgs.un.org/goals>

How we engage our stakeholders

“Personal relationships thrive across all levels of both businesses, the port and Sealord, between the CEOs, commercial personnel, logistics and more. But operational people can come and go, which makes those relationships more difficult to maintain.”

Richard North
GM Supply Chain
Sealord



Stakeholders

Never before have we had to work more collaboratively across all parts of our supply chain. Some was planned, while some required thinking on our feet. With cruise ships back in the mix, the port became busier than it had been for a couple of years, which put a strain on relationships with everyone using the port. But we worked hard to communicate more, engage more and problem-solve more.

David Ross, CEO of Kotahi, gave his take on an important challenge that required us all to work together: “In April of this year, Port Otago demonstrated leadership in multi-stakeholder relations by providing a solution to a transshipment issue that had arisen in another part of the supply chain. The port discussed, agreed and executed a solution in record speed in collaboration with Maersk, Kotahi, Fonterra, KiwiRail and its own workforce. It made a difference to the stability of the whole New Zealand export supply chain.”

Engaging with our community and iwi stakeholders continues to be a priority. We know there is room for improvement in how cruise ships and their passengers interact with the local community. There is also still much to learn from our iwi stakeholders in protecting our beautiful harbour taoka. While we continue to make progress, there is hard work ahead, not least to translate a longer term view on the impacts of climate change to present-day action.

Edward Ellison, Upoko, Te Rūnaka o Ōtākou, gave his perspective on the port’s engagement with the community: “The port has a positive relationship with communities, including iwi. The Chief Executive recently engaged with us on a name for the port’s new pilot boat. The Rūnaka were unanimous that naming the boat ‘Te Rauone’ is an inspired thought. Te Rauone has been a long and significant project for the port with the community, producing wonderful beaches for recreation and picnicking.”

How we engage our stakeholders

Stakeholder	How we engage	Top material issues (in order of importance)	Stakeholder comments
Our kaimahi	<ul style="list-style-type: none"> 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: “Our primary focus is to prevent fatal and serious harm events, while contributing to reduce less significant harm events.” Ross Buchan, Head of Safety, Port Otago</p> <p>Culture: “We want our kaimahi to be well supported so they are always feeling at their best. Wellbeing is a priority and that means ensuring our kaimahi have access to the resources they need to achieve good wellbeing.” Leigh Carter, Head of People, Port Otago</p>
Community and iwi*	<ul style="list-style-type: none"> Stakeholder interviews West Harbour Community Board Port Noise Liaison Committee Mana Whenua Group Te Rūnaka o Ōtākou Port Otago Facebook page Rothesay News 	<ul style="list-style-type: none"> Community and iwi partnerships Biodiversity protection in the harbour taoka Culture and wellbeing hauora Leadership Growth 	<p>Biodiversity protection: “The port needs a deep understanding of what makes the harbour alive, where the pressure points are and the areas to watch for tipping points. The whole operation relies on the harbour; the port knows more about the harbour than anyone else. So we look to the port to lead an Integrated Harbour Strategy, connecting the ORC, the DCC, and all parts of community and iwi. For iwi, a biodiversity and ecosystem focus to preserve the natural characteristics of the harbour is the priority, first and foremost.” Edward Ellison, Upoko, Te Rūnaka o Ōtākou</p>
Customers	<ul style="list-style-type: none"> Stakeholder interviews Site and in-market visits 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: “Fresh fruit has been going out quickly and shipping schedules have been good, but turnaround times on containers could still be improved.” Jeff McDonald, Regional Operations Manager: Otago, T&G Global</p> <p>Relationships: “The port has been more engaging over the past 12 months and opened up, improving communication, which is appreciated.” David Cormack, CEO, Wenita</p>

* Stakeholder groups have been revised to better reflect how we engage with them. (Specifically, community and iwi are engaged alongside each other; and we consider our suppliers to be partners.)

Stakeholder	How we engage	Top material issues (in order of importance)	Stakeholder comments
Partners*	<ul style="list-style-type: none"> Stakeholder interviews Site visits 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 Innovation Climate change response 	<p>Relationships: "The port is good at acknowledging what they know and what they don't know and working in partnership to fill the gaps where needed. They are one of the best partners we have at making decisions so that their own money and time, as well as ours, is not wasted."</p> <p>Scott Vallely, Southern Area Manager, HEB Construction</p> <p>Leadership: "Analyse and learn from the challenges being faced by the other ports in New Zealand. Explore what a good port looks like."</p> <p>Peter Dynes, MD, Dynes Transport</p>
Shareholder	<ul style="list-style-type: none"> Stakeholder interviews Port Otago Board Interim and Integrated Reports Statement of Corporate Intent 	<ul style="list-style-type: none"> Shipping volatility Financial returns Property business Relationships Leadership 	<p>Leadership: "Nothing is more important than looking after your people. Anyone in a leadership position should have this at the top of the list to achieve everything else."</p> <p>Richard Saunders, CEO, Otago Regional Council</p> <p>Relationships: "A big challenge after local body elections is showing new councillors the value of the port. We need to do it better."</p> <p>Kevin Malcolm, Chair, Port Liaison Working Group, Otago Regional Council</p>
Regulators & Government	<ul style="list-style-type: none"> Stakeholder interviews Meet and provide input into policy development Work with other ports on key issues Engage with any investigations and audits 	<ul style="list-style-type: none"> Return of cruise ships Relationships Growth Safety Innovation 	<p>Cruise: "The cruise season ran very smoothly from a Customs perspective and we appreciated being part of the season's debrief. The real issue for Port Otago is balancing cruise ships with other parts of the business, with limited space - in particular with multiple cruise ships on the wharf some days."</p> <p>Mike Bennet, Lower South Island Port Manager, NZ Customs</p> <p>Relationships: "Port Otago engages with MPI through the co-management system established, including open dialogue at an operational level. The Cruise team engaged MPI before the season started, bringing us in to present on why we're there and what we do, providing a platform to raise biosecurity awareness amongst the port Cruise team."</p> <p>Nick Hale, Chief Quarantine Officer, Border Clearance Services, Biosecurity NZ, MPI</p>

Leadership at every level

"A significant risk to the port in the future is survival of the fittest. There are too many container ports across New Zealand and government reform is inevitable."

Kevin Malcolm
Previous Chair
Port Liaison Working Group
Otago Regional Council

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Governance and leadership

Kevin Malcolm’s quote opposite serves as a reminder that good governance and strong leadership aren’t just desirable, our survival depends on them. The only way to truly prioritise this is to embed *Leadership at every level*, hence the theme of this chapter. With this in mind, we are proud to introduce our Future Forum (see story page 74). This forum will grow understanding across the business of how we are addressing sustainability and engage our kaimahi in how to best tackle our material issues and the goals in our *Strategy for a better business*. The Future Forum’s “x factor” – the point of difference that will drive a step change – is its make-up. Embracing the diversity of our kaimahi, forum members come from all parts of the port, across every level, with a mix of ages, gender and more. There is only one regular Leadership Team member – Strategic Project Manager Kevin Kearney – there to provide connectivity and input to the port’s strategic decisions. Sustainability Manager Carolyn Bennett shared the focus of a meeting earlier this year: “One of the key topics on the agenda was how ports across New Zealand are tackling diversity and inclusion, which was very appropriate given the meeting was held on International Women’s Day.”

Our Future Forum members are: Carolyn Bennett, Kirsten Chamberlain, Clinton D’Souza, Emma Hanrahan, Kevin Kearney, Rebecca McGrouther, Jamie McIvor, Robert Morrison, Ben Mulvey, Dave Murray, Stuart Officer, Mel Perkins, Ben Shayler, Kosie Snyman, Rene van Baalen, Jon Visser, Ollie Williams and Ross Woodall and one additional Leadership Team member (by rotation each meeting).

The Port Otago Board has also established a Sustainability subcommittee (see story page 74). Director Becky Lloyd, who chairs this subcommittee, shared: “As a company, the work done over recent years – specifically, integrated reporting, materiality assessment and carbon emissions measuring – provides us with a strong foundation. What we need now is a long-term decarbonisation roadmap aligned with the port’s capital expenditure programme.”

We continue to build a strong Leadership Team, with some serious talent and experience joining us over the past year: Grant Bicknell as GM Marine and Infrastructure, Ross Buchan as Head of Safety, and Kevin Kearney, welcomed back as Strategic Project Manager. We are equally conscious of providing opportunities for our kaimahi to grow in their careers and proudly appointed Deanna Matsopoulos as GM Operations (see story page 52).

With the retirement of Paul Rea as Port Otago Chair after 11 years on the Board, we welcome existing Board member Tim Gibson into the role. Tim shares his plans as our new Chair: “We are in good heart, so it will be ‘steady as she goes’. Under Paul’s stewardship, we took positive steps towards understanding and meeting the challenges of sustainability – and we will continue to build on that.”

Mindful of achieving a good balance of perspectives on the Board, we took on a new Board member and a Board intern. Experienced Dunedin lawyer Anne McLeod brings expertise in corporate commercial law to the Board, alongside experience in merger and acquisition transactions, corporate governance, and structuring and capital raising. Anne: “It’s an exciting Board to be part of. It’s in my hometown, which appeals in terms of giving back. I am conscious of the positive influence the port company has on the city and the commercial benefits it brings to the wider Otago and Southland region. At a personal level, I’m looking forward to working with the Directors and senior Leadership Team.” Kate Faulks also joins the Board as an intern. Kate brings excellent experience and qualifications, including a first-class Master of Business Administration from the University of Otago.

Are we there yet? No, but every year we get closer to the Leadership Team and Board we need.

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

Tim Gibson

Chair since January 2023

Tim has many years' experience in export industries and agriculture, starting in Dunedin with Donaghys 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.



Becky Lloyd

Director since 2021

Becky was Chief Executive of Toitū Envirocare until December 2022. The wholly-owned subsidiary of Manaaki Whenua Landcare Research specialises 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.



Anne McLeod

Director since 28 June 2023

Anne is an experienced Dunedin lawyer with legal firm Anderson Lloyd. A specialist in corporate commercial law, she joined the firm in 1999 and was made a partner in 2002. Anne has a double degree in law and commerce from the University of Otago. She is a member of the Institute of Directors New Zealand, Restructuring Insolvency and Turnaround Association New Zealand (RITANZ) and the Banking and Financial Services Law Association. Anne serves on the Board of Anderson Lloyd and is Deputy Chair of St Hilda's Collegiate School's Board of Trustees. She has previously been a Director of Southland Building Society (SBS) Bank and Chair of the bank's subsidiary company, Southsure Assurance.



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.



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.



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.



Kate Faulks

Board Intern
since November 2022

Kate is a Managing Shareholder in Altavady Group, her family's North Otago based agribusiness company, which comprises five farming operations. Kate graduated from the University of Canterbury in 2011 with a Bachelor of Engineering (Honours), majoring in Chemical and Process Engineering. She then worked for Exxon Mobil for six years, before taking up the opportunity to manage Altavady Farm. In 2021, Kate graduated from the University of Otago with a Master of Business Administration (MBA, first class).



How our Board is selected

The Otago Regional Council (ORC) - via its Port Liaison Working Group* (PLWG) - selects and appoints Directors to the Port Otago Board.

The selection process involves the Board advising the working group of any upcoming vacancy or retirement and indicating the specific skills required. The working group's chair initiates the recruitment process, in line with the ORC's Recruitment and Appointment Policy.

Director terms

The ORC guidelines for Director appointments to the Port Otago Board recommend a maximum of three terms (nine years), with the exception of the Chair. However, the Port Liaison Working Group can allow a longer term if, for instance, it wishes to retain specific knowledge and experience.

Board meetings: Additional attendees

Separate to the Port Liaison Working Group, an ORC representative attends all Port Otago Board meetings, as an observer. The current representative is ORC General Manager Corporate Services and Chief Financial Officer Nick Donnelly.

Port Otago Chief Executive Kevin Winders and Chief Financial Officer Stephen Connolly also attend all Board meetings.

* The Port Liaison Working Group has five members. Four are ORC Councillors: Group Chair Kevin Malcolm, ORC Chair Gretchen Robertson, ORC Deputy Chair Lloyd McCall and ORC Finance committee Co-Chair Tim Mepham. The fifth member is ORC Chief Executive Richard Saunders.

Board members' skills matrix



Tim Gibson **Pat Heslin** **Tom Campbell** **Bob Fulton** **Becky Lloyd** **Chris Hopkins** **Anne McLeod** **Kate Faulks**
Intern

Technical skills / experience

	Tim Gibson	Pat Heslin	Tom Campbell	Bob Fulton	Becky Lloyd	Chris Hopkins	Anne McLeod	Kate Faulks
Governance	✓	✓	✓	✓	✓	✓	✓	✓
Health and safety / risk management			✓	✓	✓	✓		✓
Sustainability					✓		✓	✓
General management	✓	✓	✓	✓	✓	✓	✓	✓
CEO / senior executive / partner	✓	✓	✓	✓	✓	✓	✓	
Strategy development and implementation	✓	✓	✓	✓	✓	✓	✓	✓
Port operations / logistics / supply chain			✓			✓		✓
Infrastructure / construction / project management			✓	✓	✓		✓	✓
Property		✓	✓	✓	✓		✓	
International trade / marketing	✓		✓		✓	✓		
Agriculture / forestry	✓					✓		✓
Accounting / finance / treasury		✓				✓		
Law	✓						✓	

Creating value as a Board member

Anne McLeod



“I enjoy the energy of the people at the port and their straight talking. It allows newcomers like me to get a good feel for the operational side.”

What attracted you to the Port Otago Board?

Many things attracted me to a governance role at the port, not least working with good people such as the Leadership Team and the Board.

But it's more than that. Port Otago is well known for what it does for Dunedin and the region, in particular the jobs it provides. The cruise and property businesses also bring significant benefits to the wider business community, which appealed to me. Then there is the port being owned by Otago Regional Council allowing it to directly contribute to the city. I like that I am part of giving back within my region.

What value do you bring?

I am a corporate commercial lawyer, which means I am good at reading materials and assessing them critically. I also have strong legal corporate and commercial property experience. I enjoy problem solving and focusing on the strategic long-term direction of an organisation, both of which the port needs with challenges such as climate change to tackle. My focus on people and diversity is not specific to the port, but useful in any organisation these days.

If you could sum up the port in one word, what would it be?

I love how broad the port's business is - from cruise to container movement to commercial property development and leasing. This is a real strength of the business. On this basis my word is "diverse".

Has anything surprised you about the port so far?

It has been fascinating seeing the actual operations at the port as part of my induction. I loved my ride on the tug and going up the crane! The health and safety side of the business is a real focus, as it should be, as part of a busy port.

What are the port's biggest risks into the future?

The first risk that comes to mind is the port's reliance on the primary sector. We depend on the export of primary products for a large component of our container business. Therefore, any challenges faced by the rural sector will have a knock-on effect at the port.

Like every business, we need to be conscious of the changes required to become more sustainable, none of which the port is shying away from, but it is incredibly challenging for the business all the same. I believe that we can turn our focus on sustainability to our advantage given some time and planning.

What are the port's biggest opportunities ahead?

Sustainability presents both risks and opportunities in my view, with reducing our carbon emissions one of the biggest opportunities to work across our supply chain into the future.

Further growth opportunities will also come from continuing to build our strong relationships with customers and suppliers and managing our supply chain and accessibility.

Kate Faulks



“The port’s biggest opportunities will come from its remarkable ability to adapt swiftly.”

What attracted you to the Port Otago Board?

That’s easy, the port’s reach. Working on the farm, the intricate supply chain extending beyond the boundaries fascinates me, not least the vital role Port Otago plays in the region. Actively engaging in the decision making of an organisation with such extensive reach, and collaborating with Board members and the Leadership Team, is my most interesting role yet.

What value do you bring?

Educated in chemical and process engineering with an MBA, I bring a combination of analytical and business skills to decision making. I am comfortable facing complex challenges, in fact I come at them from many angles, drawing on operational and leadership experience in energy and agriculture. Port Otago prioritises its people, safety and sustainability – a very close match to my own values. I can drive positive change by asking the right questions with the best shareholder and stakeholder outcomes in mind.

If you could sum up the port in one word, what would it be?

“Integral.” Tough question though!

Has anything surprised you about the port so far?

It certainly has. Let’s start with the property business. What an excellent differentiator. Strategic decisions relating to the port’s property portfolio, some quite bold, have positioned the business as vital and viable into the future. This continues to be crucial to sustaining returns for our shareholder and benefitting the rate payers of Otago.

I’ve been delighted with the positive interactions I’ve had with the Port Otago team. It is clear that individuals are not confined to their roles, instead encouraged to grow and reach their potential, in particular many female team members.

What are the port’s biggest risks into the future?

Climate risk remains front and centre. We’re equipped with data and strategies to build climate-resilient systems alongside our own decarbonisation aspirations. But the complex landscape of geopolitical vulnerability remains unpredictable. We must carefully monitor signals and be prepared to adapt to changing geopolitical scenarios for business continuity.

During my time on the Board, I have also witnessed the cruise industry’s resurgence post-Covid and, with it, the increased scrutiny of cruise entry into Fiordland, including biofouling. Collaborating with stakeholders on the economic benefit of cruise to the region has never been more important. As a passionate primary

producer, it would be remiss of me to not highlight the biosecurity risks, not just in the tourism sector but in our primary industries too, and the ongoing importance of controls in this space.

What are the port’s biggest opportunities ahead?

Climate change also springs to mind as an opportunity for the port to partner closely with customers, as they focus on reducing their Scope 3 emissions along the supply chain. Participating in green shipping corridors and working to support and facilitate sustainable rail networks is just scratching the surface of potential opportunities.

But perhaps the biggest opportunity lies in the port’s remarkable ability to adapt swiftly, displaying agility that is rapidly becoming a competitive advantage. The adept management of change to accommodate Maersk’s Polaris service is a prime example of this strength. I’m confident that when similar opportunities arise in the future, Port Otago will be ready to act.

Board subcommittees

Port Otago has three subcommittees – Audit, People and Remuneration, and Sustainability (see story page 74) – which meet quarterly.

There is also a full governance Health and Safety committee, which also meets quarterly. This long-standing committee is attended by the full Board, plus key Leadership Team members. Its status as a full governance committee reflects the company’s commitment to Zero Harm in our workplace. Its purpose is to:

- Assist and achieve outcomes of Zero Harm and
- Oversee the effectiveness of health and safety programmes and initiatives that support the health and safety policies of the company.

Health and Safety committee chair Bob Fulton: “We can’t be complacent. If we lose focus, our kaimahi will be at risk and we want everyone to go home safely, every day,”

	Full governance committee	Subcommittees		
	Health and Safety	Audit	People and Remuneration	Sustainability
Chair	Bob Fulton	Pat Heslin	Chris Hopkins	Becky Lloyd
Members	Full Board of Directors	Tim Gibson Chris Hopkins Becky Lloyd	Pat Heslin Tim Gibson	Tim Gibson Bob Fulton Anne McLeod
Attendees	Chief Executive Kevin Winders Head of Safety Ross Buchan	Chief Executive Kevin Winders Chief Financial Officer Stephen Connolly	Chief Executive Kevin Winders Head of People Leigh Carter	Chief Executive Kevin Winders Strategic Project Manager Kevin Kearney Sustainability Manager Carolyn Bennett

Leadership Team

	Role	Time in role*	Time with Port Otago (years)
Kevin Winders	Chief Executive	6 years	6
Craig Usher	Commercial Manager	5 years	5
David Chafer	GM Chalmers Properties	11 years	11
Deanna Matsopoulos	GM Operations	2 months	23
Grant Bicknell	GM Marine & Infrastructure	1 year	1
Ross Buchan	Head of Safety	1 year	1
Leigh Carter	Head of People	2 years	2
Rachel Pullar	Head of Digital	2 years	2
Stephen Connolly	Chief Financial Officer	13 years	17
Kevin Kearney	Strategic Project Manager	3 months	10 #
Jodi Taylor	Executive Assistant	6 years	6

* As of September 2023
 # Non-continuous period

Strategy sessions

Three to four times a year, the Leadership Team meets off-site for a full-day strategy session. These days are an opportunity to step out of the day-to-day activities of the business and scan the horizon for potential risks and opportunities. We challenge our goals during each session and track how we are progressing.

During the 2022/23 year, three sessions were held:

- August 2022
- January 2023
- May 2023*

* Involved both the Board and Leadership Team.

Strategic risks

The Leadership Team and Board undertake a full review of the risk register every six months to identify any new risks emerging and review existing risks. On the next three pages, you will see our updated strategic risks alongside a summary of the controls in place for each one. For each risk, the related material issues are highlighted. This year, we have extended our risk reporting to include the latest risk level direction in each case, i.e. is it increasing, decreasing or remaining static. New risks included this year are: Cruise banned from Fiordland; Trade disruption; and Fire (combined with other natural disaster risks, tsunami and earthquake).

We welcome your feedback on how we could improve our reporting on risk.

Risk	Risk level movement	Mitigation	Related material issues
SAFETY:			
Loss of life or a serious injury, due to a workplace incident	⊖	Our kaimahi 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 - Innovation
Cruise banned from Fiordland	⊖	Lobbying through Port Chief Executives Forum, membership of Destination Milford Team opposing the draft plan. Recommendation to government due September 2024	<ul style="list-style-type: none"> - Cruise - Biodiversity protection in <i>Our harbour taoka</i>* - Community and iwi partnerships*

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

Risk	Risk level movement	Mitigation	Related material issues
NATURAL DISASTER:			
Earthquake, tsunami or fire	⊖	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
INFRASTRUCTURE FAILURE:			
Catastrophic failure, such as wharf collapse	⬇	Wharves, marine and mobile plant regularly inspected by <i>Our kaimahi</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>*

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

Risk	Risk level movement	Mitigation	Related material issues
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 kaimahi</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>*
Trade disruption	↑	Monitor Free Trade Agreement developments, in particular involving multiple countries. Specific risk to log exports to China	<ul style="list-style-type: none"> - Growth - Financial returns - Relationships

CAPITAL #1:

Our kaimahi

1

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 continued improvement
- Wellness Programme roll-out

Key metrics

Metric	2022/23	2021/22	2020/21	2019/20	Performance
TRIFR: Rolling 12 month average	10.6	5.1	10.5	22.7	✗
Injury Severity Rate*	10.0	13.3	4.7	4.6	✓
LTIs	4	3	3	11	✗
Recordable injuries	4	3	7	3	✗
Permits to work issued	241	337	435	-	—
VSLs	987	667	965	1044	—

* Also referred to as average days lost to an LTI

Our stakeholders told us...

"The port is focused on making sure people are safe in a safety-sensitive operation where large vehicles and people interface. We raise any safety issues with each other and see that as a positive."

Michael Reaburn
Regional Manager
Pan Pac Forest Products

"In addition to pay and work hours, which are critical, people now look at the values of potential employers and what they do within the community."

Kevin Malcolm
Chair
Port Liaison Working Group
Otago Regional Council

More than a pay packet

"As owners of the port, it is important to the Otago Regional Council that the port is an employer of choice and is seen in a good light by the people who work there."

Richard Saunders
CEO
Otago Regional Council



You may have picked up on the new name for this chapter, *Our kaimahi*. Capital #1 has been called *Our team* for the past three years, but as we make a conscious effort to incorporate relevant Te Reo into our everyday language, *Our kaimahi* makes more sense. Our kaimahi means worker, employee, staff, i.e. the members of our team at the port. The theme of this chapter is *More than a pay packet*. It's a long time since we handed out actual pay packets at the port, with everything transferred electronically these days, but hopefully you appreciate the sentiment. Many other things come into play in a tight labour market with low unemployment. Port Otago needs the best team for the job and has to work harder and harder to recruit and retain people. Our kaimahi now look to us not only for their income, but also the highest safety standards to protect them, programmes to enhance their wellbeing, a positive culture allowing them to be their best at work, and opportunities to grow in their careers. *Are we there yet?* No, but we are making good progress and securing a better route year-on-year.

Safety will always be number one for everyone using the port. David Cormack, CEO, Wenita, speaks for us all when he says: "Safety is important to the port; it's important to us and to our suppliers who work on the port for us - our stevedores, marshalling and trucking contractors." Launched in 2022, 22 safety leaders across the business have already taken part in the port's new Safety Leadership Programme, with plans for wider implementation. We are seeing the benefits of empowering our kaimahi in this way. As part of the programme, Backhoe Barge Master Alex Wakefield developed a new Safe Operating Procedure (SOP) to remove pile manhandling during loading. Alex shared his experience: "It was good to learn about the responsibilities Health and Safety Reps have and the things we can do to protect people. I've always been in this industry and Health and Safety hasn't always been embraced, but it is in this company."

Wellness has joined health and safety as critical to looking after our kaimahi. This year, the port made long-overdue progress on its Wellness Programme with a weekly fruit box trial, confidential annual health checks for everyone and a mental health peer support programme in the offing. These initiatives all started as ideas at internal feedback workshops last year, demonstrating that we listen to our kaimahi's suggestions.

There was a time when the port's culture was so "them and us" that the concept of the unions and Leadership Team working together on changes to the roster would have been a pipe dream. But earlier this year, when a fellow port needed help to meet their committed container moves, we pulled together a solution with the help of the unions. We moved to a 10-hour roster and picked up an additional 500 container moves. Multiple parties benefitted, but this example of our culture moving in the right direction made us proud. (See page 51.)

Faced with legacy IT systems at the port, it would have been easy to consign the new Learning Management System to the "too hard basket". But learning and development is now firmly in the hands of individuals with the new Port Otago Learning system. Justin Wilson, Learning and Development Lead: "Putting people in charge of their own learning and development is a really important principle that boosts engagement, retention and morale."

"Reward the good people at the port, as finding new people is an increasing risk for everyone."

Peter Dynes
MD
Dynes Transport

Safety

Summary of key injury statistics

Safety remains our number one priority.

Total Recordable Injury Frequency Rate (TRIFR)

Disappointingly, our 2022/23 TRIFR per million hours worked jumped up this year, to 10.6, compared to 5.1 last year and double the <5 target specified in Port Otago’s Statement of Corporate Intent (SCI).

TRIFR combines Lost Time Injuries (LTIs) and Medical Treatment Injuries (MTIs).

Port Head of Safety Ross Buchan says the increase in TRIFR relates to recognised hazards within normal port operations turning into injuries. “The majority of the recordable injuries were muscular skeletal in nature.

“Several projects are underway, including one specifically looking at manual handling tasks and how we can ensure our teams are fit and work ready to reduce the likelihood of muscular stress and harm.”

Ross says the overall approach to safety remains unchanged. “Our primary focus is to prevent fatal and serious harm events, while continuing to reduce less significant harm events.

“We will also continue focusing on the hierarchy of control. That means always considering how we can eliminate hazards from the workplace in the first instance.”

LTIs and Injury Severity Rate

LTIs also rose, to four injury incidents – up one from last year. The Injury Severity Rate was down – to 10.0 – compared to 13.3 last year. However, it had been excellent in the two previous years (4.6 and 4.7).

All four LTI incidents were minor in nature and related to muscular stress. Ongoing work on improving our injury management and return-to-work programmes will help reduce some of the muscular-related injuries represented in this statistic.

Permits to work

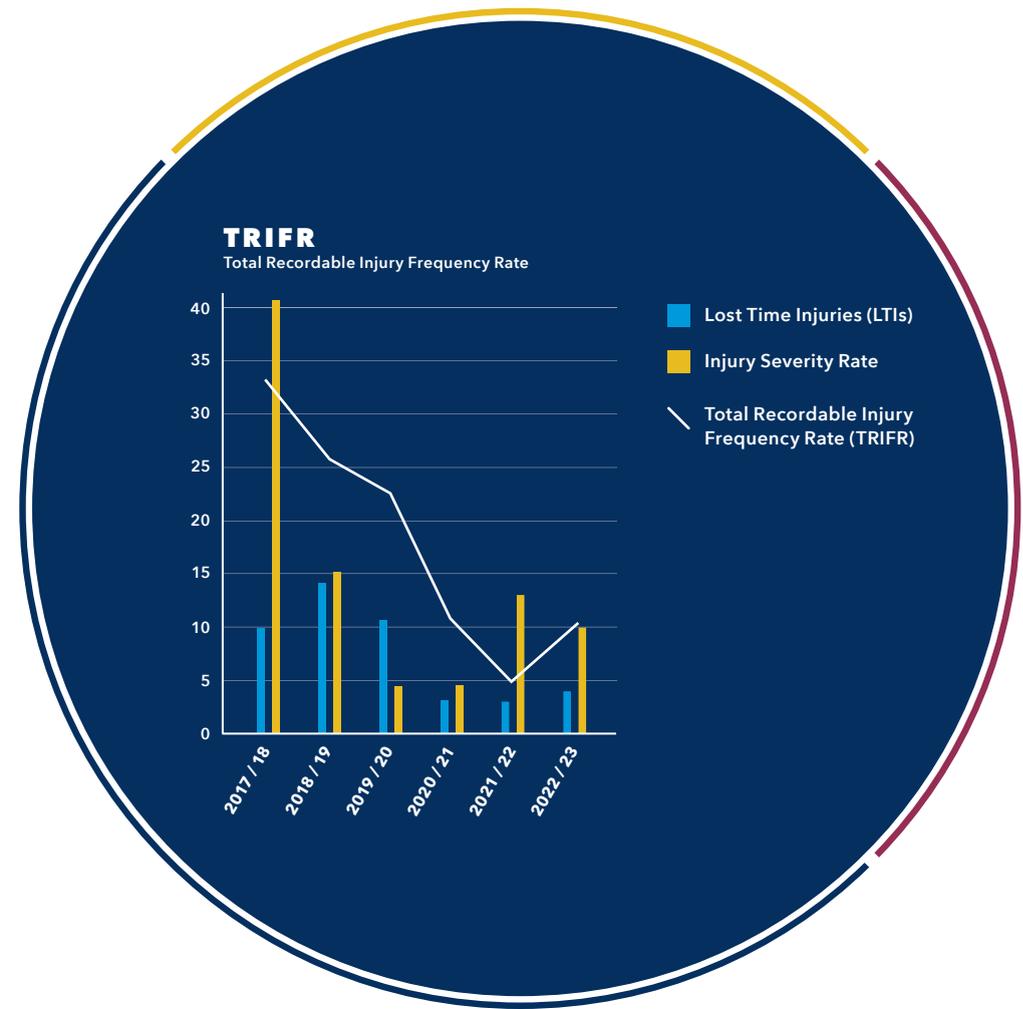
Permits to work were down by 28% on last year. Permits are a tool used to manage high-risk work activities and there are a range of factors that can reduce the number of permits issued.

Visual Safety Leadership (VSL)

There were 987 VSLs this year - only slightly below our Statement of Corporate Intent target of 1000.

Since Covid, VSLs have not returned to their high numbers. This is a regular topic of discussion at Rūnaka and within the Leadership Team.

Ross: “In some instances, we know VSLs are being performed, but not recorded. We will continue to encourage the reporting of all proactive activities that can help identify hazards that our team faces daily.”



Managing wind-blown container incidents

During the 2022/23 year, there were six incidents of shipping containers being blown down from their position on the stack. An empty container weighs about two tonnes, making the potential for a fatality very real.

Head of Safety Ross Buchan (right) says mitigation is not straightforward. "We have assessed all levels of 'the hierarchy of control' to determine what is reasonably practicable and if we can prevent a container blow-down event. Or are we better to focus on preventing our team from being in areas where container blow-down risks exist in wind events? This is called 'failing safely' and recognises that we cannot guarantee that containers will never blow down. So we instead shift our focus to preventing our team from being in designated areas during periods of high wind."



Board hands-on

Port Otago's Board was hands-on with this issue during the year. In November 2022, Board members carried out a VSL (Visual Safety Leadership) at Dunedin Depot, before moving on to D Shed at Port Chalmers to take a closer look at the procedures around stacking full and empty containers.

Role of anemometers

Port Otago now has four anemometers at the Port Chalmers terminal, with the installation of one at Boiler Point in Careys Bay in June 2023.

There are also anemometers down the length of the harbour, at Dunedin Depot and at Fonterra Mosgiel. All sites feed data into a web interface that sends email and text alerts in line with Port Otago's Trigger-Action Response Plan (TARP) - a series of wind-speed cusps that trigger cease-work thresholds for various activities.

Process Improvement Leader Ben Mulvey: "Having sensors at various locations improves the TARP decision making. It refines the timing of shutting down terminal activities due to wind risk in specific locations.

"It is not uncommon to have wind speed differences of more than 20 knots across the terminal, alongside changes in wind direction and the sheltering effects of local terrain."

As a result of investigations into the past year's wind-blown container incidents, the TARP continues to be fine-tuned.

Investigation into straddle collision

In June 2023, one of our three-high straddle carriers collided with a stationary rail wagon.

Fortunately the operator was unharmed and a nearby Side Loader Operator was quickly on the scene.

Head of Safety Ross Buchan says an incident investigation was immediately initiated. "We use the ICAM - Incident Causation Analysis Method - to identify the true causal factors that lead to events like this happening. Specifically, we're looking at organisational factors and absent/failed defences.

"A key element of this methodology is using a team to plan the investigation, execute the analysis and determine the corrective actions. We used our Operations Health and Safety Representatives, Cargo Handlers Matt Hayward and Scott Currie, to lead various parts of the investigation and data collection phases. This approach proved to be invaluable - both for getting to the root cause, and for engaging and being transparent with our team members."

The investigation concluded that the root cause of the incident was that there was no tolerance in the workplace for an operator error.

Ross: "That means that, when an operator makes an error, they should have time to correct their error in order to avoid collision. Or we should have additional barriers or controls in place to lessen the consequences if a collision occurs."

Details of the investigation, findings and planned corrective actions were shared with the August 2023 Safety Runaka.



The new digital radio comms system will improve both communications and safety across Port Otago's sites and marine environments. Operations Planner Sarat Chandra (pictured) says he's looking forward to using the system, with its enhanced features, better stability and vast area coverage.

Major upgrade to radio comms

Port Otago is investing \$2.2 million in a new digital radio communications system, to replace the outdated analogue set-up.

Project Lead Jodi Taylor says the new system will improve coverage and safety, while also featuring valuable add-ons, such as near-miss reporting, emergency management and lone-worker tracking.

"The North Island cyclone event highlighted the vulnerability of New Zealand's communications network. Emergency services were stretched and teams relied on the tried-and-tested radio communications system. Even after damage to infrastructure, radio communications can be reinstated to some level of comms, relatively quickly."

In the case of Port Otago, there are two networks to consider: Marine VHF (Very High Frequency) and UHF (Ultra High Frequency) used by our Operations team.

Digital radio consultant Tenaz was used to scope our requirements and they recommended a conventional Digital Mobile Radio (DMR) network, a standardised international two-way radio solution.

Jodi: "This will increase the coverage for radio communication at both Port Chalmers and Dunedin sites and allow us to implement safety features, like channel priority, call recording, reporting channels, increased capacity and emergency operation."

A small team is also working on improving training and protocols for using radios. For example, using procedure words that are consistent for all users and closed-loop communications. "We also trialed helmets with radio headsets for our on-ship Hatchmen. Feedback on the improvement in sound clarity to our Crane team was so good, we have implemented these for all Hatchmen. We plan to use these headsets, where practical, for improved comms and hearing protection."

Where is the project at?

Radio contractor Ashley Communications has set up the hardware for the transition to a digital system. The Marine team will transfer across in early September, with other teams to follow over the next three months. The project will be fully rolled out by the end of 2023.

Recruiting and retaining the best team for the job

Gateway programme proves a win-win

This year, 17-year-old Matt Fraser from Logan Park High School joined the team as our first student under the national Gateway programme.

The programme puts senior students (years 11-13) into workplaces for an allocated time each week, so young people have access to structured workplace learning, as they transition from school into further education, training or employment.

Each Tuesday for three months, Matt spent time with 11 different teams across the company. "I didn't know what I wanted to do next year - possibly polytech or straight into the workforce. My time at Port

Otago showed me all the opportunities that are there - and there are a lot - and I had a chance to discover what I enjoyed and what I didn't enjoy.

"Throughout my time at Port, I was treated really well. Everyone was polite and welcoming. The teams helped me learn and understand everything about their area."

Matt says he picked up new skills and gained an appreciation of health and safety, and the importance of self awareness and effective communication.

"I also learned about being on time. In the morning, everyone gathers for the Toolbox meetings. They're about 10 to 15 minutes and talk about the day ahead in terms of health and safety and what to watch out for. You don't want to be late for that."

Matt is keen to explore full-time work opportunities at the port. "When I'm 18 and have my licence, I'd like to come work here."

Port Otago People Advisor Emily Atkinson says Matt's father Simon, one of our Reefer Coordinators, approached the People team about the possibility of Matt completing a Gateway programme with the company. "We didn't hesitate. What a great opportunity to walk the talk and deliver on our commitment to support our kaimahi and their families with opportunities for development.

"From a recruitment perspective, the programme helps us build an awareness of career opportunities at Port Otago. It really is a win-win for both Matt and for us."



Wash Pad Operator Marcel Dale (left) shows Logan Park High School student Matt Fraser the ropes.

Polytechnic work experience placements

Port Otago has a long-standing relationship with Otago Polytechnic, accommodating work experience students from its mechanical and electrical programmes.

In the 2022/23 year, our Maintenance team hosted two students, while our Electrical team hosted one student.

Culture and wellbeing hauora

Wellness Programme up and running

With the resourcing demands of Covid behind us, the company's long-planned Wellness Programme has begun.

A Wellness Project team of 11 individuals from across the company - our Wellness Champions - worked through the feedback from last year's internal engagement workshops and is driving several initiatives.



Free health checks

The company introduced free one-on-one health checks earlier this year and about quarter of the team took up the opportunity. An external provider's registered nurse carried out the confidential checks over two months, rotating around the company's three main sites. Appointments took about 20 minutes and included a series of quick tests and questions, with results communicated to the individual during the appointment.

Port Otago will not see individual results. High-level data will, however, inform what new wellbeing initiatives would be useful into the future.

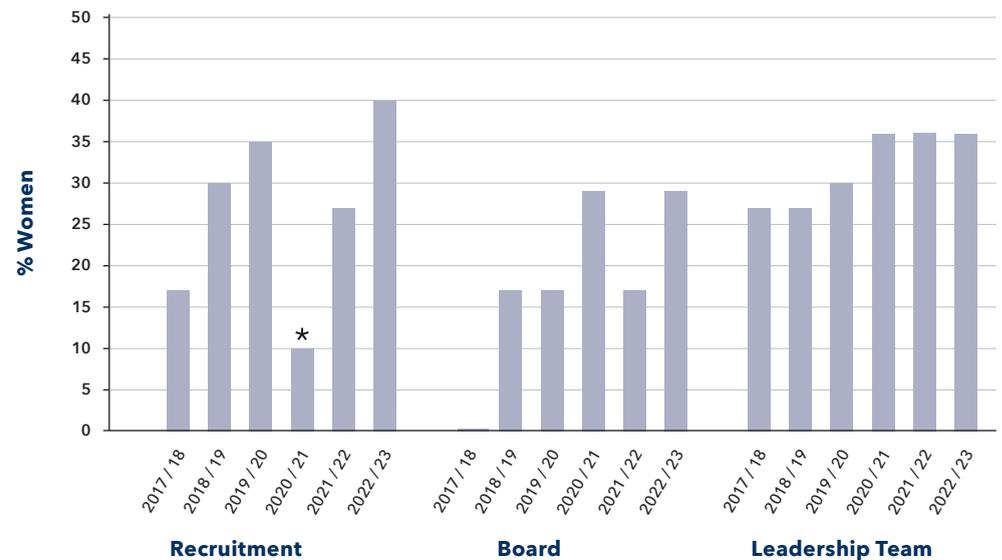
Weekly fruit boxes

Large boxes of fruit are delivered to all Port Otago sites every Monday.

Free period products

A three-month trial of free period products was run across bathrooms at our six different sites. We used a company called Dignity, which provides free organic period products as a social enterprise. It uses a "Buy-one, Give-one" approach, by partnering with companies - like Port Otago - that pay for products. Dignity then gives away the equivalent number of products to local education providers, youth and community organisations. To date, Dignity has gifted more than 780,000 products. As the Integrated Report went to print, trial results were being assessed.

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.

Financial wellness

To empower our kaimahi to take control of their finances, we have partnered with our local BNZ team to run a range of Financial Wellness Workshops. Topics include:

- KiwiSaver and retirement
- Budgeting and saving, and
- Managing debt.

BNZ is also providing free one-on-one financial wellness checks.

Following on from engagement workshops

During the 2021/22 financial year, the company ran 27 one-hour engagement workshops, attended by 96% of our kaimahi.

The workshops had two purposes:

- 1) A face-to-face opportunity for our kaimahi to talk about what it is really like to work for Port Otago.
- 2) To check alignment of our company strategy, issues and goals, with what our kaimahi believe is most important to Port Otago.

Five priority areas were identified:

- 1) Flexible working, shift work and rosters
- 2) Improving company culture
- 3) More effective communications
- 4) Pay and conditions
- 5) Health, safety and wellness.

What has happened in 2022/23?

Several existing activities have been ramped up and new initiatives kicked off during the past year. Specifically:

- Our Wellness programme is underway. (See story page 50.)
- Connect Conversations Framework was rolled out for office-based kaimahi. This includes catch-ups with managers to set work and development goals for the next quarter.
- Learning Management System was rolled out. (See story page 86.)
- Trying a new way of working, via the 10-hour shift variation. (See story right.)
- Face-to-face stand-ups, whereby Chief Executive Kevin Winders speaks directly with our teams about how the company is performing and to provide any big picture updates.
- Continuing to invest time in work experience students and working to recruit more cadets. (See story page 49.)

Trying a new way of working

One of last year's steps towards our goals was "improving work-life balance for our kaimahi". Earlier this year, an opportunity arose for the company to make a significant move in this direction.

Delays at other New Zealand ports were having a concertina effect on the country's supply chain, particularly by the time vessels reached Port Chalmers - often the last port of call in New Zealand. Solution: The Port Otago team stepped up so the weekly Polaris service could turn around a larger volume of containers during each exchange.

To accommodate the increased volume, our Container Terminal, Maintenance and Planning and Control teams embarked on a 16-week trial, which concluded mid August 2023.

For decades, Port Otago has allocated work across any one of three eight-hour shifts spanning the day's full 24 hours. The trial saw work allocated across 20 hours per day, as

two shifts: 7am to 5pm; and 5pm to 3am. There was no work between 3am and 7am, lowering the fatigue risk associated with hours known for being a circadian low.

The extra four hours (2 x 10-hour shifts vs 2 x 8-hour shifts) made a big difference to the vessel turnaround times and the number of containers moved in a 24-hour window. For our kaimahi, it meant additional pay and improved rosters. Instead of finding out at 3pm what shift they would be on the next day, a fixed roster was provided for the first part of the working week, and an indicative roster was provided four days in advance for the latter part of the week. This was confirmed (subject to shipping changes) the day prior.

Chief Executive Kevin Winders says the trial demonstrated that our container business and our kaimahi were ready to step up and deliver for customers.

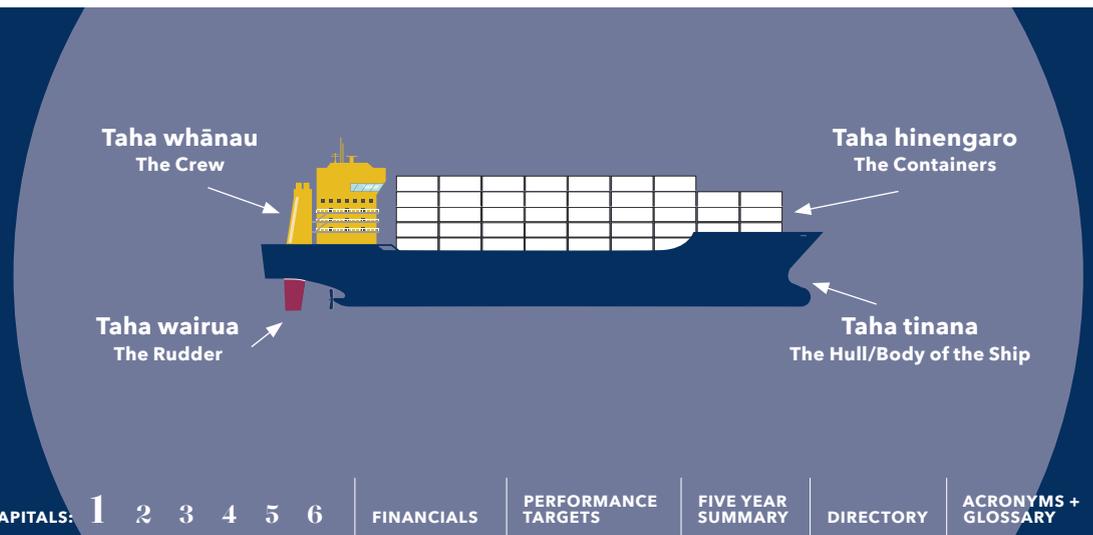
Wellness vision and framework

Port Otago Head of People Leigh Carter says the wellness programme's vision is simple and practical. "We want our kaimahi to be well supported so they are always feeling at their best. Wellbeing is a priority and that means ensuring our kaimahi have access to the resources they need to achieve good wellbeing."

Port Otago Wellness Framework

We are guided by Sir Mason Durie's 1984 Four Dimensions of Wellbeing (*Te Whare Tapa Whā*):

- **Taha tinana** (physical wellbeing)
- **Taha hinengaro** (mental wellbeing)
- **Taha wairua** (spiritual wellbeing)
- **Taha whānau** (family wellbeing)





**Port Otago
GM Operations
Deanna
Matsopoulos**

New GM Operations appointed

Port Otago - 2000:

Receptionist/Telephonist → Warehouse Administrator → Dairy Business Manager → Depot Manager → Control and Planning Manager → Supply Chain Manager → **GM Operations.**

In July this year, Deanna Matsopoulos was appointed Port Otago GM Operations. The appointment holds extra significance, because Deanna is one of the only female General Manager Operations in the New Zealand port sector.

Deanna has been with Port Otago since 2000, quietly working her way towards the operations position. "Everything that I've done here at Port has set me up for this role. I've been given so many good opportunities - not just by the current leadership, but past managers too.

"I love working for the port. I enjoy logistics and how there's always something you can improve on and do better. There's always a challenge to tackle and I look for those challenges."

Deanna's first role at Port Otago was as Receptionist/Telephonist, where she had a reputation for getting things done. "I'd worked in shearing sheds forever and you have to be doing something all the time. It was a work ethic that came from my farming parents and I simply could not sit around. When I started on reception, I was a pest to some people, because I would always be asking 'What can you give me to do?'"

This can-do attitude did not go unnoticed. After a couple of years, Deanna was asked to

apply for a role as Warehouse Administrator. She was only in the job a year, before she was shoulder tapped for the Dairy Business Manager job. "This was my first leadership role and I was green so learnt a lot in a short space of time."

Deanna says that she has got better at telling her story - something that didn't come naturally, earlier in her career. If she has experienced disadvantage due to her gender, Deanna is not aware of it. "I have never felt that being a female in a male-dominated workplace has held me back. For me, it has never been an issue."

Deanna's approach to her role as a manager is simple. "Our ops team has the experience and skills to do a great job. My role is to support them by providing leadership and the tools they need to do their various jobs."

Equally, she's not afraid to ask for assistance, herself. "I know I'll get 100% support and, usually, I just need a steer. Kevin [Winders] trusts his team to make the right call and that builds confidence among us all. He empowers you to get on and do the job."

Deanna is vocal in her praise for Port Otago as an organisation. "They are an awesome employer that looks after you. They pay you well and there are very good benefits. They don't expect you to work every hour that God made. They're supportive if you need assistance in any way - personal, medical, whatever. There are great people here, which makes it a cool workplace to come to each day."

What next for Deanna? "This is the ultimate role for me. I have no desire for anything else."

Time will tell, if that is indeed the case.



Cruise Assistants team

Our seasonal Cruise Assistants team is a collective ray of sunshine around the port during the seven-month cruise season. They are the welcoming faces that greet passengers on their arrival at Port Chalmers or Dunedin Bulk Port. The assistants answer questions, provide directions and ensure our maritime border is secure. Last year's team of 37 individuals included eight returnees from the pre-Covid days. This coming season, the majority of the team plan to return and are recommending the job to friends. Cruise Manager Carolyn Bennett: "Our team is mostly made up of friends and family of current staff, alongside West Harbour locals. The majority are semi-retired and love the seven-month nature of the job. It's all about ensuring the passengers have a great experience while they are here in Otago - and the team has fun while they're working. It's a great energy in our cruise terminal."

STEPS TOWARDS OUR GOALS IN 2023/24:

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

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



- Log customer relationships
- Multi-stakeholder approach across the supply chain

Key metrics



Metric	2022/23	2021/22	2020/21	2019/20	Performance
Active sponsorships	93	52*	46	37	✓

* Minor correction to last year's data

Our stakeholders told us...



"The port is a really urgent and collegiate partner for execution of day-to-day needs, with a focus across the supply chain. There has been a huge improvement in our relationship over the past 16 to 18 months. It has become more positive and mature. The Chief Executive puts in substantial time and the Leadership Team is fantastic to work with. The aura in the office appears completely different to a couple of years ago, through strong leadership and real progress on culture and wellbeing."

Shane Kingston
General Manager Sales
Alliance Group

"At IDNZ, we love working with Port Otago, they are a great team. In Dunedin, we all pull together to make it work."

Stan Westwood
Otago Destination Manager
IDNZ

It's all in the balance

"Managing different stakeholder expectations can be a challenge, but it must be done."

Ant Boyles
National Logistics Manager
Ravensdown



Port Otago has a mix of good relationships and some that need work. Our stakeholder engagement process highlights what needs to be done. There are four key pillars to our business - namely bulk, containers, property and cruise - each bringing its own stakeholders with their own set of requirements. Balancing these different needs will always be a challenge. Without cruise for a couple of years, our business wasn't as strong on the back of lower shipping activity. But we welcomed our cruise partners back with open arms, as did the economy of Dunedin, Otago and the South Island. Andrew Cocking, Regional Manager, Port Blakely, appreciates the difficulties we face: "We can't make the port any bigger, but we appreciate the tricky balance across all customers and exporters, alongside the pressure to grow."

Our log customers, part of our bulk business, have some concerns about their wharf space and where they will be located in the future, namely Port Chalmers or Dunedin. We stepped up our communications over the past year and engagement has improved. But it's not just about wharf space. Grant Dodson, City Forests CEO, explained another challenge for the sector: "Cruise and container ships are booked in far ahead, but log ships don't book more than three to four weeks in advance. That's just the norm. Forest exporters unfortunately can't change that long-established international system."

The port's relationship with the community is good, with projects, such as the improvements to Te Rauone Beach, providing significant community value after a long hard slog to get the job done. But the local community has made it known that the return of cruise ships isn't all plain sailing. There are things they don't like. Cruise passengers use local services and put pressure on things the community relies on, such as the local bus service into town. We have taken on board local community concerns and will work with the cruise lines and shuttle bus companies to get this right next season.

We are getting better at bringing different stakeholders together for the best outcome. Earlier this year, Port Otago led multi-stakeholder relations talks to find a solution to a transshipment issue at a fellow port. We worked with Maersk, Kotahi, Fonterra, KiwiRail and the unions to up our container moves by 500 per week with a roster change. This was possible thanks to our unions and our hardworking team (see page 51 for the full story).

Communication with our container customers on storage space also needs work. When storage is getting tight, customers should never turn up at the port to find the gates shut because there is no space. Unfortunately, this was the case on occasion over the past year. We are working hard to make sure it does not happen in the future.

Property is an important pillar of the port's business, with its own stakeholders and relationships. By focusing on the best team for the job, the port has some happy tenants, including Steel & Tube. Blair Bezett, Regional Manager - Otago/Southland: "We are very happy as a tenant and a container customer. The port is a great landlord; nothing is a problem. Anything that comes up is dealt with straight away and the maintenance schedule is outstanding."

"Port Otago is one of the best ports in New Zealand. In my role, I only hear about things when they aren't going well. The fact that I don't hear anything about Port Otago is a big positive."

Paul Mifsud
Senior Director Port Operations
Asia Pacific
Carnival Australia

Relationships

A helping hand

When Pan Pac Forest Products' processing plant in Hawke's Bay was flooded during February's devastating Cyclone Gabrielle, our Commercial and Timber teams wasted no time picking up the phone to offer assistance.

Pan Pac is a pulp and lumber processing business, with its head office and main processing plant at Eskdale, 20 kilometres north of Napier. It has a secondary plant at Milburn, south of Dunedin, which processes lumber only.

Port Otago has a long-standing relationship with Pan Pac. We receive lumber from Milburn via curtainside trucks, pack it into 40-foot containers, and export it from our Port Chalmers Container Terminal.

In response to the Eskdale plant temporary shutdown, Pan Pac's management proactively ramped up lumber production from Milburn. This strategy, however, relied on Port Otago being able to handle the extra product.

Commercial Manager Craig Usher says the timing was potentially challenging, as the Cross Wharf rebuild at Port Chalmers was just beginning. The Cross Wharf sits in the middle of the site - only metres from the Timber team's warehouse.

"We normally pack out about nine containers per day for Pan Pac. When they approached us to sound out our capacity to do more, we realised it was going to take a major rethink at an operational level."



From left: Warehouse Supervisor Len Wiggins, Team Leader Timber Darren Hodson and spotter Elaine McKenzie.

Timber team rises to the occasion

Meet Warehouse Supervisor Len Wiggins and Team Leader Timber Darren Hodson. Len, Darren and the rest of the Timber team wasted no time assessing what was possible.

Len: "With the Cross Wharf build in progress, our normal line up of three containers outside the Timber warehouse was not possible. We were instead receiving one container at a time. It was pretty painful.

"So when Pan Pac asked us to work out how many containers we thought we could comfortably manage, we knew it was time to put on our thinking caps.

"I said to Darren, 'are you thinking what I'm thinking?' He said, 'are you thinking Wood Chips 12?' We were on the same page."

Wood Chips 12 is an asphalted area adjacent to the Beach Street Wharf,

between the Cruise Terminal and the log yard. It is used during the cruise season for bus and tour operator parking.

Len says that, having identified a safe, large space to set up containers for packing, the next challenge was managing how to move lumber from the warehouse to the containers, given the number of people and machines operating on the Beach Street Wharf.

"We normally work in our Timber team space. It's straightforward and we all know what we're doing. Using the Wood Chips 12 yard meant a 200-metre forklift journey down the wharf with packs of timber, like a wee runway. There were pedestrian-versus-machine and machine-versus-machine challenges, not to mention a lot of different teams using the area: HEB contractors working on the Cross Wharf, Marine team Tug Operators coming and going, straddle carriers moving around, C3 log contractors immediately next door."

The team worked through a risk assessment with Port Otago Civil Engineer and Cross Wharf Project Leader Andy Pullar and other affected parties to determine the best way forward.

They then trialled how many containers they could reliably turn around each day and surprised themselves with the answer. Fifteen containers.

Darren says the new way of working has become a well-oiled operation. "Ten boxes are dropped off at Wood Chips 12 overnight. Then at about 10am each morning - we confirm the timing each morning - the straddles take five packed

boxes away and drop off another five empties. Packing stops completely, while the straddles are operating.”

One extra person has been required. Elaine McKenzie from Cruise joined the Timber team as a spotter. Her job is to be eyes on the ground, looking out for incoming traffic and pedestrians and communicating as required.

It is likely to be December when Pan Pac’s Eskdale plant is back up and running. The Timber team will carry on at the current pace, until the cruise season begins early November. At that point, Wood Chips 12 will be required for bus parking and the 15 containers per day will no longer be possible.

Len: “The big thing for us was the change in our health and safety thinking. It was a challenge to get to where we are now. Our Timber team is used to working in isolation. This was a different world, working amongst all these other parties on the wharf. But our team was strong on health and safety from the very start - Darren especially. He was fantastic, as was the whole team. It makes me very proud.”



Stepping up for Polaris service

In April 2023, Maersk’s weekly trans-Tasman Polaris service was reconfigured to include a weekly call into Port Chalmers.

The reconfiguration required our Operations team being able to turn around significantly larger total weekly volumes, as a result of the additional service. Our team stepped up to the challenge and worked 10-hour, rather than eight-hour, shifts over a four-month period. (See story page 51.)

Port Otago Commercial Manager Craig Usher says the port approached Maersk, asking how we could assist. “The reconfigured service was the result, providing a much needed leg-up for our South Island exporters during their peak season. They were able to get more cargo to market and faster.

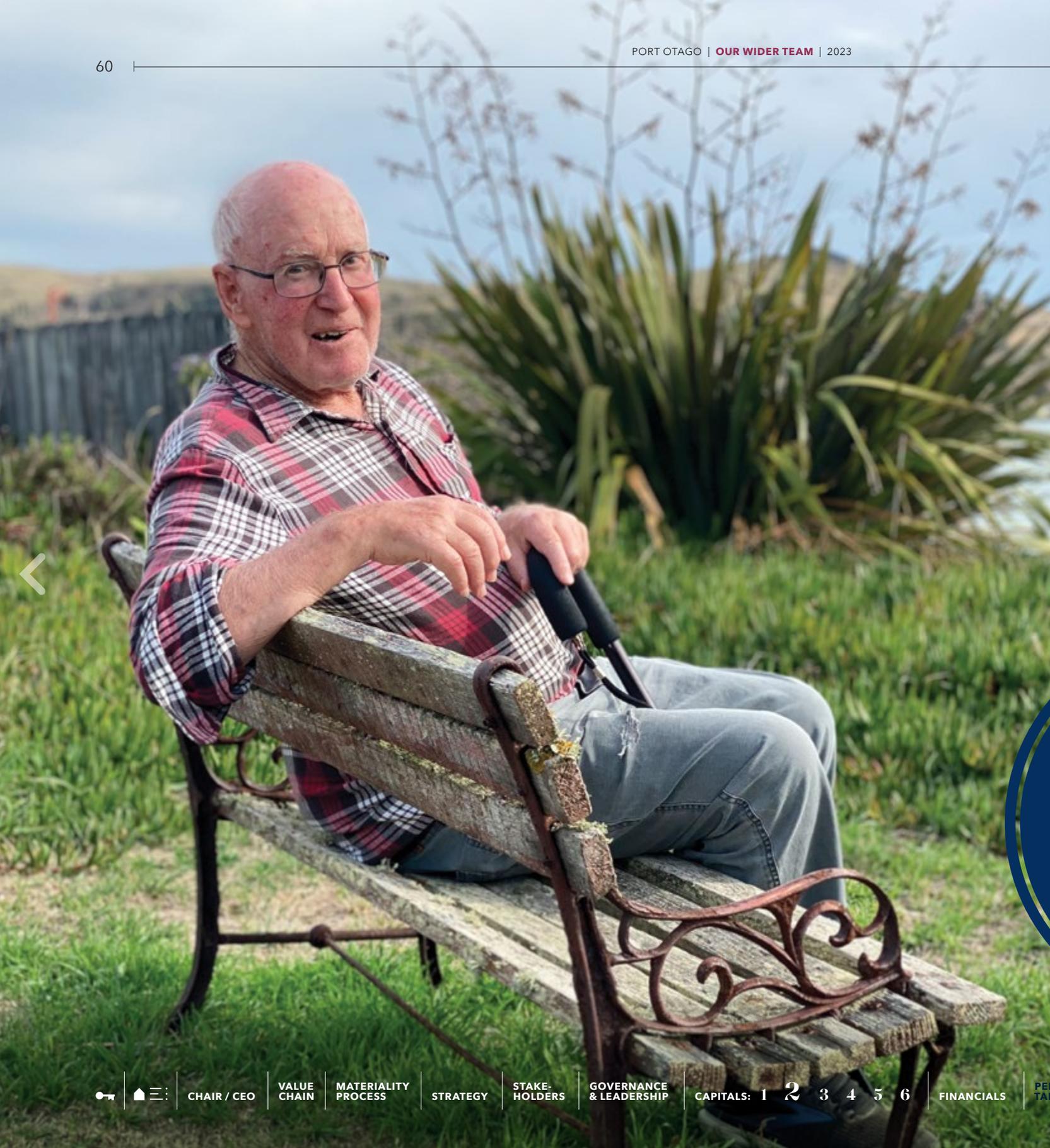
“From our perspective, as a port, we’re helping a key shipping partner clear congestion, while also looking after the health of our business.”

Maersk Regional Head of Market, Oceania, My Therese Blank: “The relaunch of the Polaris service - and the addition of a weekly port call at Port Otago - improved the supply chain stability, while offering enhanced product flexibility for our New Zealand customers via connections at Port Otago to our New Zealand network and in Melbourne to our Australia ocean network.”

Napier crew welcomed

In June 2023, we welcomed (from left) Brock, Sami, Chris, Joseph, Sam and Scott from Napier Port into our Warehousing and Operations teams for six months. Our six Napier colleagues were directly impacted by production temporarily ceasing at the Pan Pac Forest Products processing plant in Hawke’s Bay, after Cyclone Gabrielle flooded the site. So the Otago secondment provided a win-win opportunity for both ports and the affected team members. Head of People at Port Otago, Leigh Carter, says the experienced operators slotted into the team seamlessly and are enjoying Dunedin life. “They’ve even managed to get along to an All Blacks game in our covered stadium. Our port teams have loved having additional experienced operators working alongside them.” As part of their secondment, the Napier crew are being accommodated in a six-bedroom rental property and have regular trips home.





Community and iwi partnerships

Community embracing Te Rauone Beach

The final phase of the Te Rauone Beach project was completed in January this year, when the last of the pumped sand was moved into place along the beach.

It took 10-plus years of lobbying, planning and logistics, but it finally happened - and it's better than anyone imagined.

Te Rauone Coast Care Committee Deputy Chair Des Smith describes the beach as unbelievable. "You dream about what it might look like, but it's beyond our expectations."

Te Rauone Beach resident Ray used to say "I will never see this happen in my life" with regard to the beach replenishment project. His property boundaries the beach at the north end and he has seen it slowly disappear during his 38 years' living there. Ray has therefore watched in astonishment, as the breakwater groynes were built and then the sand pumped up onto the beach.

“The Te Rauone Coast Care Committee has been at the forefront of this campaign, so to see the beach reinstated is a great tribute to its commitment to this project.

“There are people in swimming, boating, picnicking and walking their dogs. It’s become a real gathering point for people to congregate and catch up with each other. Even the sea lions seem to be back in greater numbers than ever.”

Port Otago Chief Executive Kevin Winders says he is proud to be part of the team that made the project happen. “It was always an ambitious project, but we knew it could be done. If I’m honest, yes the beach is amazing, but so too are the talented and keen members of our kaimahi who made this happen. Our Engineering, Marine and Consenting teams were outstanding in their planning and ‘can do’ attitude.

“The beach would never have happened, if not for the support and perseverance of the Te Rauone Beach Coast Care Committee, our Rūnaka and the local community. They have been a pleasure to work alongside.”

Professional recognition for contractors

Contractor SouthRoads completed the two significant capital aspects of work: building the three 90-metre rock breakwaters; and spreading the 28,000m³ of dredged sand to form the beach. The team’s efforts on the groyne construction aspect were recognised at the 2023 Civil Contractors New Zealand Otago HYNDS Construction Awards, when it was awarded the Cirtex Environmental Award.

Museum and port partnership strengthens

In 2020, Port Otago partnered with the Port Chalmers Maritime Museum to ensure a healthy future.

Port Otago assumed responsibility and ownership of the museum building, including picking up the building’s maintenance, rates, insurance, electricity, security and compliance costs through until 2055. The museum is managed by the Port Chalmers Historical Society and it remains the sole occupant.

Fast forward to 2023 and much has happened. The most obvious is the refurbishment of the heritage-listed building – Port Chalmers’ original stone post office, built in 1877. With our new administration building sitting alongside, the handsome museum building stands out more strongly than ever.

In the past year, it has been reroofed, cleaned and painted on the outside. On the inside, even more work has been going on. There are now openings through to an internal laneway and a new display area that links the museum and office, as well as a refreshed interior for the existing museum.

A highlight, for our community and visitors alike, will be the public viewing gallery which looks out over our port operations.

Museum curation

While the building is important, so too are the museum’s precious contents.

Much of our 2022/23 support has been practical, helping the museum team manage the disruption to its day-to-day operations, as the administration building construction progressed. For instance, two Port Otago community containers are safely storing artifacts.

But, behind the scenes, there is a large amount of work being carried out to showcase the museum’s contents and stories.

Early on, a facilitator helped the museum committee consider how it could retain a special unique museum that showcases our port, harbour and community’s long maritime history.

Then, over the past 18 months, heritage and museum expert Rose Evans has been working alongside the museum team to build on an overarching story that reflects the deep connection between Otago’s enduring natural harbour environment, the port and the people.

The museum is on track to re-open its doors to the public this summer.



Training alongside our community

Port Otago’s kaimahi have a broad range of skills that they are happy to share, both within the company and within our wider community.

During the past year, we undertook several different exercises with groups we work and live alongside.

FENZ training on board the Valentine

In May this year, the crew of the Valentine hosted our Port Chalmers Volunteer Fire Brigade for a two-hour tour of their vessel. (See photo, right). The ship’s Chief Engineer and other senior crew were all present and generous with their knowledge, time and the extent of the tour.

Fire simulation exercise

What would happen if there were a fire on a cruise vessel on a double cruise day (i.e. two cruise ships berthed in Port Chalmers)? Where do you put 6000 passengers and crew? Who’s in charge of the emergency response?

In November 2022, Port Otago’s Marine team hosted a desktop emergency exercise that simulated an on-board fire to ensure we know the answers to these questions well in advance of ever needing to respond.

GM Marine & Infrastructure Grant Bicknell brought together the Otago Harbour Master’s Office, Maritime New Zealand, FENZ and St John – a total of 20 people – for the exercise. “The idea is that we interact and talk about it now, so we



are better prepared should it ever happen. We know from other ports’ experiences that communications between agencies can be an issue.”

Follow-up actions included bringing Civil Defence into the team and planning further simulation exercises to tighten up the response.

Defibrillator donations and training

In the past year, we donated another three defibrillators* out into our community. The South Coast Board Riders, our nearby Long Beach community and the Montecillo

Veterans Home and Hospital were recipients of units – and, of equal importance – received training on their use. Another couple of defibrillators are lined up for distribution this year, including to the Port Chalmers Golf Club.

* Also known as AEDs (Automated External Defibrillators), these portable battery-operated devices are used on people who have suffered a cardiac arrest.

Security improved at Dunedin Bulk Port

Nearly all of our Dunedin Bulk Port is now fenced off. About 520 metres of fencing has been installed (to date) with fencing equivalent to the security standard used at our container terminal at Port Chalmers.

The \$1.2 million project was part of a programme of work needed to meet our obligations under the Maritime Security Act for visiting international vessels. The fencing was also necessary to keep our people safe, by managing unauthorised people and vehicles accessing port areas.

A fence was built between the bulk port’s boundaries and public roads. It encloses our T&U and X&Y (HarbourCold) Sheds and Rattray Wharf on Fryatt Street, Birch Street Wharf and Kitchener Wharf.

Port Otago Infrastructure Asset Engineer Jon Visser (pictured below) oversaw the project. “It’s great to finally have a secure separation between the public road and our bulk port.”

A second phase of the project is now underway, scheduled for a June 2024 completion. This involves installing automatic gates and turnstiles to secure the entrances to the bulk port wharves. Much of the area’s lighting and CCTV coverage had already been upgraded prior to the fencing work.



Supporting our community

The team at Port Otago supported 55 organisations (through 93 active sponsorships) in the 2022/23 year. This support is via three channels: financial contributions, in-kind support and community containers.

We target sponsorships that support:

- Our harbour community
- Water-based sports, particularly those that connect with our harbour
- Water safety
- Our kaimahi (e.g. if a team member is fundraising for a good cause).

Financial contributions

Our largest financial sponsorship this year was a newcomer: Orokonui Ecosanctuary's environmental education programme (see story this page). Another recipient of a sizeable financial and in-kind contribution during the year was the Port Chalmers Maritime Museum. Port Otago owns the museum building, with the museum as the sole (rent-free) occupant. The relationship is a genuine partnership, with the port investing considerable time and funds into supporting the museum's physical space and future. (See story page 61.)



Partnering with Orokonui

Orokonui Ecosanctuary's beloved environmental education programme was under threat, after long-term government funding unexpectedly ceased last year.

The programme was established in 2009 and more than 75,000 young people have participated in hands-on conservation experiences since then. Each year, about 6000 students - from early childhood, through to tertiary level - participate.

Port Otago is one of several local corporate sponsors to make multi-year commitments supporting the programme.

Orokonui Ecosanctuary General Manager Amanda Symon says the funding means the ecosanctuary can continue providing accessible experiences to schools at a subsidised rate.

Port Otago Chief Executive Kevin Winders says getting in behind the education programme is a good fit for the company, given its focus on supporting local community activity, particularly those involving young people, and awareness around climate change. "The education team at Orokonui do a fabulous job - and on the smell of an oily rag. Our contribution helps them get out with the students, delivering their highly valued programme to our local schools."

As part of the partnership, Port Otago has use of the Orokonui boardroom for off-site meetings. Kevin says the space was ideal for a Board and Leadership Team strategic planning session in May 2023. "It's close to home for us, yet far removed from our day-to-day distractions. As far as corporate retreat venues go, it was one of the best I've experienced."

Keeping our volunteers safe

When it comes to supporting groups within our community, Dunedin Marine Search and Rescue are right near the top of the list. These men and women are skilled at what they do and give so generously of their time - in both their commitment to training and to being there when we need them. Most recently, we helped them out with new Seventh Wave wetsuits and Palm Rescue PFDs* for each squad member.

* Personal Floatation Device.



In-kind support

For the fourth year running, we sponsored swimming lessons for six local primary schools. During the 2022/23 year, more than 200 children received lessons through the programme.

Our most unusual in-kind sponsorship this year was working with the Dunedin Skate Association to establish a DIY skateboard spot on some of our unused wharf-side land. (See story next page.)

We also helped the Otago University Rowing Club purchase new motors for two of their safety boats. Club Manager Glen Sinclair says the old motors were no longer reliable or cost effective to maintain. "At 22 and 23 years old, the motors were older than most of our rowers. We are lucky to have a successful port that uses that success to help clubs like ours, that would struggle to absorb capital costs like new motors."

Other in-kind contributions during 2022/23 included:

- Defibrillators for three community groups (see story page 62)
- Floodlights for local rugby club (see story page 67).

Fryatt Street Foundation

An 1800-square-metre section of the former Fryatt Street sheds' foundations - demolished in 2019 - found a new life during the year.

The Dunedin Skate Association approached us last year and asked about using the "Fryatt Street Foundation" for as long as we didn't need it. (The area is

earmarked for the University of Otago's Sustainable Futures Centre, as part of the Dunedin City's wider waterfront plans.)

The association works with council, community organisations and businesses to create inclusive and safe skate areas within the city, adding to Dunedin's culture in a similar vein to the city's vibrant street art.

Association member Olivier Jutel (pictured) says the area sectioned off is like

an Olympic sprint track. "How beautiful is that barren patch of concrete? And the wind runs parallel with the wharf, so no cross wind."

A fence was required to partition off the wooden pier along the eastern side of the area and Port Otago quietly made that happen, to ensure everyone's safety.

Port Otago Civil Engineer Andy Pullar says the association members were so

enthusiastic and persuasive that it was difficult to do anything other than say "yes". "The area is likely to be unused for some time, so it's great to see it being enjoyed. It's added some liveliness to the area and I'm sure it will be a popular spot, for skaters and spectators alike."



Helping our Peninsula community

Down towards Te Rauone Beach on the Otago Peninsula, is the small settlement of Harwood. The community's Scott Hall needed a container for additional storage and we were happy to help. The committee (pictured) was chuffed and sent a thank you: "We're about to start a big project upgrading the bathrooms, so the container is already coming in handy to store the materials. It's currently full of sinks, wall material and toilets. Once that work is done, we'll be able to use the container to store the spare furniture, as was intended. Thanks again. It's really very much appreciated!"

Community containers

There are now 30 of our distinctive Port Otago community containers dotted around the wider Otago community. These containers are effectively on permanent loan to each organisation, until they are no longer needed. The 2022/23 year was a busy one for container distribution, with 13 freshly-painted units being trucked out into the region. The recipients were:

- Green Island Junior Football Club
- Res.Awesome (Waitati recycling organisation)
- East Otago Blokes Shed
- St Clair Surf Life Saving Club
- Vauxhall Yacht Club
- Dunedin Land Search and Rescue
- Arthur Street School
- Dunedin Riding for the Disabled
- Karitane School
- Araiteuru Marae
- Te Hou Ora Whānau Services
- Te Nukuroa o Matamata Nursery
- Scott Hall, Harwood.



THANK YOU

This container is a practical way of saving...

SHIMANO

Being a good neighbour

The past year's most significant neighbourhood project was the installation of new LED floodlighting at West Harbour's Moller Park.

New lights for training

Local Hawks rugby players training at West Harbour's Moller Park now enjoy

night-time lighting that's almost as good as inside the nearby Forsyth Barr Stadium.

Port Otago, the Dunedin City Council, Ravensdown and a line-up of community-minded suppliers combined resources to help our West Harbour rugby club replace its ancient floodlighting set-up with two new poles and eight 480 Watt LEDs.

The old floodlights and poles had been

a safety issue for many years. Club Captain Brian Greer says players were at higher risk of injury, practising with limited visibility during the winter evenings. "We approached Port Otago to see if they could help us in any way. But what they made happen is beyond our expectations. The team at Port have driven the project and brought in third parties, who have been really generous."

STEPS TOWARDS OUR GOALS IN 2023/24:

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



CAPITAL #3:

Our harbour taoka and beyond



Material issue



Climate change

Goals



- Agree our climate change aspirations and targets. *Immediate*
- Execute our climate change plan covering climate change risk assessment, adaptation/ mitigation strategies, reporting framework and current baseline. *Longer term*
- Identify how to reduce our carbon emissions, both directly and with our customers, such as harnessing renewable energy.
- 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.

Work ons

- Reducing our own contribution to climate change
- Influencing others in the supply chain to do the same
- Understanding the impacts of climate change on the port

Key metrics

Metric	2022/23*	2021/22	2020/21	2019/20	Performance
Greenhouse gas (GHG) emissions tCO ₂ e	5589	5674 [^]	5809	6487	✓
Scope 1&2 GHG emissions tCO ₂ e	5320	5437 [^]	5606	6226	✓
Category 1: Fuel as % of total GHG emissions tCO₂e					
(Previously reported as Scope 1)	72%	71% [^]	70%	77%	—
Category 2: Electricity as % of total GHG emissions tCO₂e					
(Previously reported as Scope 2)	23%	25% [^]	22%	16%	—
LED lights % of total lighting	92%	91%	87%		✓
Noise complaints total	32	18	45	88	✗
Noise complaints: Vessel	23	12	32	77	✗
Noise complaints: Non-vessel	9	6	13	11	✗

* 2022/23 data will be audited by Toitū in December 2023

[^] Figures slightly adjusted, as result of December 2022 Toitū audit

Our stakeholders told us...

“Consider the effects of climate change on the port’s infrastructure, with increasing storm event frequency and sea level rise.”

Scott Vallely
Southern Area Manager
HEB Construction

“Ravensdown is committed to using ports that look after the environment, the air and the water, and take action on climate change.”

Ant Boyles
National Logistics Manager
Ravensdown

We all have a part to play

"Maersk has committed to reaching net zero carbon emissions by 2040, hence the sustainability initiatives being undertaken by our partners are of critical importance."

My Therese Blank
Regional Head of Market, Oceania
Maersk



Down here in Dunedin, it is easy to feel far away from the increasing extreme weather events experienced in the north. But even this far south, the increased swell from the cyclone in February saw us lose 50 metres at the end of the mole, including its beacon. If we felt the impact at the tail end of the cyclone, imagine if it hit us head-on. It brings home the urgency of climate change. Some of the port’s customers were impacted, experiencing devastating damage to their plant. We invited Port of Napier’s forklift drivers – without work until the Pan Pac plant could get back up and running – down to Dunedin to work at our port for six months. This has been a “win-win”, helping a fellow port keep its team busy, while boosting our own team with additional experienced operators. It has heightened our awareness of the need to understand how best to adapt and prepare for the inevitable impacts of climate change. Coupled with the need to expedite mitigation of our contribution to climate change and transition away from carbon, we’ve got a big job on our hands.

This year, our stakeholders told us that climate change has risen in priority significantly for the port. To that end, we are investing in strategic resources on climate change to speed up, and deepen, our work in this space. We are pleased to announce the return of valued team member Kevin Kearney to lead this work, and we plan to grow our climate change capability further in the coming year.

Edward Ellison, Upoko, Te Rūnaka o Ōtākou, reminded us that climate change isn’t just important to business, it is critical for the community: “Climate change is a high profile issue with the community, it’s a ‘big ticket item’ for social licence to operate. We are all subject to climate change, it needs a coordinated and transparent effort.”

And it doesn’t stop there. In addition to working on adaptation and our own transition to net zero, we have a responsibility to encourage others to do the same. Our supply chain reaches far and wide and we need to collaborate with our shipping partners, customers and road and rail logistics partners to decarbonise the supply chain.

There are complexities, not least for shipping. MSC recently purchased around 200 second-hand container ships, building the biggest fleet in the world. Its strategy is to focus on sailing full vessels. Shipping rates have continued to decline and its vessels are largely full. But MSC is trying to

get bigger ships to New Zealand to allow for growth, also reducing its carbon footprint. Bigger ships suit us with our 14-metre-deep channel. Craig Usher, Commercial Manager at the port, explained the intricacies around carbon in shipping: “The new International Maritime Organisation (IMO) rules on carbon calculations are for the individual vessel. So if a shipping company slow steams a vessel and keeps it full, they will score highly for carbon reduction and sustainability. Using less fuel makes sense, right? But an unintended consequence could be shipping companies adding more vessels into service, and going slower, for a better carbon and sustainability score. The collective fuel burn with more ships in service running at a slower speed is higher than running fewer ships at a higher speed. I.e. it is worse for climate change. It just shows, these things aren’t straightforward. It’s only year one of the IMO regime, so we expect - hope - this will be rectified over time, as we all need to decarbonise.”

“The port is going down the right track with an inland port, getting trucks off the road and putting more onto rail.”

Mike Bennet
Lower South Island Port Manager
New Zealand Customs Service

Climate change

Emissions tracking in positive direction

Port Otago’s total emissions for 2022/23 were 5589 tCO₂e - down 1.5% on last year.

Sustainability Manager Carolyn Bennett says the figure was a welcome statistic. “We expected our emissions would rise this year, with the return of cruise. While the figure dropped, this was because two of our dredging plant vessels - the Takutai and New Era - were out of the water for scheduled maintenance during the 2022/23 year. The direct consequence was a reduction in fuel use.”

Impact of fuel

Fuel made up 71.8% of our total emissions during the financial year.

Carolyn: “We continue to investigate alternative fuel options. Our informal emissions project team made a site visit to Dynes Transport to take a closer look at its hydrogen/diesel truck, while it was passing through Dunedin. The DAF truck is the first of its kind in New Zealand and the biggest challenge is our country’s limited supply of hydrogen.

“It was a great opportunity for our team to see what’s happening in the fuel emissions space and we came away with a much better understanding of decarbonisation options that we could apply in our business.”

Leadership Team appointment

In July 2023, we welcomed former GM Operations Kevin Kearney back - in a new role of Strategic Project Manager. One of his key focus areas is reducing our carbon footprint.

Categories reporting

The company continues to develop its Category 3-6 reporting (otherwise known as Scope 3), by working with key stakeholders, such as KiwiRail. “We are also collaborating with other ports in this new space, sharing knowledge and opportunities for the betterment of our whole sector and New Zealand.”

Climate strategy

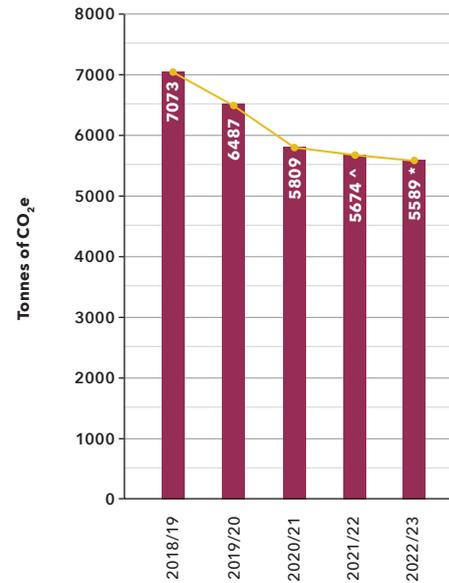
A climate-specific strategy is being developed to:

- Provide clear organisational direction and
- Increase the knowledge of our kaimahi, through the Future Forum group (see page 74).

What’s next?

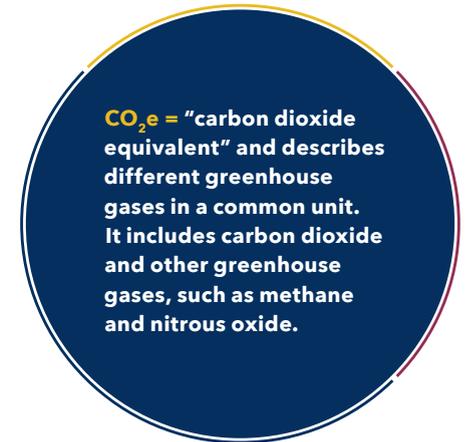
There are two focuses for the year ahead:

- 1) Set a science-based target, and
- 2) Better understand our mitigation and adaptation plans through (a) climate scenarios and (b) risk assessments of our port and property business.



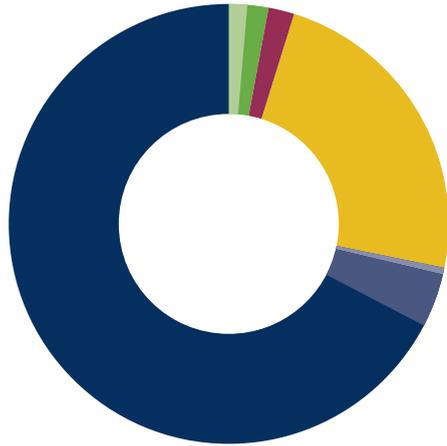
^ Figures slightly adjusted, as result of December 2022 Toitū audit

* Yet to be audited



This data is based on a self-assessment using Toitū emanage. The Toitū audit and verification is scheduled for December 2023.

Emissions by category



Note: In July 2023, the Ministry for the Environment introduced new guidance with updated emission factors, transitioning from the IPCC's Fourth Assessment Report (AR4) to the Fifth Assessment Report (AR5). Toitū Envirocare has also adopted AR5. This change will be applied as part of our December 2023 audit and include retrospective updates to our 2020/21 and 2021/22 data.

CATEGORY	2022/23	MADE UP OF:	2021/22	PERFORMANCE & EXPLANATION
<p>Category 1 Direct emissions arising from Port Otago business (i.e. fuels)</p>	<p>4014 tCO₂e 71.8% of total emissions</p>	<ul style="list-style-type: none"> Diesel 93.8% - Operations 881,797 litres - Marine 526,822 litres LPG 5.5% Petrol 0.7% 	<p>4023 tCO₂e 70.9% of total emissions</p>	<p>✓ Reduced dredging operations.</p>
<p>Category 2 Indirect emissions arising from energy (i.e. electricity)</p>	<p>1306 tCO₂e 23.4% of total emissions</p>	<ul style="list-style-type: none"> Electricity 100% 	<p>1414 tCO₂e 24.9% of total emissions</p>	<p>✓ A slight reduction in electricity usage across the organisation.</p>
<p>Category 3 Transport emissions (i.e. travel, freight)</p>	<p>107 tCO₂e 1.9% of total emissions</p>	<ul style="list-style-type: none"> Travel/accommodation/taxis 100% Freight - not currently measured 	<p>60 tCO₂e 1.1% of total emissions</p>	<p>✗ Caused by an increase in travel back to pre-Covid levels.</p>
<p>Category 4 Emissions from products/services used by Port Otago (i.e. waste, electricity distribution losses)</p>	<p>162 tCO₂e 2.9% of total emissions</p>	<ul style="list-style-type: none"> Waste 53.5% Electricity distribution losses 46.5% 	<p>177 tCO₂e 3.1% of total emissions</p>	<p>✓ Reduction in waste and electricity transmission and distribution.</p>
<p>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)</p>				
<p>Category 6[^] Indirect emissions from all other sources (i.e. emissions that do not fall into any of the other categories)</p>				<p>[^] 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.</p>

Growing our understanding of sustainability

In 2020, eight members of our team began working together as Project Footprint – a group focused on measuring the company’s carbon emissions and seeking ideas for lowering emissions.

Fast forward to 2023 and Port Otago’s understanding of issues that matter to the port and our community is broader than climate change and emissions.

Our Future Forum was set up to take a leading approach to developing a deeper sustainability culture at the port. It is a forum to listen, consult and communicate with our kaimahi to grow our understanding of sustainability.

Forum leader and Sustainability Manager Carolyn Bennett: “Three years of integrated reporting has given us a clearer understanding of what sustainability means to us. While climate change response is an issue that’s important to our future, our sustainability efforts also cover areas including the safety of our kaimahi, wharf capacity and infrastructure, financial returns, innovation, and relationships with our customers and community – six of our 12 key material issues within integrated reporting.”

This wider understanding has seen more kaimahi wanting to be involved in the range of activities the port has underway, so they can better understand opportunities and risks that will have an impact on the port’s future.

“The Future Forum is therefore larger, with 15 members of our kaimahi who are knowledgeable in areas where we can make meaningful headway on our sustainability goals. The increased membership has the added benefits of improving our communications with teams across the company, while also developing sustainability leaders. Progress on projects is being shared and then passed back to our colleagues.”

Sustainability subcommittee formed

Port Otago’s Board has established a Sustainability* subcommittee to help ensure the company is meeting its responsibilities around sustainable business practices.

The subcommittee is chaired by Director Becky Lloyd, who was Toitū Envirocare Chief Executive for three years up until December 2022.

Board Chair Tim Gibson and Directors Bob Fulton and Anne McLeod complete the committee, with Chief Executive Kevin Winders, Strategic Project Manager Kevin Kearney and Sustainability Manager Carolyn Bennett attending, alongside other members of the Leadership Team as required.

Becky says the subcommittee’s formation is timely. “As a company, the work done over recent years – specifically, integrated reporting, materiality assessment and carbon emissions measuring – provides us with a strong foundation. What steps do we now need to take to address climate change? Both to reduce our emissions to achieve our net zero commitments, and to adapt to the physical impacts of climate change.”

Becky sees the subcommittee as a forum to support and challenge management, to accelerate climate change mitigation and adaptation activities. “We have expertise among the Directors that we can share with our very capable Leadership Team – for instance, access to experts, resources, ideas, and direction.”

High on the list of outcomes for the subcommittee is development of a long-term decarbonisation roadmap that aligns to the company’s capital expenditure programme. E.g. How and when do we transition away from the use of fossil fuels?

** Sustainability for Port Otago means “meeting the needs of the present, without compromising the ability of future generations to meet their needs”.*

Subcommittee’s objectives:

- Provide strategic guidance and feedback to the Board
- Ensure appropriate reporting frameworks are used to measure sustainability
- Consider the strategic implications of climate change and potential adaptation requirements, and
- A formal forum for Board and management discussions on sustainability.

New Zealand ports benefit from Supreme Court win

In August 2023, a long-awaited New Zealand Supreme Court decision was announced, giving existing ports legal clarity around a key piece of environmental law.

Nine years ago, a high-profile case – “Environmental Defence Society versus New Zealand King Salmon Company” – reinforced New Zealand’s Coastal Policy Statement’s firm views around protecting the environment. The statement guides regional councils in their day-to-day management of this environment.

The Environment Court tried to reconcile the policy directing that a port should be able to operate safely and efficiently with the “avoid” policies directing protection of the environment. This was appealed to the High Court by two environmental groups and the High Court held that environmental protection would win out over any action required by a port to safely operate. For instance, if a marine navigation beacon was lost to a storm, its reinstatement would require “absolutely zero impact on the environment”, which is not possible, given it needs to be anchored in the sea bed.

In order to safely operate into the future, Port Otago appealed the decision to the Court of Appeal and to the Supreme Court. The August 2023 ruling overturned the Appeal Court’s earlier decision. The Supreme Court judges unanimously ruled that the policy in the Coastal

Policy statement providing for existing New Zealand ports to operate safely and efficiently was not subordinate to the “avoid” provisions, and applications could be assessed at the regional policy statement and plan level. They also said that adverse effects could possibly be avoided by the use of mitigation.

Chief Executive Kevin Winders: “When it came to the Coastal Policy Statement, specific wording in the King Salmon case had been a sticking point for New Zealand ports, as it was not clear how to approach mitigation and adaptive management. Thanks to the Supreme Court decision, we now have clarification around what is a policy and what is a rule, ensuring a more refined approach going forward.”

Kevin says this provides much needed guidance for business, planners and regulators. “This will allow responsible development to be evaluated on its merits, rather than rejected outright due to actual or potential minor environmental impacts. The outright rejection has acted as a veto and stifled responsible progress. Instead, actual or potential minor environmental impacts will now inform a balanced decision-making process around whether consent should be granted or declined.”

Harbour plan engagement

Ōtākou harbour is a significant public amenity enjoyed by our community and visitors to our region.

Chief Executive Kevin Winders: “While Port Otago maintains the facilities that it owns to support the functioning of the port, we believe the community has a higher expectation of our role in providing or maintaining harbour amenities.

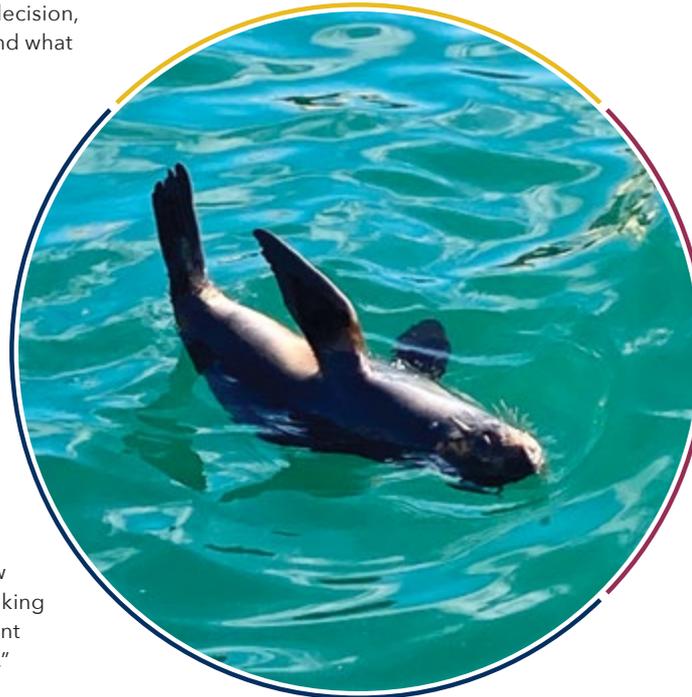
“We have worked with our community on a range of harbour amenity projects. Our financial support is not insignificant – close to \$4.5 million in the past three years. Amenities we have provided include the Warren Lewis Fishing Jetty, public toilet facilities at Port Chalmers on the Boiler Point track and the Te Rauone Beach restoration.”

Kevin says there is a need to integrate Port Otago’s community activities with the responsibilities of the regulatory bodies, the Otago Regional Council and the Dunedin City Council. The proposed approach is to agree on a framework to develop a coordinated Harbour Amenity Plan.

“Initial thinking on areas of immediate need have been shared with the two regulatory bodies to give a sense of possible areas for coordinated development of amenities.

“We are looking to drive rapid progress on the redevelopment of Back Beach, in particular. It is a focal point for the newly-opened cycleway, boating and harbour tourism from cruise travellers who this year brought \$35 million in revenue to our city.”

Port Otago is sharing progress with Te Rūnaka o Ōtākou, following on from the successful collaboration that saw the restoration of Te Rauone Beach.



Update on LED lighting

It was anticipated that our LED lighting project would be 100% completed during the past year, but logistical, weather and resourcing challenges collectively resulted in the project sitting at 92% - up only one percentage point from the previous year.

The Port Chalmers Container Terminal tower floodlights account for the remaining 8%. The fittings and control cabinet componentry have all been purchased and

work is quietly underway on preparing for installation. The project team has needed good weather, cranes on site and clear access to the terminal - not as straightforward as you might imagine, especially given shipping volatility and the Cross Wharf upgrade.

The project is on track for completion by June 2024.

Dunedin Dark Skies

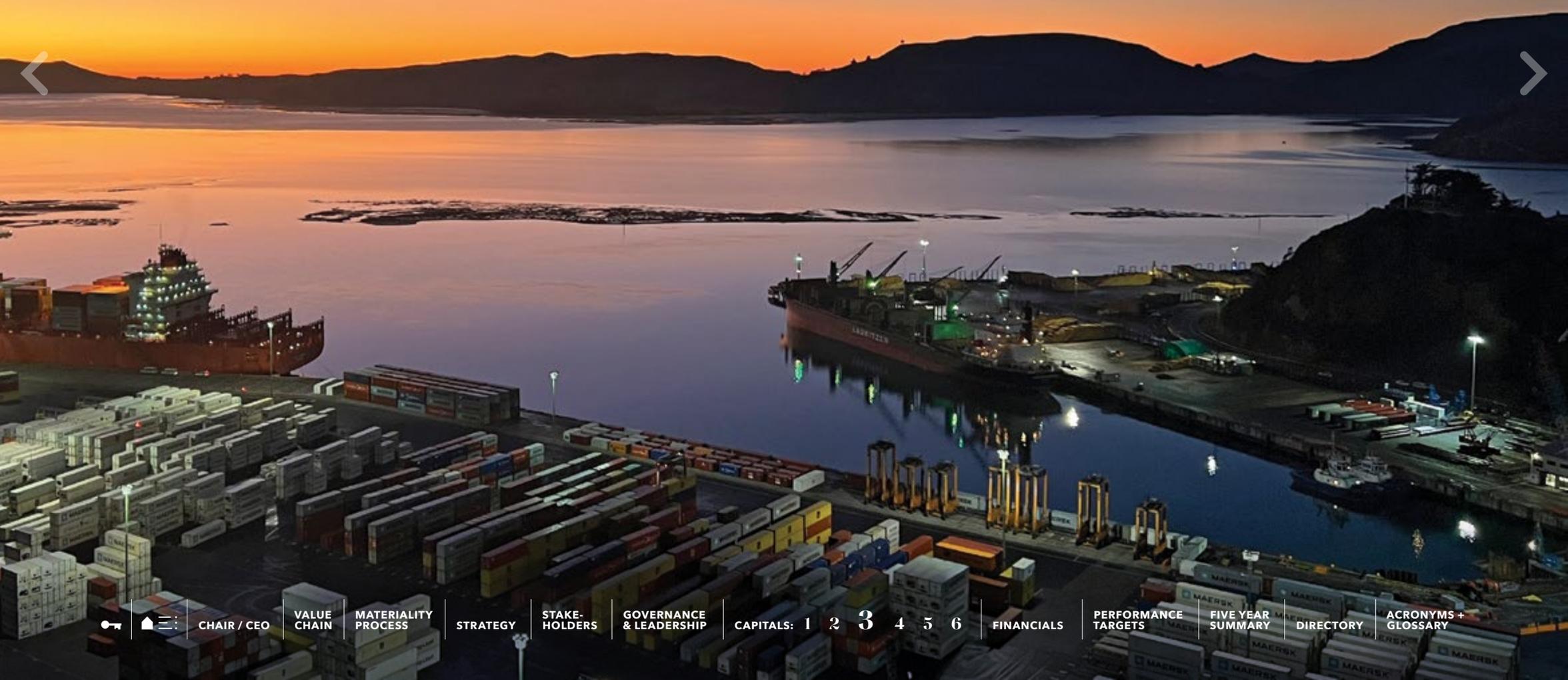
In June 2023, Dunedin Dark Skies visited

Port Otago to discuss our light spill - both upwards and sideways at Port Chalmers and at Dunedin Bulk Port.

Dunedin Dark Skies is a non-profit organisation that works to raise awareness about the importance of natural darkness. Its members champion best lighting practices that illuminate the region's surrounds with care and respect, while safeguarding human, ecological and environmental health. The group identified Port Otago as one of the area's biggest

offenders, when it comes to light spill.

After speaking with LED Project Manager Jon Visser, the Dunedin Dark Skies representative supported the approach already underway at Port Otago. In addition to the upcoming conversion to LED, Port Otago also plans to improve lighting control - such as dimming and use of daylight and motion sensors - to minimise artificial light wastage. This improves security and reduces energy cost and carbon footprint - a win-win for both the port and our community.



Small steps towards waste reduction

The nature of positive environmental change is that it generally involves many small actions, which culminate in a net gain for carbon reduction - albeit often relatively small. Port Otago is no different and, across the organisation, there are several great little changes taking place.

Solar power trial update

First-year results from the long-term solar power trial at our Sawyers Bay warehousing site confirm that solar energy is unlikely to be a viable option in Port Otago's southern location.

In May 2022, 23 solar photovoltaic panels and a 10kW inverter/controller were installed at a total cost of \$34,000. It was anticipated that the panels would produce 11,000kWh of clean electricity, annually.

In the 13 months to June 2023, the panels generated 9629kWh, which translates to \$770 of electricity savings and equates to a payback period of 48 years.

Sustainability Manager Carolyn Bennett: "While it seemed like one of our best summers in recent times, the numbers are not stacking up. Installing solar panels for economic benefit is not viable for us and, given we already use green hydropower, there is not an environmental upside either."

Carolyn says the trial will continue, as it was always a long-term project.

PPE recycling

For several years, we have recycled our PPE through Cargill Enterprises. However, the team at Cargills had used and distributed as much PPE as it could handle, so we needed to find a new solution.

Upparel is a textile recovery and recycling organisation that is now taking our old PPE and reusing, repurposing or recycling it.

Battery recycling

Working with our supplier, Waste Management, we now have a process to recycle batteries. While we have always recycled our heavy-duty batteries from our Maintenance team, we have not had a process for recycling small batteries (e.g. from keyboards or computer mice).

Paper wastage

Paper usage across the organisation continues to trend down - from 34,200 pages per month in the 2021 calendar year, to 31,900 per month in 2022.

Kegged milk

July this year marked one year since we began using kegged milk in our Port Chalmers staff room. Now, the milk is also used by the Maintenance and Cruise teams out on the terminal, with good old glass bottles being filled up at the 10-litre kegerator and walked across to the teams each day.

So how are we going?

In the first year, our kaimahi:

- Used 1052 kegs
- Saved 5260 plastic bottles
- Reduced carbon emissions by 882kg.

Coffee pods

In June, we started recycling Nespresso coffee pods. The pods' outers are made from aluminium, which is 100% recyclable. When the grounds are separated from the aluminium, they can be reused as, for instance, compost fertiliser or biofuel. Our Port Protection Officers collect the used coffee pods at different sites, fortnightly, and when there is a 20kg boxful, we send the used pods back to Nespresso.



Te Rauone Beach seagrass surveys

Seagrass coverage in the waters around Te Rauone Beach is as healthy as ever.

As part of the Te Rauone Beach project - which included construction of three 90-metre-long breakwater groynes and 28,000 cubic metres of sand being added to the beach - our resource consent required monitoring of seagrass in the area.

Seven years of aerial images were available and provided a baseline for monitoring seagrass during and after the project. Nearby Omate Beach acted as a control, to signal if any declines in seagrass coverage were related to environmental factors, rather than construction activities.

Port Otago Environmental Manager Rebecca McGrouther says the seagrass has come through the project in very good condition. "Aerial images of Te Rauone and Omate Beaches in June 2021 largely match those observed in March 2023."

Monitoring was carried out monthly between October 2021 and December 2022. It will continue at quarterly intervals during 2023, at which point NIWA will assess if ongoing monitoring is required.



Noise

Noise complaints up

In the 2022/23 year, noise complaints were up - from a total of 18 last year, to 32 this year.

Twenty-three of the 32 complaints were vessel-related (compared to 12 last year) and are directly attributable to the Monte Tamaro (12 complaints) and the "Spirit" line of vessels (10 complaints).

Monte Tamaro

The Monte Tamaro first called at Port Chalmers in early April this year. Unlike the silenced Rio vessels, the Monte Tamaro does not have a silencer on the auxiliary generator that is used to keep chilled/frozen containers at temperature. The vessel therefore emitted the low-frequency rumble locals were familiar with from the pre-silenced Rio days.

The Monte Tamaro visited three times and our teams worked hard to ensure she was berthed considerately for the community, held out at anchor (outside the harbour) overnight where possible and her exchange processed as quickly as was practical to minimise her time at berth.

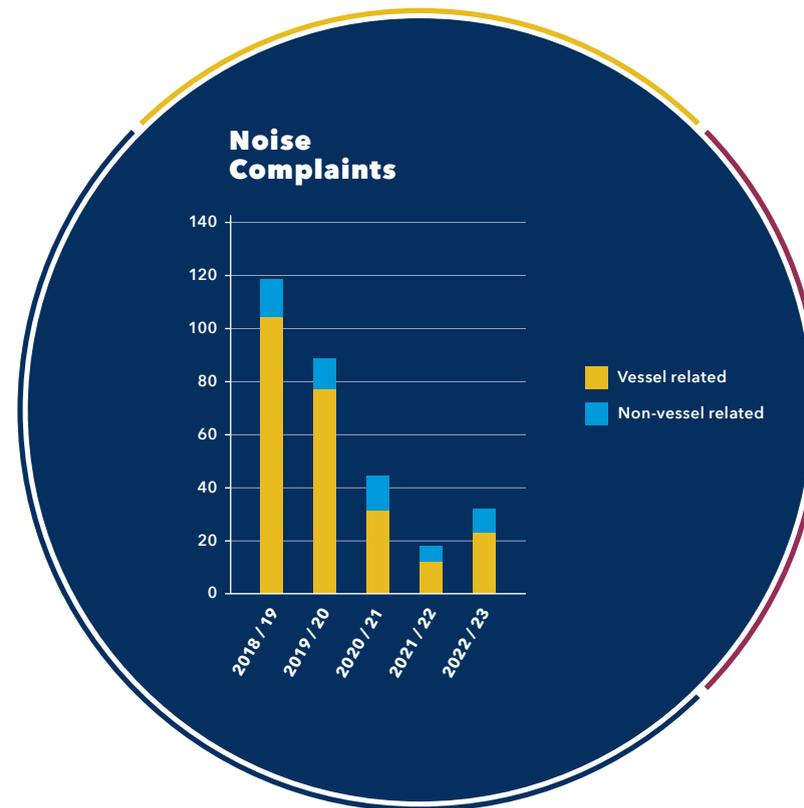
The vessel was originally scheduled to be on Maersk's Southern Star service for four visits, until August. However, the Maersk team took on board our community's concerns - alongside feedback from other affected New Zealand port communities - and removed the vessel in July.

Port Otago Commercial Manager Craig Usher: "Redeploying a vessel is neither quick, nor simple, so we appreciate the commitment of Maersk to make this happen. And we equally appreciate the positive support of locals as we worked through this process."

Spirit of Sydney

While lower profile than the Monte Tamaro, the Spirit of Sydney was also problematic during the year. This older vessel, which emits a low-frequency Rio-like rumble, was added to the Maersk OC1 service to help catch up export volumes out of New Zealand over the season.

Footnote: *The Spirit of Sydney was removed from the service in September 2023.*



Australasian award for mitigation of the Rio ‘rumble’

In November 2022, our consultant Marshall Day Acoustics received the 2022 Hugh Vivian Taylor Award for its contribution to the management of low frequency port noise in New Zealand and Australia. The peer-judged award is Australasia’s top honour in the field of acoustic engineering and is presented by the Australian Association of Acoustical Consultants.

Four years ago, Maersk shipping line’s six Rio Class ships were making life near unbearable for Port Chalmers’ residents, due to a low-frequency “rumble” emitted by the auxiliary generators used to keep refrigerated products at temperature. Port Otago employed Marshall Day Acoustics to measure the noise and to propose a solution.

It took 18 months of negotiations, but Maersk took ownership of the issue and invested about \$1 million per vessel to retrofit a special type of silencer to the problematic generators. The improvement for the local community was immediate and the benefit was enjoyed by other port communities visited by the Rios.

Marshall Day Acoustics consultant Craig Fitzgerald says that, while Marshall Day has won the award four times in the past 10 years, this year’s win was especially gratifying, because it was not a “glamorous” project. “Past wins have been for the acoustic design of international concert halls and the like. This year’s award recognised our work on ship ‘rumble’ – not exactly sexy stuff – but our peers recognised what a big difference this work

has made for port communities. This is not a new issue, rather a new approach with leadership and coordinated messaging from the ports. It took one port to step up and lead it – in this case, Port Otago. The result has been greater than anyone anticipated, because of the flow-on proactive steps – the Ship Noise Register and the guidelines for acceptable ship noise – that will improve engagement with shipping lines and reduce ship noise in our port communities.”

Port Otago Chief Executive Kevin Winders says the Port Noise Liaison Committee played a key role in the successful Rio outcome. “It supported the whole timeline – during the difficult period when the Rios were at full noise, right through to us all working together to fix the problem. The committee’s job can be a thankless one, but these individuals advocated hard and effectively for their community.”



Marshall Day Acoustics consultant Craig Fitzgerald

Inter-port work on noise

A lot of positive activity has occurred across New Zealand’s port sector during the past year.

New Zealand Ship Noise Specification

In order to adaptively manage particularly noisy container vessels visiting New Zealand, the country’s ports have developed the Ship Noise Specification.

From June 2024, all new container vessels visiting New Zealand will be required to provide an acceptable and certified NEPTUNES* Noise Label Score or confirm a silencer is fitted to one auxiliary engine/generator.

In the period up until June 2024, New Zealand ports and the shipping lines will continue working together to understand noise issues across the country’s port network and fine-tune our collective approach, including identifying engineering solutions, where possible.

* Noise Exploration Program To Understand Noise Emitted by Seagoing ships

Sharing Rio mitigation approach

Port Otago Environment Manager Rebecca McGrouther and noise consultant Craig Fitzgerald from Marshall Day Acoustics presented at PIANC*’s September 2022 Asia Pacific Conference in Melbourne. The paper – “Ship ‘rumble’: Rio Class low frequency noise mitigation” – outlined 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.

* World Association for Waterborne Transport Infrastructure

Ship noise register

Working alongside Marshall Day Acoustic consultants, Ports of Auckland is leading inter-port work developing a Ship Noise Register. This is proving a very useful tool for ports to share knowledge, inform our conversations with shipping lines and help plan berthing arrangements for known noisy ships.

New Port Noise Liaison Committee Chair

During the year, retired university director, former secondary school principal and experienced chairperson David Richardson was appointed independent chair of the Port Noise Liaison Committee.

The committee provides a forum to monitor the company’s performance against its Port Noise Management Plan. It meets at least quarterly and is made up of representatives from Port Chalmers community groups, port users, the Otago Regional Council, Dunedin City Council and Port Otago.

Q: What have you observed in your role to date?

A: There are a lot of good people in the community, on the committee and on staff, who have a common goal of wanting to improve the environment for residents. Some of the residents I have met, understandably, have strong views around port noise, are well informed and are vocal about the issues that affect them. The issue for some is the timeliness of the improvements, given some solutions are complex, expensive and will take time.

Q: What is the biggest noise-related issue facing the port?

A: Through winter, additional reefer vessels are visiting to clear some of the chilled export backlog and some of these ships are relatively old and operate without silenced generators. Cruise ships present

a different seasonal issue, mostly relating to the volume of their on-board entertainment and communications to passengers. Port Otago talks to individual ships’ shipping agents and cruise lines to address these issues.

Q: What do you want to achieve during your time as chair?

A: The committee is investigating developing a long-term plan of what we hope to achieve over time. There are some solutions, like “cold ironing”, which will ultimately be beneficial, but are expensive and require infrastructure investment by third parties. We are looking forward to the introduction of the New Zealand Ship Noise Specification across the country. These guidelines should deliver a noticeable benefit to our West Harbour residents.

Q: As a new and independent chair, how have you found Port Otago’s attitude towards noise?

A: It has been a pleasant surprise to find out how receptive and responsive Port Otago staff are to issues I have raised. I particularly appreciate the responsiveness and helpfulness of Chief Executive Kevin Winders and Environmental Manager Rebecca McGrouther.



STEPS TOWARDS OUR GOALS IN 2023/24:

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

CAPITAL #4:

Our know-how and skills



Material issues

- Innovation
- Cyber security

Goals

- 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.

Work ons

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

Key metrics

Metric	2022/23	2021/22	2020/21	2019/20	Performance
Training sessions	3208	1099	1831	1316	✓
Average training hours per employee	20.0	9.5	16.3	30	✓
Number of team who have attended fatigue training (% of total team)	247 (79%)	286 (89%)	273 (92%)	-	—
Transfers, promotions and secondments	37	21	31*	16	✓
% of new appointments that were internal	26%	45%	62%	42%	—

* Correction to 2020/21 figure, as result of refining our calculations.

Our stakeholders told us...

“The port could drive more innovation across the supply chain by bringing together everyone with a vested interest in how the port works, including shipping lines, infrastructure partners, store providers, customers, and logistics partners such as KiwiRail.”

Richard North
GM Supply Chain
Sealord

“There is a lot of trust. We work together on an open-book basis to get the best result for everyone. Risk mitigation is the key. If we can sort out what the risks are between us and mitigate them for the benefit of the project and everyone involved, that’s a good outcome.”

Ross Pacey
Tender Manager
Foster Construction

An "open for business" channel

"Now is the time to innovate and build the foundations for growth, based on a deep understanding of what the port can do with its likely volume of containers. The next 12 to 18 months are going to be tough in this country. A storm is coming."

Peter Dynes
MD
Dynes Transport

Innovation isn't easy. That's the point. It's about pushing the boundaries to achieve more in a better way. Bringing the supply chain together was a key theme out of this year's stakeholder interviews. The port is seen as binding together our shipping partners, rail and road logistics partners, store providers and customers. We are getting better at this multi-stakeholder approach that will be essential to the supply chain of the future.

But innovation isn't just about collaboration across the supply chain. It can happen with other partners too. The channel is a critical part of our harbour and the pathway to both Port Chalmers and Dunedin Bulk Port. We think we know what is possible in our channel and, thanks to international best-practice technology, we are able to test our thinking. Using a simulator based in Singapore and other ports, Port Otago is modelling the channel for all types of ships and weather conditions thrown at us. We are testing the rules currently in place and reassessing restrictions relating to things such as night sailing and specific weather and wind conditions.

Grant Bicknell, GM Marine & Infrastructure, gave his perspective: "The simulator is helping us to build a better understanding of what can, and can't, be done in the channel. It's all about shaping the future for the next 10 years. Any investment in channel dredging and widening is not entered into lightly and this technology will allow us to make the big decisions based on data."

Bulk, container and cruise ships are all being run through the simulator. Our Pilots' approval is vital, along with the Harbourmaster, and they are all involved. Once we have done the work, we will share the results with our customers. Kevin Winders, Port Otago Chief Executive, summed up the goal of this innovation: "All this testing will generate rich data, as we aim for a more 'open for business' channel."

"Partners want to understand what the port is thinking on innovation for the future, to allow us to offer the right services at the right time. If the port could share their strategy with us, that would allow more collaboration."

Scott Vallely
Southern Area Manager
HEB Construction

Innovation

Team embraces new learning management system

Port Otago Learning – our new learning management system – has been in place for only eight months and is already the “go to” for all things training, assessment, learning and development.

Previously, these processes were managed separately and nearly all were paper based, requiring manual data entry. Port Otago Learning streamlines all of these activities into one paperless and largely automated system.

Learning and Development Lead Justin Wilson says the roll-out has gone smoothly. “We’ve been bringing different functions on line in stages. In-class assessments are now all tablet based and completely online, with both the participant and facilitator working directly in the Port Otago Learning system.”

All instructor-led course sessions – whether external or internal providers – are now booked via the system. This neatly loads that particular course into the individual’s learning profile and the resulting certificate is then added, when it’s achieved.

Justin says that centralising all the learning activities into a single system has the added advantage of providing insightful metrics. “For instance, how well are courses being used, and what sort of time are individuals needing to spend on specific courses?”

Uptake by the team

Justin says it is heartening to see people autonomously requesting training and completing Safe Operating Procedure courses via the system. “Like most large workplaces, there is a range of technical literacy across the team. The more tech-savvy users have been enthusiastic early adopters, while others are slower to come on board.”

Cargo Handler Calvin Coulter is one of the team who has embraced the new way of learning. Calvin has been with the company for 14 years, bar a period in Australia. “For me, this is a much better way of learning than sitting in a classroom.”

He undertakes some of the modules during work time, and some in his own time. Calvin says a particularly helpful aspect of the platform is the ability to go into the system to check any specific work procedures, if he’s unsure. In this way, he can double-check the task is being carried out correctly, before acting.

Assessors’ feedback

Workplace assessors now build assessments within the platform, to be completed on a tablet.

Safety and Training Advisor Tim Wilhelmsen has been with the company for 10 months, starting only a couple of months before Port Otago Learning was launched. “In my role,

being relatively new to Port Otago, I’m using the system as both a learner and as a trainer. So I’m learning my own job, and – as a trainer – also doing the admin, setting up of courses and building assessments within the system.”

Tim runs many of the face-to-face mandatory training courses, which are run as group sessions. “We walk through the training, before carrying out an assessment in the learning management system. Historically, it would be done on pieces of paper, which I’d then assess and scan into each individual’s record.”

Tim says it’s been a steep, but positive, learning curve. “It’s a real step change, as we’re moving along the digital pathway so fast, but it’s a great pathway to be on.”

Dashboard summaries

Customised dashboards are being developed for each team.

Justin: “While we have standard reports that we can provide, each team needs specific and unique reports. For example, the learning and development analytics that Supply Chain needs to access are vastly different from those needed by the Marine team.”

What’s next?

As part of phase two of the roll-out, on-site inductions for visitors and contractors will be moved into the system over the coming months.

Plans are underway to replace text-based learning modules with multimedia and more interactive modules. Given there are hundreds of in-house courses, this will take time, but the work is programmed for action. The plan is to second one of our kaimahi into a new fixed-term role of Learning Specialist in the People team to support this work happening faster. The secondment will have the added bonus of providing a great development opportunity for one of our team.





Port Otago Electrician Braedon Solin (left) and Infrastructure Asset Engineer Jon Visser joined forces to create a new telemetry system for the port.

Two heads better than one

Thanks to the complementary talents of our Infrastructure Asset Engineer, Jon Visser, and site Electrician, Braedon Solin, Port Otago now has a new tailor-made telemetry system.

What is a telemetry system? It's a network that collects, transmits and measures data from remote sources. Such systems can be purchased off-the-shelf for hundreds of thousands of dollars, but are inherently expensive and difficult to maintain or modify. Instead, Jon and Braedon developed a new control system in-house over several months for a fraction of the price, leveraging existing software systems already in use at the port. So far, the system monitors and controls the Port Chalmers terminal's floodlights, trade waste pumping station, refrigerated container power, Labour On the Block safety light system (that warns straddle drivers of pedestrians working within container blocks) and several remote navigation systems around the Otago Harbour.

Where it all began

Port Otago has a close relationship with Otago Polytechnic at an industry panel level, particularly in the areas of electrical and mechanical engineering. Industry panels ensure that the training and education undertaken by students will meet the needs of the sectors where they

will ultimately work. The relationship also gives Port Otago valuable insight into which students would be a good fit for the company.

In addition to his panel role, Jon is a guest tutor for the polytechnic's Level 7 Bachelor of Engineering Technology in Infrastructure Asset Management course, which he has helped to establish over the past three years. The course has 70 people enrolled from all over New Zealand, including Braedon. Most are professionals already working within asset management seeking to attain a higher tertiary qualification.

Jon says that, having a close relationship with the polytechnic ensures it produces graduates that will be helpful to our industry. "It also means we have an opportunity to identify excellent candidates to work at the port, before they finish their studies. Most students already have a job lined up before they graduate so you've got to get in early."

In 2017, Braedon completed the New Zealand Diploma in Engineering at Otago Polytechnic and initially worked in Christchurch, as an electrician contracting to Synlait Milk. Keen to return to Dunedin, he successfully applied for an electrical role at Port Otago and started in March 2020. Braedon's primary role is looking after the company's electrical infrastructure, including substations, container cranes, floodlighting and mobile plant.

Continued next page >>

The outgoing telemetry system

Port Otago’s old system relied on hard-wired connections and an ageing infrastructure throughout the terminal. It was also in need of security upgrades.

A new, smarter system was needed, but the commercially available options did not address all the requirements and would need further development.

Jon: “I contacted companies all over the world and no one could give me a straight answer about whether their system could do exactly what we needed. I got frustrated and decided we could do it ourselves. Rather than buying lots of separate systems for each application, why not just take one of the systems we already have and use it for everything?”

The partnership

Jon made a start on a prototype system and had it working, but needed to iron out some problems and expand it to cover the entire terminal. “I asked for Braedon’s input on the proof-of-concept, based on his electrical experience. But I knew his expertise ran beyond that of an electrician, because his skills include mechatronics*.

“Braedon took what I had started and exceeded my expectations. He did some marvellous work - work that’s beyond my capability.

“I’d developed the system for floodlighting control. Braedon extended it to control trade waste monitoring. He also developed an interface to our PLCs

(Programmable Logic Controllers - industrial computers) so the system could interact with many other existing systems around the port.”

Upon arriving at the port, Braedon noticed something interesting. “Some of the systems there were old-fashioned and having a hard time keeping up with the rapid progress of technology. It was really exciting to find out that Jon was working on a brand-new system that would bring together a lot of these outdated parts.”

He says the process was not smooth sailing. “Sure, I’d heard of various systems, but getting them to actually communicate with each other was a whole different ball game. It was a process of trial and error. It turns out that even machines need relationship advice every now and then.”

About the new system

The new system is built on the port’s existing security software platform. The system monitors aspects of the port’s infrastructure, and issues notifications or alarms when things appear to be outside their normal parameters. The system can be used to control equipment such as switching or dimming lights, and can even send out automated reports to external parties, like the Dunedin City Council, on how much trade waste we have pumped into their sewage network.

Jon: “This has significant safety benefits for our kaimahi, because we can see exactly what’s going on without the need for people to be out within the terminal or at our remote sites checking things. We get

notified as soon as things go wrong so we can respond much quicker to outages, which in turn helps us to keep the port running and to look after our customers and their product.

“And all of this has been done for a fraction of the cost, plus we retain the intellectual knowledge to manage and modify the system in-house as and when required, no longer relying on contractors.”

* Mechatronics integrates mechanical, electrical and software engineering to design advanced automated systems.

Rewarding talent

For the second consecutive year, stakeholders ranked “recruiting and retaining the best team for the job” as the sixth most important material issue for Port Otago. In last year’s report, we featured some of our kaimahi who have progressed within the company, based on their natural talent and willingness to embrace the next challenge. Here are another couple of our kaimahi, who have stepped up in the past 12 months in a win-win for themselves and for the business.





Diesel (Steve) Smith

Terminal Supervisor

CAREER PATHWAY

Before Port Otago:

11 years with **Naylor Love**
Plumbing apprentice → Plumber/
Gasfitter/HVAC* Engineer

Port Otago - 2003:

Cadetship → Cargo Handler
→ Relief Terminal Supervisor
→ Terminal Supervisor

[*Heating, ventilation and air conditioning]

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

A: My dad Russell worked at Port. I was ready for a change and worked casual for a couple of months and enjoyed it.

Q: What does your current job involve?

A: As supervisors, we are facilitators of what goes on out in the yard. There's always people coming in and going out of the terminal. Our role is to support the team in their day-to-day jobs and make sure machinery is where it needs to be.

Q: Have you had sufficient support, once promoted?

A: Yes, very much so. That's what's made it so easy - all the positive backing I've received. Because I'd been relieving, I had a fairly good lead in and it was a nice progression to be asked to become a permanent supervisor.



Ben Shayler

Depot Manager

CAREER PATHWAY

Before Port Otago:

9 years with **Diesel Transport Services**
Apprentice diesel mechanic →
Qualified Mechanic → Foreman
↓
6 years with **Commercial Hire NZ**
Supervisor → Regional Manager

Port Otago - 2021*:

Dunedin Depot Supervisor →
Depot Manager

** During 2022, Ben spent six months working as Branch Manager for a nationwide transport wholesaler, before returning to Port Otago to take up the Depot Manager role in January this year.*

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

A: I wanted a change, after 15 years in the transport industry. I really enjoyed upskilling and training people, when I was a mechanic and foreman. It's the most satisfying part of the job. I was looking for more staff and more responsibility around coaching those staff. Port Otago has a good reputation, so when the Dunedin Depot Supervisor role came up - I applied.

Q: What does your current job involve?

A: I oversee depot activities at Port Chalmers and Dunedin Depot, supporting the teams at both sites.



Q: Have you had sufficient support, once promoted?

A: The support Port Otago gives its managers and supervisors is outstanding. The People team, the Training team, the processes used to upskill people - it's a great place to work. The learning management system is gold.

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

A: I'm interested in progressing into other roles within Port Otago. New roles bring new opportunities to learn, a challenge that I find very rewarding.

Training back on track

Like many New Zealand companies, Covid's impact was widespread across all facets of the business, including training.

As a direct result of Covid, the number of training hours (measured on a per-head basis) was only 1099 in 2021/22 - down 40% on the previous 12-month period. But, the past year has seen the various training teams make up for lost time, with the metric nearly tripling, to 3208.

Port Otago Head of Safety Ross Buchan says the increased hours have been possible for three reasons. "We've rebuilt our Safety and Training teams, so we have the capacity to deliver what's needed. We've capitalised on the introduction of our new learning management system. And we've had great support from our Operations, Supply and Marine managers. They've prioritised training and made the most of seasonal downtime to catch teams up on training."

Ross expects to see training hours remain high in the next year, as refresher training cycles around.

In terms of average training hours per team member, the statistics reinforce the trend.

Year	Hours/kaimahi
2020/21:	16.3
2021/22:	9.5
2022/23:	20.0

Inter-port cooperation

During the past 12 months, Port Otago has interacted with fellow New Zealand ports, for the betterment of the sector. This is particularly important, where safety is concerned.

Safety

Port Otago and Napier Port have shared details of health and safety improvements related to the restart of cruise.

- In August 2022, members of our Safety team spent two days at Ports of Marlborough reviewing its safety systems and sharing knowledge.

Environment

- New Zealand ports worked together to develop the Ship Noise Specification. (See story page 80)
- Environmental managers from across New Zealand's ports meet annually to discuss environmental and sustainability matters. The meet-up is an opportunity to share ideas and keep abreast of what other ports are doing in this space.

Our kaimahi

- With disruptions to Napier Port operations, post Cyclone Gabrielle, six of its experienced kaimahi joined our Warehousing and Operations teams in June, for a six-month secondment. (See story page 59.)

Engineering

- Old components from our two ZPMC ship-to-shore cranes (which now have upgraded electrical drive systems) were transferred to Ports of Auckland, which still operates this brand of crane. (See story page 101)
- Our port Engineers and Maintenance teams attend annual forums to share new technology and developments within the port sector. Recent information shared includes automation and upgrading of LED floodlighting and traffic management safety practices
- Lyttelton Port decommissioned several old Kalmar straddles and transferred all of its Kalmar spare parts inventory to us. This was a huge boost to our store stock, particularly with some costly and hard-to-source parts for our ageing fleet. These extra parts will help us maintain our straddles until our replacement strategy is locked in and new machines are ordered.



Assessing our harbour’s capacity for the future

Our Ōtakou harbour is one of New Zealand’s most beautiful protected harbours and our channel’s tight turns require our Marine Pilots to be at the top of their game.

The increasing size of vessels, natural changes that will accompany climate change and tightening environmental constraints all add their own levels of complexity, on top of the harbour’s own.

GM Marine and Infrastructure Grant Bicknell: “Recent increases in ship sizes across various trades – container, bulk and passenger ships – mean we must consider if and how we can accommodate these vessels. What is the outer capacity of our navigation channel to safely manoeuvre these larger vessels, right now? What are our actual safe sailing windows? Are they more generous than what we currently work to? What might we need to consider into the future?”

A modern port

Globally, the port industry is evolving at a rapid pace, says Grant. “Technology and innovation are key drivers in creating a world-class modern port. As a port, we are working harder and smarter to leverage technology that helps to improve our processes and our productivity. High productivity is important, because it means we are using our land efficiently and reduces our need for future capital investment demands.

Taking a scientific approach

Grant started with Port Otago in August 2022. “As part of my understanding the science of the channel, I engaged international experts Seaport OPX* to build an advanced digital model.”

Seaport OPX works with ports and harbourmasters to understand current channel design. It also works with clients to ensure optimal use of existing infrastructure and expose potential enhancements to the channel through design. Seaport OPX uses physics-based technology – specifically, a programme called *NCOS Online* – to accurately (1) predict port capacity by modelling scenarios for how to make optimal use of existing marine assets and (2) assess vessel turn-around windows. Critically, *NCOS Online* is compatible with the *FORCE Simulator* used by our Marine Pilots to hone their navigational expertise.

Modelling method

Seaport OPX took a step-by-step approach to answering Grant’s questions.

Its team assessed the capacity of the existing harbour channel in its current configuration by running three vessel scenarios – each inbound and outbound:

- 1) Rio Class container vessel – Port Chalmers
- 2) 300-metre long container ship – Port Chalmers
- 3) 200-metre long bulk (logs) carrier – Dunedin Bulk Port.

The team also built in the following variables:

- Outbound vessels have deeper draft clearances when fully laden, often requiring departure to be timed around a narrow window either side of high tide.
- The harbour’s own complex dynamics, especially in regard to water currents (direction and speeds) through the islands and into the Upper Harbour. This aspect involved running a 12-month scenario, to quantify any damage done by excessive rudder use or vessels coming too close to the channel edges, as well as increased numbers of vessel comings and goings.
- Weather conditions – particularly wind – can prevent vessels from transiting the harbour safely. Thresholds are in place that determine whether a specific vessel can enter or leave the harbour safely.
- The impact of existing port regulations (imposed by standard operating procedures) and the possibility of revisiting these parameters to support future vessel transits, safely.

Modelling findings

Grant says the report findings made for positive reading. “Our current scheduling for inbound and outbound vessels – based on tidal restrictions and wind speeds – are generally conservative. There was the odd red-herring scenario – involving particular vessels under very specific conditions – that we should review and possibly further restrict. We are currently prioritising that task.

“Overall, however, the findings are positive and, with our pilots working with *FORCE Simulator*, we can ensure that the Otago Harbour model reflects reality. This collaboration of technology solutions will allow us to maximise our shipping channel’s width and depth, resulting in more sailing windows, larger ships calling and less disruption to our customers.

“Port Otago’s commitment to innovation technology demonstrates that we stand strong for our region and are active in cementing our place as the South Island’s strategic port.”

* *Seaport OPX is part of DHL group – an independent, self-governing, not-for-profit research and consultancy organisation.*

Ship bridge simulators

Bridge simulators have been used within the maritime world for decades, both for engineering and training purposes. These simulators are virtual vessels, complete with mock-up bridges fitted with real consoles and manoeuvring handles that navigate in real-time.

GM Marine and Infrastructure Grant Bicknell: "This virtual world allows us to replicate future reality. Commercially, we can run various solutions and quantify cost versus performance.

"From a training perspective, this controlled environment also allows our Marine Pilots to refine both the art of piloting a vessel in a narrow channel and their ship handling skills. We can also run emergency scenarios without fear of damage to people or property."

Pictured: Port Otago Marine Pilots Josh Osborne (left) and Lawrence Clark (centre) guide a Rio Class container ship into Port Chalmers, within the Singapore-based FORCE Simulator. Josh is in the role of vessel captain, while Lawrence is piloting. Otago Regional Council Harbourmaster Steve Rushbrook watches on.



Marine team embracing new tools

Several recently-introduced finance and specialist marine software programmes were integrated during the past year, significantly streamlining the Marine Services part of our business.

Timings	What the software makes possible
eMPX* (Ports of Auckland) <i>Introduced</i> March 2022	eMPX is a cloud-based service that runs on a mobile device and automates the previously paper-based master/pilotage briefing process. This includes charts, tidal data, weather and checklists. For Pilots, it allows them to efficiently and easily complete their pilotage planning and exchange, while also facilitating accurate and dynamic information sharing with the master.
Sharewater (Napier Port) <i>Introduced</i> July 2022	Sharewater is a cloud-based harbour management system that takes care of: <ul style="list-style-type: none"> - 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.
Sharewater & eMPX <i>Integrated</i> August 2022	Sharewater & eMPX integration allows: <ul style="list-style-type: none"> - Vessel and visit data from Sharewater to be automatically pulled through to eMPX - This streamlines the pilotage briefing process and avoids duplication.
KeelCheck (Australian maritime engineering company, OMC International) <i>Introduced</i> September 2022	KeelCheck draws on tidal, daylight, and vessel and berth planning data to calculate the tidal windows for safe navigation. [Note: KeelCheck is not currently integrated with Sharewater & eMPX, but this may be an option for the future.]
Business Central <i>Introduced</i> April 2023	Business Central (Microsoft) is Port Otago's new cloud-based finance system application.
Sharewater and Business Central <i>Integrated</i> April 2023	Sharewater and Business Central integration allows: <ul style="list-style-type: none"> - Activity and transaction data from Sharewater to be pulled through to Business Central via middleware - The data is then matched to billing logic and pricing tables to generate Marine Services invoices.

* Electronic Master Pilot Exchange

Cyber security

New finance programme

Port Otago’s finance system, Microsoft NAV, was upgraded in April 2023 to the cloud-based application, Microsoft Business Central.

NAV was an on-premise system implemented in 2008 and upgraded several times over the years. As part of Port Otago’s strategy of moving key functions to the cloud, the decision was made to upgrade to the latest Business Central version.

Chief Financial Officer Stephen Connolly says the decision also reflected changes to the Port Otago Group business structure over the years. “The upgrade provided an opportunity to rationalise the system set-up, chart of accounts and review several historical customisations. We also took a close look at our business processes and introduced new features, such as Continia Document Capture to eliminate repetitive manual data entry using OCR* technology.”

Port Otago IT and Finance teams partnered with vendor Fusion5 to evaluate the set-up, customisations and processes, and drive the implementation. The team delivered on time and within budget.

Ongoing, Microsoft provides continuous, touchless updates that provide new features and functionality, eliminating the need for expensive upgrades every few years.

* Optical Character Recognition technology converts printed or written text from a scanned document into a machine-readable form for data processing.

Port kicks off cyber security training

Port Otago is about halfway through an 18-month-long cyber security awareness training programme to strengthen defences against cyber attack.

Run through the new Port Otago learning management system (see story page 86), the programme involves a series of interactive modules designed to upskill our team with the knowledge they need to be cyber-savvy.

Module topics include social engineering, phishing and spam, and safe web browsing. Our kaimahi are then “tested” with regular phishing emails.

In-house Cyber Security Specialist James Day (pictured) says New Zealand – as a country – has been slow on the uptake, but cyber security awareness training is now a “must do” in workplaces. Port Otago has partnered with world-leading security awareness training organisation KnowBe4 to deliver the programme.

“Hackers are getting better at tricking people into clicking on fraudulent links or opening up malicious attachments in emails. We can put in as many physical controls as we like, but there’s always going to be a small percentage of emails that get through. The person in front of the keyboard is both our first and last line of defence.”

So is the training working? Ten months on and our team is becoming excellent at recognising the simulated emails. However,

training and supporting our kaimahi in this space is ongoing, as we need to stay one step ahead of the next potential threat.

Moderate, advanced and expert level test emails continue to be circulated regularly, to build up people’s expertise in recognising a potentially dangerous email when it arrives in their inbox. Our Kaimahi ‘graduate’ to these levels over time, based on their previous performance in identifying – and not clicking on – emails in the lower level campaigns.



STEPS TOWARDS OUR GOALS IN 2023/24:

- Getting our Learning Management System platform up and running
- Achieving full cyber security protection
- Shift to the cloud
- Defend SOC/SIEM

CAPITAL #5:

Our assets



Material issues

Shipping volatility

Wharf capacity and infrastructure

Goals

- Develop a capital asset plan with a 30-year view. *Immediate*
- Respond dynamically to shipping volatility with storage and digital solutions.
- Grow the container business by investing in additional storage and depot capability.
- Improve the quality of cruise business by engaging with the cruise industry, investing in Pilot accommodation, maintaining capability and a new pilot boat.
- 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.
- Continue to build a sustainable property portfolio as a fundamental part of the port's financial sustainability.

Work ons

- Responding quickly to operational disruption in our port network
- Collaborating on storage solutions for the future
- Being flexible to attract more services to Port Otago and the South Island

Key metrics

Metric	Category	2022/23	2021/22	2020/21	2019/20	Performance
Infrastructure	Gross crane rate	26.2/hr	26.0/hr	26.2/hr	25.5/hr	✓
Wharf utilisation	Berth utilisation Container ships	25%	19%	24%	26%	✓
	Berth utilisation Cruise and log ships	33%	26%	30%	36%	✓
	Full yard daily averages in TEU & % days >90% full	1813 6%	1823 20%	1905* 29%*	1512* 15%*	✓ ^
Vessel movements	Arrivals	653	405	430	476	✓
Exports	Total volume (tonnes)	2.15m	1.89m~	2.17m~		✓
	Total value	\$6.6b	\$5.3b	\$4.4b		✓
Imports	Total volume (tonnes)	829k	772k	703k		✓
	Total value	\$1.2b	\$1.1b	\$735m		✓
Container business	TEU volume	186,400	166,200	174,800		✓

* Minor correction to 2019/20 and 2020/21 figures, as result of refining our calculations.
 ^ There were 45 more container vessel calls during 2022/23, compared to 2021/22. However, volume through the season was steady with fewer peaks.
 ~ Minor correction to 2021/22 and 2020/21 figures, to align with PWC data.

Our stakeholders told us...

"We want the port to work with Fonterra to create the storage and container upgrade solutions needed for the future. We often talk about it, we both know what needs to be done, but action needs to happen now."

Brendan Miller
 GM Supply Chain
 Fonterra

"Port Otago said it would deliver an upgraded structure for Ravensdown Wharf within a year. They absolutely did that - on time and within budget, landing on an economic solution that met Ravensdown's operational requirements."

Ant Boyles
 National Logistics Manager
 Ravensdown

Thinking on our feet

"The Commercial team has worked with us to manage disruption when multiple vessels arrive at the same time, moving things to minimise the financial cost. This working relationship is much appreciated. We all know when cruise ships are coming in; the problem is the sheer number of them. During the season, they come in too close together for log customers to have a long enough window to do what we need to."

David Cormack
CEO
Wenita

Shipping in New Zealand continues to throw challenges at us. Just when we think we have a workable process in place, something new happens. Collaborating across the supply chain to come up with solutions, and fast, is the only way. Earlier this year, a fellow port found itself unable to meet the number of container moves needed by customer Fonterra and shipping partner Maersk. Logistics partners Kotahi and KiwiRail were also affected. Kevin Winders, Port Otago Chief Executive, describes how a solution was found: "We could see our fellow port needed help to meet its commitment to move containers and we pulled together a solution as fast as we could. We couldn't completely solve the problem, but we got close. It was down to the adaptability of our brilliant kaimahi at Port Otago. With the help of our unions, we moved to a 10-hour roster and picked up an additional 500 container moves. I am proud of our team for allowing transshipping to remain."

My Therese Blank, Regional Head of Market, Oceania, Maersk, summed up Port Otago's role in this: "When Maersk was faced with operational disruptions in April and had the need to bring in an additional service at short notice, Port Otago moved quickly and put a solution in place within weeks. This supported Maersk's ability to reduce customer impact from the operational disruption and protect the New Zealand supply chain."

Cruise came back this year. Going from zero to 100-plus cruise ships in one season kept us all on our toes. Achieving the right balance between regular bulk and container ship calls and visiting cruise ships was a big effort. The port only has a certain amount of wharf space for storage, loading and unloading, as well as transiting cruise passengers, and safety will always be number one priority. With such different requirements from logs to cool store produce to international visitors on the port, it is impossible to keep everyone happy all the time. It's a fine balance with cruise ships booking their slots up to two years in advance, compared to weeks at best for bulk ships, and last-minute changes the norm for container ships. The port is working on a solution for where storage is located - on or off the port - and using seasonality to our advantage. How goods are transported to the port also presents an opportunity to make a difference, with an eye on more rail for a better carbon footprint.

Our log customers continue to voice concerns about the depth of the channel to accommodate loading above deck for the Korean market. They are also concerned about their wharf space and where it will be located. But we have worked hard on better communication this year and engagement is improving as a result. As well as grappling with shipping disruption, our container customers continue to remind us that a structural solution is needed to deliver more efficient and timely container upgrades. We are working on that.

"We are in a better place than we were a year ago, but we need to 'keep the pedal to the metal' to resolve the issue of where logs will be located. Last year, it didn't feel like we were being heard and there was a lack of meaningful consultation."

Grant Dodson
CEO
City Forests

Shipping volatility

Shipping reliability heading towards pre-Covid levels

Shipping volatility improved markedly over the 2022/23 financial year.

Global schedule reliability (see graph) was sitting at 40% in July 2022 and steadily increased to 64% by June 2023.

Port Otago Commercial Manager Craig Usher says reliability still has a long way to go, before it's back around the desirable 80% plus mark. "But it's great to see this significant climb in the past 12 months. The situation is noticeably better, globally, and we anticipate seeing that improvement continue over the coming 12 months."

Delays within New Zealand

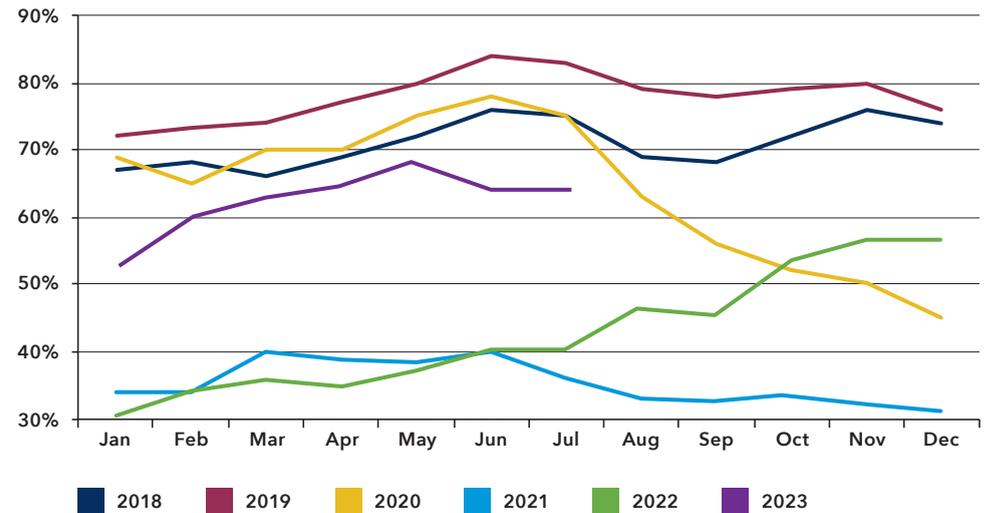
While global reliability is trending upwards, New Zealand's reliability is making slower progress. Ongoing delays around our coast - related to bunching vessels and labour challenges - had a flow-on effect for Port Otago, being the last port of call for most of the country's shipping services. "One thing that did play to our advantage was a reduced import volume. While this is not a positive indicator for New Zealand as a whole, at a port operational level, it did mean

reduced move counts and therefore vessels' time at berth was reduced. This helped more vessels arrive on time to Port Chalmers. With fewer containers coming off vessels, the team could concentrate on moving containers onto the vessel. This saw terminal yard space freed up, compared to the congestion experienced at the height of Covid."

Cargo acceptance

One of the positive changes made to our business practices during Covid was moving cargo acceptance to daily, rather than weekly. In this way, exports were received onto the container terminal within three to four days of being shipped, rather than several days in advance. The practice fine-tuned container movements on the terminal and, while acceptance is no longer daily, it is still about a five-day window - a good compromise for exporters and trucking companies, who value the flexibility of delivering goods, versus our Operations team optimising our container terminal space.

Global Schedule Reliability



Wharf capacity and infrastructure

Successful Ravensdown Wharf refurbishment

All parties involved in the \$6 million Ravensdown Wharf refurbishment are delighted with the outcome.

For several years, Port Otago and Ravensdown had been discussing how best to deal with the ageing Ravensdown Wharf. The original structure was built in the 1930s, extended in 1968 and had a new concrete deck and berthing beam installed in 1994.

Last year, the two companies agreed to remediate the wharf structure, prolonging its life for another 10 years. The plan involved building a new 145-metre-long berthing beam along the wharf length, which connected to 27 new anchor piles on the rear of the wharf. This means the loads imposed by berthing vessels effectively bypass the existing timber wharf structure and transfer the loads to the 900mm diameter anchor piles. Significant maintenance work was also carried out on the existing timber part of the wharf to prolong the life of the 90-year-old timber structure.

On 17 March, the Magpie SW was the first vessel to berth at the refurbished Ravensdown Wharf.

Ravensdown Dunedin Works Manager Paul Kilpatrick says the ability to once again handle incoming product directly into the plant was welcomed on all fronts. "It's really business as usual for us. We're back to dealing with ships right outside, and that's great for everyone, including our community."

The wharf returning to working order meant the end of trucks needing to transport product from the Dunedin

The Magpie SW berthed at Ravensdown Wharf on 17 March, the first vessel to come alongside, post the wharf's \$6 million refurbishment.

Bulk Port to the plant via the road, thus removing about 2400 truck movements from the road each year - a positive for both the environment and the community.

Port Otago Civil Engineer Andy Pullar says Ravensdown, Beca, HEB Construction and Port Otago all worked extremely well together. "It's not just about the timeliness, cost and quality of the outcome. The most important aspect to us is how we can complete the job safely in sometimes challenging conditions. It was a very smooth, satisfying project."

Cross Wharf upgrade nears completion

The \$8 million upgrade of the Cross Wharf – between the Container and Beach Street Wharves – represents one of the final major wharf infrastructure projects on the current “to do” list.

Estimated to be about 150 years old, it is the last timber wharf at our Port Chalmers site. It was used for mooring older, smaller vessels, but has not been used for years due to its deteriorating condition, which was also becoming a safety issue.

HEB Construction is carrying out the upgrade, which will see the wharf become a solid concrete sea wall and the area behind it incorporated into the terminal footprint. The project involves a short length of 20-metre-deep sheet piling, 36 900mm diameter steel piles being driven into the seabed and 250 tonnes of pre-cast and in situ concrete.

While the noise impact of the piling phase was well communicated, the noise was significant. However, the local community was patient and understanding; not a single noise complaint was received during the piling phase.

Work is due for completion by late October, in time for the first scheduled cruise ship arrival on 6 November.

Managing our PCBU

The Cross Wharf sits right in the middle of the Port Chalmers terminal. This makes managing the movements and interactions between PCBU* – in this case,

HEB Construction – and our own team particularly critical. Add in two cranes (100 tonne and 250 tonne capacity – one operating from a barge, initially), 36 piles weighing 24 tonnes each and a lot of concrete, and the risks are obvious.

Port Otago Civil Engineer Andy Pullar: “This project is right in the middle of our operations and we’re talking about big, heavy gear from both sides. The risk is high for significant damage, if something were to go wrong.”

He says risk management started well before the project kicked off. “In the design phase, we worked up several options assessing the impact these would have on external customers and our team working on performing their day-to-day tasks. We chose the best option and put good controls in place to manage risks associated with the chosen solution.”

The customer and team most impacted were Pan Pac and our Timber packing crew. (See story page 58.)

Andy says the key throughout the project has been excellent person-to-person communications. “Cellphone to cellphone or person to person. You don’t move until positive contact has been made with other parties, which everyone has handled really well. It’s a really tricky spot in our yard, because a lot of activity funnels through there.”

He says that working with HEB, a long-time contractor to Port Otago, adds a layer of assurance. “They know our standards and what we need to achieve. They would do the same for any client. We are very comfortable working with them knowing their standards

are as high, if not higher, than ours.”

HEB prepares method statements for each activity (which can be up to 60 pages) for client approval, then its operators go through the statements, step by step.

Andy: “It’s awesome working with great people. The HEB team take a lot of pride in their work and are the epitome of professionalism.”

*PCBU is a Person Conducting a Business or Undertaking



Inland depot being investigated

Port Otago is investigating establishing an inland port near Mosgiel, with the two-fold objective of freeing up space on the container terminal at Port Chalmers and reducing the number of heavy trucks travelling through Dunedin’s State Highways 1 and 88 out to port.

The thinking is for trucks to offload logs at a depot near Mosgiel, then consolidated loads would travel by rail to Dunedin Bulk Port and Port Chalmers.

Port Otago Chief Executive Kevin Winders says the concept holds many advantages. “Not only is it positive for our community, with an estimated 3500 fewer trucks per year rumbling through our city and out to Port Chalmers, but it also lowers the overall transport carbon footprint. Moving freight by rail, instead of road, uses less carbon. Furthermore - and a big plus for us - is that it would allow us to move more than 1000 empty containers off the terminal, making more room for transship capacity to the lower South Island.”

Crane 3 upgrade completed

After a two-year delay, thanks to Covid, our second ship-to-shore crane upgrade - Crane 3* - was finally completed in September 2022.

Crane 4 had been upgraded in 2019 and the intention was for Crane 3 to follow soon after. And, while the parts worth \$1.25 million were on hand when Covid struck, we were unable to bring in the supplier’s technicians from Australia and China, until New Zealand’s borders re-opened.

The work involved fully replacing the main electrical drive system, then upgrading the self-laying cable reel system so that the crane could reach the extra 135 metres to service the full length of the extended Multipurpose Wharf.

Port Otago’s Infrastructure Asset Engineer and Project Manager for the upgrades, Jon Visser, says a new, larger reel was needed to carry a longer cable so that it could reach the end of the extended wharf. The new yellow reel (pictured) has an external diameter of 5.4m - 0.4m larger than the old reel - which allows it to carry an extra 70 metres of cable, weighing an additional 225 kilograms.

The cable includes three copper conductors that provide 11kV electricity to the crane, and a six-core fibre-optic cable used for data communications. “This required highly-specialised technicians to terminate the cable at both ends, bearing in mind that the connections at the crane end need to rotate through a slip-ring box.”

The upgrade means that the two cranes are now identical to operate. “Despite being purchased only a few months apart in 2005/06, there were distinct differences between the motor drive systems they were supplied with. That meant the crane operators had to learn how to use each crane separately and Crane 3 could not do some of the things that the slightly newer Crane 4 could do. Having them identical makes them a lot safer to operate especially when drivers transfer from one to the other.”

** Despite their names - Crane 3 and 4 - there are only two ship-to-shore cranes at Port Chalmers. They replaced two earlier models.*

Critical spares find new home

At the time of the upgrades, the old components removed from Cranes 4 and 3 were disassembled and stored as critical spares. Since then, these spares have all been transferred to Ports of Auckland, which still operates three identical cranes that have not yet been upgraded.



Delta Cable Jointer Karolis Tamulionis reconnecting composite cable on Crane 3 in September 2022.



Backhoe dredge, the Takutai, having her three distinctive spuds removed at the Dunedin Bulk Port in March.

Takutai five-year survey

Our backhoe dredge, the Takutai, recently completed her five-year survey and received a beautiful new paint job, while in Lyttelton dry dock.

Because the Takutai is not self-propelled, her preparation and journey to Lyttelton was an involved affair. The vessel has three engines (one for power generation, another for the spud winch hydraulics and a third for operating the digger arm hydraulics), but, when it comes to moving from A to B, the Takutai is towed by the Tug Arihi.

Before she could go, the Takutai's three spuds - which are 26 metres long and weigh 30T each - needed to be removed for their own close-up inspection. The spuds are essentially legs that are lowered onto the harbour floor to position the dredge, while the digger is operating.

Removing the spuds involved a 160T Titan crane lifting each one up out of its pocket, then a second crane (50T) to help swing and lower each spud horizontally onto blocks on the wharf. The combined weight of the spuds and cranes meant the exercise needed to happen on the concrete Fryatt Street T/U Wharf. They were then carefully trucked around to Kitchener Street, where they were given a good clean-up and repaint.

Meanwhile, the Takutai had three weeks in dry dock, having her hull, machinery and safety equipment assessed by registered ship surveyors. Alongside the above-water paint, her underwater surface areas were also repainted, in line with the International Convention on the Control of Harmful Anti-fouling Systems on Ships.

The Takutai arrived home mid April, after a 42.5-hour trip home from Lyttelton.



Tug Arihi's Mate Lyle Champness (left) and Takutai Backhoe Dredge Operator Leon Snoeck.

Eliminating legacy IT systems

The past year has seen significant effort go into modernising our suite of core applications used across the business.

Key projects delivered to date include:

- *Implementing the cloud-based Business Central to replace our legacy on-premise Navision ERP system*
- *Introducing a new shipping management system Sharewater*
- *Decommissioning the Port Operations database system.*

Head of Digital Rachel Pullar is leading the next stage of work, which involves nine projects focused on removing customised, unsupported legacy functions and applications.

"These projects are de-risking our business by removing bespoke legacy applications and replacing with cloud-based best-of-breed systems. It sounds easy, but unpicking the connections throughout our business has been challenging."

Over the next 12 months, the IT team will continue either removing or replacing old, unsupported systems, then consolidating the functions within our vendor-supported modern core application suite.

Cruise business



On 26 October 2022, we welcomed the first cruise ship back to Otago, after a two-and-a-half-year hiatus created by Covid. The Celebrity Eclipse visited Milford Sound, before berthing the next day in Port Chalmers.

A seamless return for cruise

When our 2022/23 cruise season finished in early April, it was as though Covid had never happened. Port Otago's senior management made a decision early in the Covid period to retain our key Cruise team personnel. The result was that we were able to hit the ground running, when in late October 2022, the first cruise ship for two-and-a-half years arrived in Otago.

Over the season, we welcomed 88 vessels into Port Chalmers, 52 into Fiordland and 13 into Dunedin. Collectively, the vessels carried more than 150,000 passengers and 75,000 crew into Port Chalmers and Dunedin.

Cruise Manager Carolyn Bennett says the main improvement for the coming season is the establishment of a mini cruise terminal at the Dunedin Wharves. "Known to locals as 'the Red Shed', the ex Port Chalmers Maritime Museum building was transported into town and is being repurposed as a small terminal to welcome passengers into."

Plans for the future

With increased calls booked for the 2023/24 season, planning for the future is a priority.

Expedition cruising - which involves smaller, high-end vessels - is on the rise and positive for Port Otago and Dunedin, as these vessels generally berth at the Dunedin Wharves.

With container, bulk and cruise vessels all competing for wharf space at Port Chalmers, we are developing a process to better manage cruise booking requests.

The cruise sector attracts praise and criticism in fairly equal measure. Port Otago has initiated a thorough economic analysis, so everyone can understand the value of cruise to the region.



Threat of a Milford Sound ban

Milford Opportunities

Established in 2017, the Milford Opportunities Project is a government-funded initiative tasked with developing a sustainable tourism system for Milford Sound/Piopiotahi, Milford Road and the Te Anau basin.

The collaboration involves Ngāi Tahu, the Department of Conservation, Waka Kotahi, the Ministry of Business Innovation and Employment, Southland District Council and Environment Southland.

In July 2021, the Milford Opportunities Masterplan was released. It proposes potential future management approaches for Milford Sound, including a recommendation to phase out cruise ships entering the fiord, citing visual pollution.

Port Otago is a member of Destination Milford - a group that proposes a balanced approach to managing commercial activities and protecting the environment at Milford.

Chief Executive Kevin Winders: "We are confident that, over the next 12 months, a middle ground can be found that supports the continued access of cruise ships in the fiord - one of the world's top 10 cruise experience destinations."

Kevin says the proposed ban represents a significant risk to both Port Otago and the country's economy. "Our cruise partners have voiced their concerns. It is a strategic risk for New Zealand. If cruise ships cannot visit Milford, they will pull out of the South Island entirely and we will lose the cruise part of our business. Port Otago will continue to advocate strongly that the Milford Opportunities proposal be rejected and a more balanced approach taken."

Property business



The NZWindows building, which won a Merit award at this year's annual Property Industry Awards in Auckland.

Revenue from property business up 8%

Port Otago's property business, Chalmers Properties, increased its contribution to the group's bottom line. Property rental income was up \$2.5 million, due to three new warehouse builds being completed at Te Rapa Gateway and rent reviews for existing tenants.

Port Otago GM Chalmers Properties David Chafer: "There's been a high level of leasing and rent review activity within the portfolio, which has kept occupancy high and secured up-to-date market rents. Alongside completion of the three design/build/lease developments, the business is well positioned for future growth."



Above: The Altus building is Chalmers Properties' largest design/build/lease to date, at 6873m² (warehouse and office).

Left: The Spectrum Aluminium build, completed in June this year.

New builds during 2022/23

During the year, Chalmers Properties delivered three design/build/lease (DBL) spaces for clients in Hamilton's Te Rapa Gateway - all within budget and on time.

- **NZWindows:** 3818m² office/warehouse - completed March 2023
- **Altus:** 6873m² office/warehouse - completed in May 2023
- **Spectrum Aluminium:** 4146m² office/warehouse - completed June 2023.

NZWindows was a second-time DBL client, having outgrown their original premises. Meanwhile, the Altus office/warehouse represents Chalmers Properties' largest DBL to date.

Currently under construction is a third DBL for Steel & Tube, due for completion in February 2024. The build (2299m² office/warehouse) is immediately beside the company's existing premises and will be home to the Hamilton Roofing division.



Another award for Chalmers Properties

Chalmers Properties' NZWindows build won a Merit award in the CBRE Industrial Property category at the annual Property Industry Awards on 23 June, in Auckland. The NZWindows building is a 3818m² office/warehouse at Te Rapa Gateway, Hamilton. It was completed in March and is the second design/build/lease for the company within Te Rapa Gateway

Whare Rūnaka build begins

Work has begun on a two-year project that will see the former Warehouse building on Maclaggan Street converted into the Otago Regional Council’s new home, Whare Rūnaka.

The council’s team of more than 300 staff is currently spread across three Dunedin sites. The organisation has been looking for a permanent home for the past 18 years.

Port Otago Chief Executive Kevin Winders says the company’s property business, Chalmers Properties, was ideally placed to deliver a successful outcome for the council. “This is a practical way for us to help our shareholder. We have the expertise to deliver exactly what they need.

“Chalmers Properties develops three or four large sites annually and has key partners that can be relied on to deliver. The same team building the Port Chalmers Maritime Museum extension and Port Otago office will work on the Whare Rūnaka project.”

The \$54.5m building redevelopment is using much of the existing infrastructure on the Maclaggan Street site and will therefore cost considerably less than new-build options.

Port Otago is paying for the core building redevelopment, while the council is covering tenant-specific fit-out costs. The council will be a long-term tenant with a 40-year lease - initially for 20 years, with two 10-year right-of-renewals.



Asset management simplified

Now in its second year of use by Port Otago, the Yardi asset management platform is proving a valuable tool.

Chalmers Properties Asset Manager Dan O’Sullivan says the platform provides a solid backbone for managing the company’s many and varied properties. “We use Yardi to hold all documentation, including invoices, leases, site plans and important communications. It’s easy to add documents and even easier to access them.

“We’ve also found the platform is an accurate and efficient way to diary upcoming rent reviews, expiries and renewal options.”

Property inspections are scheduled in Yardi, helping the Port’s Facilities team identify any issues early. Tenants also have the option of accessing a Tenant Portal, where they can log maintenance requests then track the progress of jobs. “Collectively, these features act as a ‘to-do list’ and help the team prioritise work and identify gaps in maintenance plans.”

Metric	Category	2022/23	2021/22	2020/21	Performance
Container business	TEU volume	186,400	166,200	174,800	✓
	Dairy export/import	\$3.3b	\$2.5b	\$2.2b	✓
	Meat export/import	\$2.3b	\$2.1b	\$1.6b	✓
	Seafood export/import	\$169m	\$146m	\$119m	✓
	Fruit export/import	\$91m	\$39m	\$24m	✓
	Wood export/import	\$147m	\$123m	\$80m	✓
	Other export/import	\$887m	\$544m	\$409m	✓
Bulk business	Oil/LPG import	\$591m	\$539m	\$301m	✓
	Fish import	\$136m	\$153m	\$89m	✗
	Log export	\$136m	\$150m	\$182m	✗
	Cement import	\$26m	\$23m	\$10m	✓
	Fertiliser import	\$70m	\$47m	\$31m	✓
	Other bulk import	\$32m	\$56m	\$28m	✗
Cruise business	Cruise visits	101	0	0	✓
	Cruise passengers	149,000	0	0	✓
Property business	Total investment value	\$620m	\$589m	\$500m	✓
	Occupancy rates	97%	99%	93%*	✗

*100% at 31 August 2021

STEPS TOWARDS OUR GOALS IN 2023/24:

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

CAPITAL #6:

Our financial value



Material issues



Growth

Financial returns

Goals



- 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.

Work ons

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

Key metrics

Now providing four years of data, progressing towards best practice five-year trend data:

Metric	2022/23	2021/22	2020/21	2019/20	Performance
Underlying profit	\$32.0m	\$17.6m	\$21.4m	\$24.7m	✓
Profit	\$23.3m	\$70.5m	\$94.5m	\$50.5m	✗
Dividend to ORC	\$14.0m	\$13.0m	\$10.1m	\$10.0m	✓
Shareholder equity	\$704m	\$694m	\$635m	\$549m	—
Equity ratio	79%	82%	85%	84%	✓

Our stakeholders told us...

“As the port opens up and grows the container business with more container ships calling, it allows customers to grow too. It’s a “win win”. Pre-Covid, we brought product into Port Otago, but this dried up with the disruption to shipping. It is coming back again now.”

Blair Bezett
Regional Manager, Otago/Southland
Steel & Tube

“Eventually, Chalmers Properties will run out of land to develop in and around Hamilton. What’s the strategy for further development when that happens? We are interested to understand the future opportunities for Waikato and work together with Chalmers Properties on strategy, to link together better for a shared future.”

Ross Pacey
Tender Manager
Foster Construction

Contributing to the region

"It's been a tough time for growth with Covid, supply chain disruption and now inflation impacting everyone."

Kevin Allum
CEO
NZWindows



As a port, our business has four key pillars, namely containers, bulk, cruise and property. While it can prove challenging to maintain strong financial performance across all four pillars, this portfolio does allow one to support another when times are tough for that sector, such as when cruise stopped during Covid. That said, we are fundamentally a port, and are pleased to report a 50% increase in the contribution from our operating activities this year, up from \$22 million in 2022 to \$33 million in 2023. Revenue from marine and cargo services was up \$20.6 million due to the return of cruise vessels and increased cargo volumes. Property rental revenue rose \$2.5 million due to the completion of new builds at Te Rapa Gateway and rent reviews with existing tenants. As always, this was balanced with increased operating costs, up \$12.4 million with increased port activity as we put Covid firmly behind us.

David Chafer, GM Chalmers Properties, shared his thoughts on the property business: "The property clock has been running hot as the sector enters a downward cycle. Last year, we recorded an unrealised gain on our property business of \$59.8 million but - as Chalmers is a long-term investor - it is just a book entry. Despite the recession and the downturn in commercial property, our book entry was a \$458,000 loss - less than 1% - reflecting the quality of our portfolio." Stephen Connolly, Chief Financial Officer, explained the plan going forward: "Development has slowed and it is a time for caution. As a business, we are ensuring enough liquidity in the finances to allow capitalisation on good opportunities to buy new property when they come up. We need to be prudently geared and nimble."

At the port, we are proud of our contribution to the region, hence the theme of this chapter. We pay a dividend to our shareholder, Otago Regional Council, which increased to \$14 million this year (from \$10.1 million in 2021 and \$13 million in 2022). Shareholder equity is also up, from \$694 million in 2022 to \$704 million this year. It is this equity that allows the port to continue generating such an excellent dividend for the council. But putting the dollars to one side, we hope to instill pride in the community as a leading port, with our kaimahi of 300-plus people making us a significant employer in Dunedin. As the gateway for exports from Otago to the world, the port's economic contribution to the region is huge. We know we need to improve how we communicate what the port does for Otago and its people and we are working on that.

"Prepare a summary of the port's 2023 Integrated Report - an easy read for the community. Use bullet points and brevity to explain what the port does for Otago and for you."

Kevin Malcolm
Chair Port Liaison Working Group
Otago Regional Council

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 2023 and 2022.

	2023 \$000	2022 \$000
Profit for the year	\$23,277	\$70,476
<i>Less</i>		
Unrealised change in the fair value of investment property	\$458	(\$59,765)
Income tax on revaluations	(\$2,229)	\$3,588
Profit for the year before revaluations	\$21,506	\$14,299
<i>Plus</i>		
Development margin on completed property projects	\$12,595	\$4,043
Income tax on development margin	(\$2,056)	(\$758)
Development margin net of tax	\$10,539	\$3,285
Underlying profit	\$32,045	\$17,584

Notes to table

We have made the following adjustments to show underlying profit for the years ended 30 June 2023 and 2022:

1. Reversed out the impact of revaluations of investment property in 2023 and 2022. 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 2023 and 2022 financial years.

Financial returns for the 2023 financial year

The 2022/23 year profit of \$23.3 million compares to \$70.5 million last year. The significant difference between the comparative periods largely related to an unrealised change of \$59.8 million in the fair value of investment property last year. Underlining the impact the unrealised investment property fair value change can have, this year's unrealised change was a loss of \$458,000. The turnaround was driven by increasing interest rates flowing through to higher investment property capitalisation rates being used in property valuations.

The contribution from operating activities - EBIT before asset disposal gains and fair value changes - was \$33 million, an increase of \$10.8 million on last year.

Revenue

Revenue of \$111 million was up \$23 million on the 2022 financial year, due to the four key areas of our business - cruise, containers, bulk cargo and property - all delivering increased revenue.

Marine and cargo services revenue increased \$20.6 million, to \$68.8 million. The return of cruise vessels, increased container throughput, higher bulk cargo volumes and cargo vessel arrivals collectively accounted for the 43% increase.

Revenue from warehousing and logistics services was 2% higher, reflecting similar storage volumes to last year.

Cruise business

Following the Covid related ban on cruise vessels entering New Zealand during the last two financial years, we welcomed 101 vessels during the 2022/23 season.

Bookings for the 2023/24 cruise season are higher again. (See story page 104.)

Container business

Container TEU throughput was 12% higher, at 186,400 TEU, with transship volumes doubling to 29,000 TEU. (Transship containers include cargo produced in other regions, which is then off-loaded at Port Chalmers and reloaded onto another service for final export to international markets.)

Full export containers (carrying cargo produced in the lower South Island) were up 2%.

New container vessel services included the Maersk Polaris and ZIM. These contributed to lifting the total number of container vessel calls to 152 - up 41% on last year.

Bulk cargo business

Total bulk cargo volumes increased 6%, to 1.76 million tonnes. This volume included 1.0 million tonnes of log exports from the Dunedin Bulk Port and Port Chalmers - an increase of 4% on last year.

Combined fuel, fertiliser and cement imports increased 11%, to 656,000 tonnes.

Property business

Rentals from port property and investment properties increased 8%, to \$33.9 million, as the investment property portfolio continued growing. The portfolio now has a fair value of more than \$600 million.

Three new design/build/lease warehouses were completed during the financial year, which will flow on to increase property rental revenue into the future.

Operating expenses

Total operating expenses of \$78.3 million were up \$12.4 million on last year's \$65.9 million. Staff costs increased \$6.4 million, to \$37.5 million, reflecting:

- Employment of kaimahi to support the reintroduced cruise trade,
- Negotiation of Collective and Individual Employment Agreements, and
- Increased labour costs, due to higher cargo volumes and vessel arrivals.

Purchased materials and services costs were up \$5.9 million, to \$28.3 million.

This was related to:

- Inflationary pressures continuing to drive general cost increases,
- Higher local authority rates, due to ongoing development of building projects at Te Rapa Gateway,
- Tug fuel related to increased ship movements, and
- Cloud-computing costs, as we transition from on-premise IT systems.

Financial position

Total assets increased to \$893 million, from \$842 million last year, as the Group continued investing in port assets and investment property.

Borrowings were up \$32 million for the year, to \$141 million at June 2023. During the year, our shareholder, the Otago Regional Council, provided a \$50 million increase to the debt facility (through the Local Government Funding Authority) to a maximum of \$150 million. A further \$60 million debt facility is provided by ANZ bank. These increased borrowings relate to further investment at Te Rapa Gateway and the purchase of port related assets.

While the higher borrowings led to an increase in financing costs, the increased contribution of operating activities saw the financial year's interest-to-cover ratio (EBIT: interest costs) sit at 8:1 - improved on last year's 7:1 and well within bank covenant requirements.

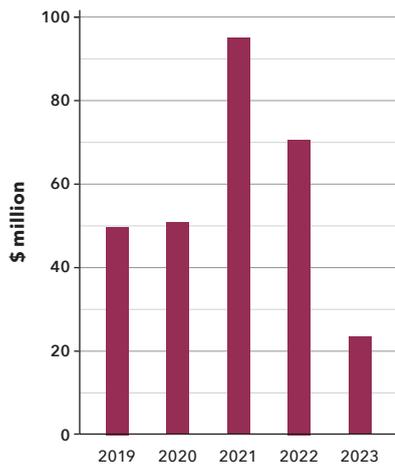
Group equity was \$704 million at June 2023 - up from \$694 million last year, with the equity ratio at June 2023 of 79% - compared to 82% last year.

Dividends

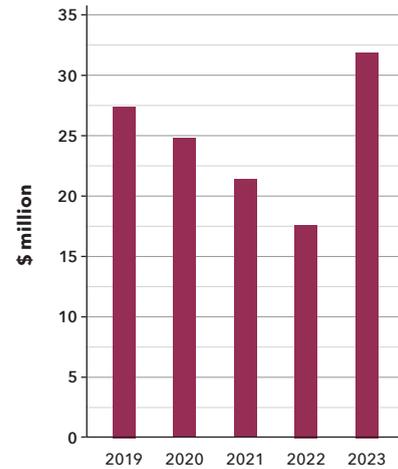
Annual dividends paid to our shareholder, the Otago Regional Council, were up \$1 million on last year - to \$14 million. This is in line with the Statement of Corporate Intent target.

Since Port Otago was incorporated in 1988, more than \$220 million has been paid in dividends.

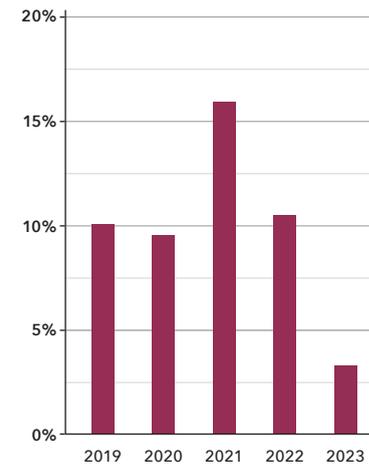
Net profit after tax



Underlying profit¹

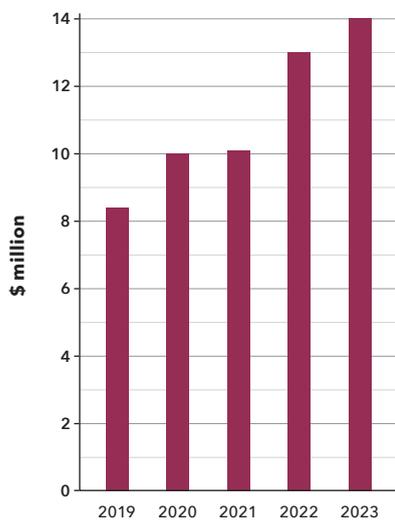


Return on equity

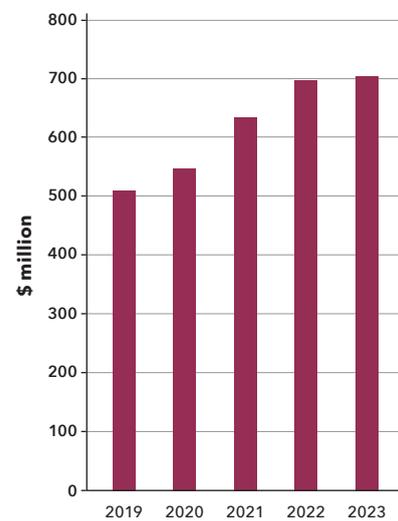


¹ Underlying profit is defined as profit for the year excluding the unrealised fair value change in the value of investment property, adjusted for the margin achieved on completed property development projects.

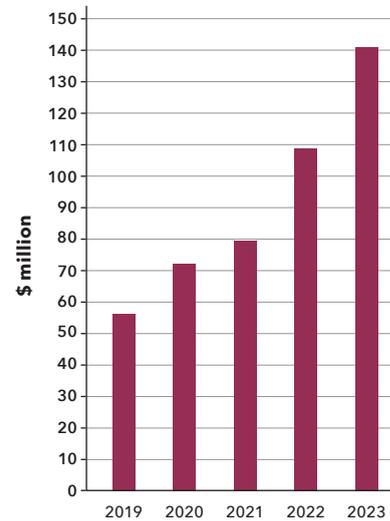
Dividends

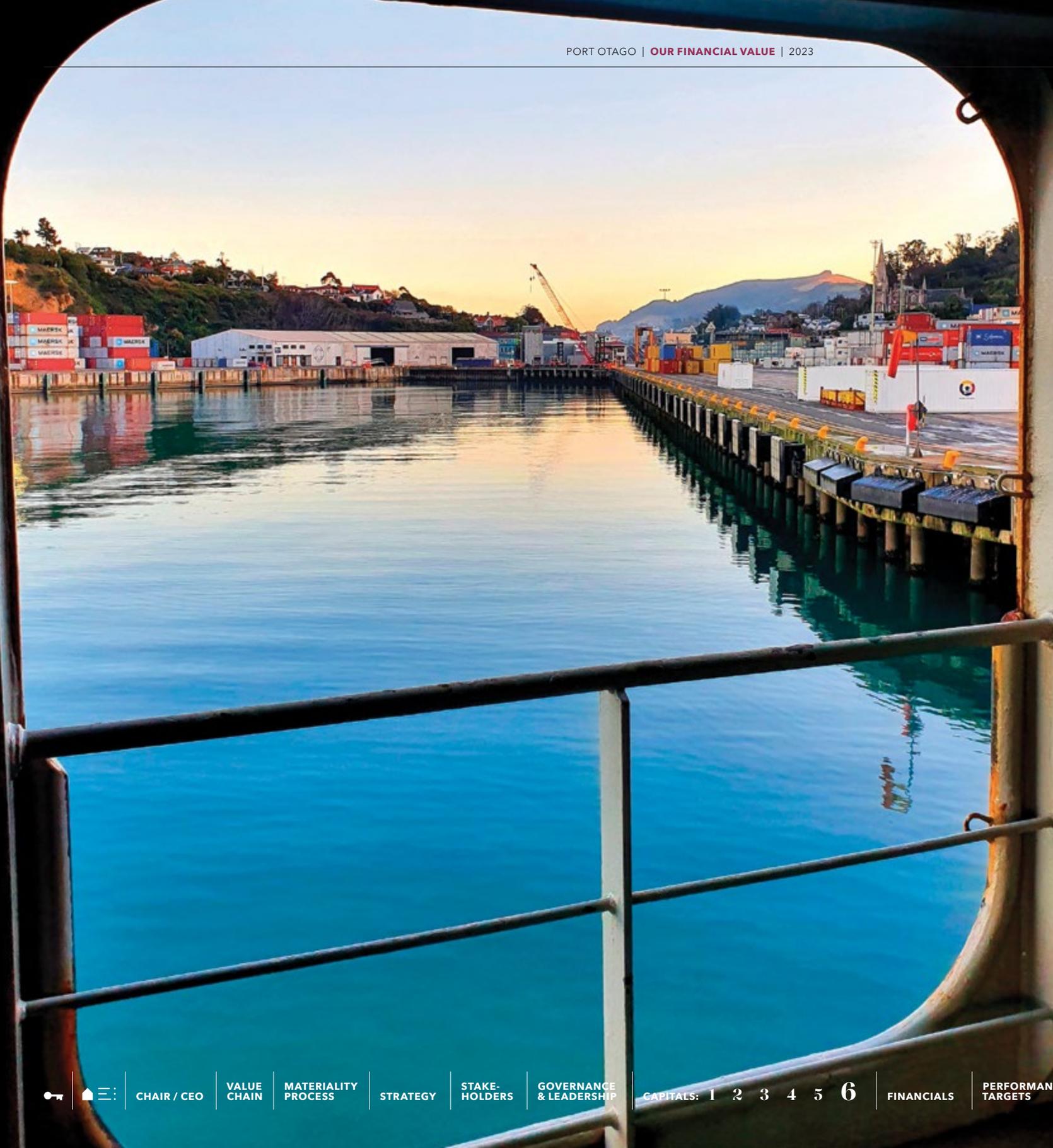


Shareholder equity



Bank debt





**STEPS TOWARDS
OUR GOALS IN 2023/24:**

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



CHAIR / CEO

VALUE CHAIN

MATERIALITY PROCESS

STRATEGY

STAKE-HOLDERS

GOVERNANCE & LEADERSHIP

CAPITALS: 1 2 3 4 5 **6**

FINANCIALS

PERFORMANCE TARGETS

FIVE YEAR SUMMARY

DIRECTORY

ACRONYMS + GLOSSARY



Consolidated group financial statements

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Consolidated income statement

~ for the year ended 30 June 2023

	Notes	2023 \$000	2022 \$000
Revenue	A1		
Marine and cargo services		68,821	48,228
Warehousing and logistics services		8,589	8,459
Property rentals		33,862	31,374
Total revenue		111,272	88,061
Operating expenses	A2		
Staff costs		(37,529)	(31,153)
Purchased materials and services		(28,283)	(22,433)
Depreciation and amortisation		(12,479)	(12,288)
Total operating expenses		(78,291)	(65,874)
Contribution from operating activities		32,981	22,187
Gain on sale of investment property and derecognition of property, plant and equipment assets		997	100
Net financing costs	A3	(3,817)	(2,922)
Subvention payment	E3	(100)	(100)
Fair value change in ineffective interest rate swaps		(46)	1,203
Unrealised change in the fair value of investment property	B1	(458)	59,765
Profit before income tax		29,557	80,233
Income tax expense	A4	(6,280)	(9,757)
Profit for the year		23,277	70,476

Consolidated statement of comprehensive income

~ for the year ended 30 June 2023

	2023 \$000	2022 \$000
Profit for the year	23,277	70,476
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)	165	2,385
Total comprehensive income for the year	23,442	72,861

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity

~ for the year ended 30 June 2023

	Notes	Share capital \$000	Investment property revaluation reserve \$000	Hedging reserve \$000	Retained earnings \$000	Total equity \$000
Balance at 1 July 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
Profit for the period		-	-	-	23,277	23,277
Transfer (from) / to		-	(458)	-	458	-
Other comprehensive income		-	-	165	-	165
Total comprehensive income		-	(458)	165	23,735	23,442
Transactions with owners in their capacity as owners						
Dividends paid	D2	-	-	-	(14,000)	(14,000)
Other movements						
Revaluation reserve reclassified to retained earnings on disposal of assets		-	(2,009)	-	2,009	-
Total other movements		-	(2,009)	-	2,009	-
Balance at 30 June 2023	D1	20,000	385,758	2,114	296,048	703,920

The accompanying notes form part of these financial statements

Consolidated statement of financial position

~ as at 30 June 2023

	Notes	2023 \$000	2022 \$000
Current assets			
Cash and cash equivalents		55	80
Trade and other receivables	C1	19,576	12,872
Non-current assets held for sale	B3	-	2,060
Maintenance inventories	C3	1,571	1,405
Derivative financial instruments	F6	2,149	1,128
		23,351	17,545
Non-current assets			
Property inventories	B2	15,507	16,428
Investment property	B1	604,914	572,185
Property, plant and equipment	B5	240,832	227,331
Intangible assets	B6	4,205	4,248
Derivative financial instruments	F6	2,430	3,153
Other financial assets	D3	2,088	1,210
		869,976	824,555
Total assets		893,327	842,100

For and on behalf of the Board of Directors



T D Gibson Chair



P F Heslin Director

The accompanying notes form part of these financial statements

	Notes	2023 \$000	2022 \$000
Current liabilities			
Trade and other payables	C2	14,946	8,742
Borrowings	D3	5,540	8,250
Employee entitlements	C4	6,079	4,737
Derivative financial instruments	F6	23	-
Lease liabilities	C5	277	258
Income tax payable		4,715	848
		31,580	22,835
Non-current liabilities			
Borrowings	D3	135,088	99,960
Employee entitlements	C4	861	903
Derivative financial instruments	F6	115	-
Lease liabilities	C5	2,290	2,567
Deferred tax liabilities	A4	19,473	21,357
		157,827	124,787
Total liabilities		189,407	147,622
Equity			
Share capital		20,000	20,000
Reserves		387,872	390,174
Retained earnings		296,048	284,304
Total equity	D1	703,920	694,478
Total equity and liabilities		893,327	842,100

Consolidated cash flow statement

~ for the year ended 30 June 2023

	Notes	2023 \$000	2022 \$000
Cash flows from operating activities			
Receipts from customers		101,427	84,295
Payments to suppliers and employees		(54,663)	(46,961)
Purchase of property inventories		(929)	(465)
Interest paid		(3,612)	(2,911)
Subvention payments		(100)	(100)
Income tax payments		(4,361)	(3,878)
Net GST received (paid)		(637)	(210)
Net cash flows from operating activities	G1	37,125	29,770
Cash flows from investing activities			
Proceeds from sale of investment property		2,596	214
Proceeds from sale and derecognition of property, plant and equipment		5,713	314
Purchase of investment property		(30,981)	(29,447)
Purchase of property, plant and equipment		(30,718)	(15,480)
Interest capitalised	A3	(1,041)	(159)
Net cash flows from investing activities		(54,431)	(44,558)

	Notes	2023 \$000	2022 \$000
Cash flows from financing activities			
Proceeds from borrowings		74,250	114,260
Repayment of borrowings		(42,710)	(86,350)
Dividends paid	D2	(14,000)	(13,000)
Repayment of lease liabilities	C5	(259)	(283)
Net cash flows from financing activities	G2	17,281	14,627
Increase (decrease) in cash held		(25)	(161)
Cash held at beginning of period		80	241
Cash held at end of period		55	80

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 2023 and were issued by the Board on 5 September 2023.

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

At the date of approval of the financial statements, there were no new standards issued or pending issuance that materially affect the Group.

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.

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)
- Useful lives of 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.

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.

	2023 \$000	2022 \$000
Disaggregation of property rentals		
Port property rentals	7,533	7,670
Investment property rentals	26,329	23,704
Property rentals	33,862	31,374

A2

Operating expenses

Expenses incurred in the financial year of \$78.3 million (2022: \$65.9 million) for the Group include the following:

	2023 \$000	2022 \$000
Staff costs		
Wages and salaries	35,795	29,668
Employer superannuation contribution	1,734	1,485
Total staff costs	37,529	31,153

Salaries and other short and long-term employee benefits, paid to key management personnel during the financial year totalled \$4,220,365 (2022: \$3,800,537). No other incentives were paid.

Audit fees - Audit New Zealand	-	93
Audit fees - Ernst & Young	184	130
Non audit services - Ernst & Young	3	62
Directors fees	490	500
Expense relating to short-term leases	366	320

Non audit services comprises fees to Ernst & Young of \$2,600 for people advisory services (2022: people advisory services \$61,190 and provision of a tax model \$750).

	Notes	2023 \$000	2022 \$000
Depreciation and amortisation			
Depreciation of property, plant and equipment	B5	11,531	10,981
Amortisation of intangibles	B6	731	1,142
Amortised leasing costs		217	165
Total depreciation and amortisation		12,479	12,288

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.

	2023 \$000	2022 \$000
Interest income	74	1
Interest expense and bank facility fees	(4,746)	(2,878)
Lease liability interest expense	(186)	(204)
Interest capitalised	1,041	159
Net financing costs	(3,817)	(2,922)
Weighted average capitalisation rate on funds borrowed	4.1%	3.1%

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 Fiordland Pilot Services Limited. The total charge for the year can be reconciled to the accounting profit as follows:

	2023 \$000	2022 \$000
Profit before income tax	29,557	80,233
Prima facie tax expense at 28%	(8,276)	(22,465)
Non deductible items	(51)	(47)
Non assessable income	210	29
Unrealised change in the fair value of investment property	2,233	13,146
Tax loss offset (via subvention payment)	100	100
Prior year adjustment	(67)	(15)
Deferred tax relating to the origination and reversal of temporary differences	(429)	(505)
Income tax expense	(6,280)	(9,757)
<i>Allocated between:</i>		
Current tax	(8,161)	(5,816)
Prior period adjustments to current tax	(67)	85
Deferred tax	1,948	(4,026)
	(6,280)	(9,757)

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	Investment property	Property inventories	Financial instruments	Other	Total
	\$000	\$000	\$000	\$000	\$000	\$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

Charged / (credited) to hedging reserve direct to equity	-	-	-	64	-	64
Charged / (credited) to income statement	(497)	(1,018)	(27)	148	(554)	(1,948)
Balance at 30 June 2023	9,752	10,609	210	1,412	(2,510)	19,473

	2023	2022
	\$000	\$000
Imputation credits		
Imputation credits available to shareholders for future use	55,903	47,211

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.

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 sell. 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 \$15.5 million carrying value at balance date reflects the cost of 6.7 hectares of developed land for sale. In their June 2023 valuation, Jones Lang LaSalle stated a net realisable value of \$37.1 million for this land on hand. At June 2022, the \$16.4 million carrying value of developed land reflected the cost of 7.3 hectares of developed land. Jones Lang LaSalle stated a net realised value for the developed land on hand at June 2022 of \$42.1 million.

	Notes	2023 \$000	2022 \$000
Balance at beginning of year		572,185	479,290
Transfer from property inventories	B2	1,137	5,531
Transfer to non-current assets held for sale	B3	-	(2,060)
Capital expenditure and improvements		31,607	28,661
Net movement in prepaid leasing costs		(26)	512
Net movement in lease incentives		(104)	376
Interest capitalised		573	110
Unrealised change in the fair value of investment property		(458)	59,765
Balance at end of year		604,914	572,185
<i>Comprising:</i>			
Industrial		339,704	316,605
Retail		30,900	31,900
Office		3,100	2,850
Ground leases		231,210	220,830
		604,914	572,185
Breakdown of valuations by valuer			
Bayleys Valuations Limited		269,760	248,755
CBRE Limited (CBRE)		30,900	31,900
Jones Lang LaSalle Limited (JLL)		119,956	65,936
CVAS (NZ) Limited (Colliers)		178,000	209,350
		598,616	555,941
Plus investment property builds under construction and carried at cost		6,298	16,244
	B4	604,914	572,185

	Notes	2023 \$000	2022 \$000
Balance at beginning of year		16,428	21,495
Transfer to investment property	B1	(1,137)	(5,531)
Development expenditure and improvements		216	464
Balance at end of year		15,507	16,428
<i>Comprising:</i>			
Developed land for sale		15,507	16,428
		15,507	16,428

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.

	Notes	2023 \$000	2022 \$000
Balance at beginning of year		2,060	-
Transfer from investment property	B1	-	2,060
Disposals		(2,060)	-
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 (2022: Bayleys, 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 2023

	Range of significant unobservable inputs		Fair value measurement sensitivity to significant	
			increase in input	decrease in input
Market capitalisation rate (%) ¹	4.5%	10.0%	Decrease	Increase
Market rental (\$ per sqm) ²	\$12	\$420	Increase	Decrease
Discount rate (%) ³	6.3%	11.0%	Decrease	Increase
Rental growth rate (%) ⁴	2.0%	3.8%	Increase	Decrease
Terminal capitalisation rate (%) ⁵	4.6%	10.3%	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 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

- 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.
- The valuers' assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction.
- The rate applied to future cash flows relating transactional evidence from similar properties.
- The rate applied to the market rental over the future cash flow projection.
- The rate used to assess the terminal value of the property.
- The rate provides an allowance for the risks and uncertainties associated with similar activities in conjunction with current market conditions.
- The length of time in years anticipated to complete the sell down of developed land.

**Investment Property - reconciliation
of level 3 fair value measurements**

	2023 \$000	2022 \$000
Balance at beginning of year	572,185	479,290
Unrealised change in the fair value of investment property	(458)	59,765
Improvements	32,050	29,659
Transfer to non-current assets held for sale	-	(2,060)
Transfer from property inventories	1,137	5,531
Balance at the end of the year	604,914	572,185

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 is the capitalised cost of channel dredging of \$9,127,000 (2022: \$9,127,000).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement when the asset is derecognised. During the year, the Company completed remediation work to a harbour structure to extend the useful life of the asset following agreement with a customer to provide a capital contribution. This agreement has been classified as a finance lease with variable lease payments which required the asset to be derecognised during the year. Included in the prior year work in progress were costs incurred for the construction of groynes in the Otago Harbour. At the completion of the project the accounting treatment of these costs was reviewed and expensed to the Income Statement.

	Land \$000	Buildings and improvements \$000	Harbour improvements \$000	Plant, equipment and vehicles \$000	Work in progress \$000	Total \$000
Cost						
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
Additions	-	-	-	-	32,497	32,497
Transfer (from) / to	3,385	3,506	5,851	4,150	(17,580)	(688)
Transfer to Income Statement	-	-	-	-	(1,026)	(1,026)
Disposals	-	(44)	-	(2,593)	-	(2,637)
Capital contribution	-	-	(5,713)	-	-	(5,713)
Cost at 30 June 2023	42,988	94,349	91,473	124,296	27,240	380,346
Accumulated depreciation						
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
Depreciation for period	313	3,218	1,836	6,164	-	11,531
Disposals	-	(11)	-	(2,588)	-	(2,599)
Accumulated depreciation at 30 June 2023	1,093	34,709	30,849	72,863	-	139,514
Net book value						
At 30 June 2022	38,823	59,385	62,322	53,452	13,349	227,331
At 30 June 2023	41,895	59,640	60,624	51,433	27,240	240,832

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	Buildings and improvements	Harbour improvements	Total
Cost				
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
Additions	-	1,052	5,713	6,765
Capital contribution	-	-	(5,713)	(5,713)
Cost at 30 June 2023	9,494	41,479	-	50,973
Accumulated depreciation				
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
Depreciation for period	-	1,090	-	1,090
Disposals	-	-	-	-
Accumulated depreciation at 30 June 2023	-	10,421	-	10,421
Net book value				
At 30 June 2022	9,494	31,096	-	40,590
At 30 June 2023	9,494	31,058	-	40,552

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, 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.

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 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
Transfer from property, plant and equipment work in progress	B5	-	688	688
Disposals		-	-	-
Cost at 30 June 2023		8,657	6,338	14,995
Accumulated amortisation				
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
Amortisation expense		391	340	731
Disposals		-	-	-
Accumulated amortisation at 30 June 2023		8,252	2,538	10,790
Net book value				
At 30 June 2022		796	3,452	4,248
At 30 June 2023		405	3,800	4,205

Computer software

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. Amortisation of the carrying amounts of consents 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 \$44,000 in respect of trade receivable balances at 30 June 2023 (2022: \$380,000). 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 to the most relevant credit risk factors.

	2023	2022
	\$000	\$000
Trade receivables	15,958	11,567
Prepayments	1,487	1,305
Lease receivable	2,131	-
Balance at end of year	19,576	12,872

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

	2023	2022
	\$000	\$000
Not past due	11,726	11,348
Past due 30-60 days	2,741	60
Past due 61-90 days	1,026	87
Past due more than 90 days	509	452
Gross receivable	16,002	11,947
Less allowance for expected credit losses	(44)	(380)
Balance at end of year	15,958	11,567

C2 Trade and other payables

Trade and other payables represent unsecured liabilities for goods and services provided to the Group prior to end of the financial year which are unpaid. Trade and other payables are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short-term nature.

	2023 \$000	2022 \$000
Accounts payable	8,224	2,352
Other accrued charges	6,639	5,670
GST payable	83	720
Balance at end of year	14,946	8,742

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 (2023: nil, 2022: 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 \$77,039 (2022: \$58,282).

	2023 \$000	2022 \$000
Accrued wages, salaries and other benefits	1,532	947
Annual leave	4,418	3,657
Long service leave	824	866
Employee retiring allowances	37	37
Sick leave accrual	129	133
Balance at end of year	6,940	5,640
<i>Analysed as:</i>		
Current	6,079	4,737
Non-current	861	903
	6,940	5,640

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. Undiscounted future minimum rentals receivable under non-cancellable commercial property leases including amounts up to the next renewal term for perpetual ground leases are:

	2023 \$000	2022 \$000
Rentals receivable		
Less than 1 year	32,728	28,766
1 - 2 years	30,639	27,011
2 - 3 years	29,571	24,828
3 - 4 years	23,875	23,835
4 - 5 years	21,642	18,452
Greater than 5 years	102,979	84,905
Minimum future lease receivable	241,434	207,797

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.

	2023 \$000	2022 \$000
Right-of-use assets - plant, equipment and land		
Balance at beginning of year	2,619	2,971
Additions	-	-
Depreciation	(313)	(352)
Balance at end of year	2,306	2,619
Lease liabilities		
Balance at beginning of year	2,825	3,108
Additions	-	-
Interest expense	186	204
Lease payments - cash	(444)	(487)
Balance at end of year	2,567	2,825
Lease liabilities		
Current	277	258
Non-current	2,290	2,567
	2,567	2,825

Section D

Business funding

D1

Equity

	2023 \$000	2022 \$000
Share capital	20,000	20,000
Investment property revaluation reserve	385,758	388,225
Hedging reserve	2,114	1,949
Retained earnings	296,048	284,304
Total equity	703,920	694,478

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 2023 Port Otago Limited has 20,000,000 ordinary shares (2022: 20,000,000 ordinary shares). 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.

Investment property revaluation reserve

The investment property revaluation reserve relates to the revaluation of investment properties. The unrealised change in the fair value of investment property is initially recognised in the Income Statement and then transferred to the investment property revaluation reserve within equity. Realised changes in the fair value of investment property are reclassified from the investment property revaluation reserve to retained earnings, within equity upon disposal of investment property assets.

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

	2023 \$000	2022 \$000
First interim dividend paid 32.5 cps (2022: 30 cps)	6,500	6,000
Second interim dividend paid 32.5 cps (2022: 30 cps)	6,500	6,000
Final dividend 5 cps (2022: 5 cps)	1,000	1,000
Dividends for the financial year	14,000	13,000
<i>Adjust for dividends declared after year end:</i>		
2023 Final dividend declared September 2023	(1,000)	-
2022 Final dividend declared October 2022	1,000	(1,000)
2021 Final dividend declared September 2021	-	1,000
Dividend distributed to owners as disclosed in the Consolidated Statement of Changes in Equity	14,000	13,000
Dividends - cents per share (cps)	70	65

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 4% (2022: 3.1%).

The carrying amount of borrowings reflects fair value as the borrowing finance rates approximate market rates.

	2023 \$000	2022 \$000
Current liabilities		
Bank loans	5,540	8,250
Total current liabilities	5,540	8,250
Non-current liabilities		
Bank loans	10,000	-
Related party loans - Otago Regional Council	125,088	99,960
Total non-current liabilities	135,088	99,960
Total borrowings	140,628	108,210

Bank loans

The Group has a \$31 million (2022: \$31 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 2025. In addition, the Group has a revolving \$29 million (2022: \$29 million) Commercial Flexi Facility with ANZ which is subject to an annual review. The next review is due on 30 November 2023.

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 2023.

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), varied an agreement to increase unsecured loans provided by the ORC from a maximum of \$100 million to a maximum of \$150 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 November 2023 to April 2030 (2022: August 2022 to June 2029). 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 2023, 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 2023, the Group, through the ORC, had subscribed to borrower notes totalling \$2,088,460 (2022: \$1,210,255).

	2023 \$000	2022 \$000
Other financial assets		
Borrower notes - ORC	2,088	1,210
Total other financial assets	2,088	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 2023. All subsidiaries have a 30 June balance date.

Name	% of ownership interest		Principal activity	Principal place of business
	2023	2022		
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
Port Chalmers Container Terminal Limited	100%	-	Port services	Port Chalmers

Port Chalmers Container Terminal Limited was incorporated in December 2022 and has no activities.

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 (2022: \$300,000) 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.

Otago Ports Employers Association Incorporated was incorporated as a society in February 2023.

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 \$150 million (2022: \$100 million).

During the year the Group and the ORC entered into an agreement for the ORC to transfer 2022 tax year losses to the Group. In conjunction with the tax loss transfer of \$257,276 (2022 tax year: \$257,364), by way of a tax loss offset, the Group made a subvention payment of \$100,051 (2022 tax year: \$100,086) to the ORC. The consequence of the tax loss transfer and the subvention payment was a \$100,051 reduction in income tax payments in the current year (2022: \$100,086). The amount paid to the Otago Regional Council for rates, rentals, resource consent fees and LGFA transaction fees during 2023 was \$329,163 (2022: \$150,135) with \$150,392 outstanding at year end (2022: 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 (2022: \$60,000) with \$17,250 receivable at year end (2022: \$17,250).

Directors

Mr T D Gibson is a Director of Silver Fern Farms Limited, a customer of the Group. The amount received from Silver Fern Farms Limited during 2023 for container storage was \$6,420 (2022: \$4,343) with \$443 receivable at year end (2022: 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 2023 for the supply of goods and services was \$2,246,365 (2022: \$1,233,105) with \$43,305 payable at year end (2022: nil). The amount invoiced to Fulton Hogan Limited during 2023 for property rentals was \$96,668 (2022: \$82,457) with \$16,342 receivable at year end (2022: nil).

Ms R C Lloyd was the Chief Executive of Toitū Envirocare until December 2022, a supplier to the Group. The amount paid to Toitū Envirocare during 2023 for services was \$27,304 (2022: \$34,228) with nil payable at year end (2022: nil).

Mr C C Hopkins is a Director of Farra Engineering, a customer and supplier of the Group. The amount paid to Farra Engineering Limited during the year for services was \$116,819 (2022: \$30,579) with nil payable at year end (2022: nil). The amount invoiced to Farra Engineering Limited during 2023 for property rentals was \$71,278 (2022: \$68,183) with nil receivable at year end (2022: \$890).

Ms A L McLeod was appointed as a Director of Port Otago Limited and its subsidiaries in June 2023 and is a Partner of Anderson Lloyd, a provider of legal services to the Group. The amount paid to Anderson Lloyd during the year for legal services was \$406,841 with \$32,408 payable at year end.

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, counterparty 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:

	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 2023						
Trade and other payables		(14,946)	(14,946)	(14,946)	-	-
Lease liabilities		(2,567)	(3,273)	(445)	(2,208)	(620)
Borrowings (secured)	6.2%	(15,540)	(17,985)	(6,117)	(11,868)	-
Related party loans (unsecured)	4.3%	(125,088)	(136,582)	-	(136,582)	-
Related party borrower notes (unsecured)	5.9%	2,088	2,495	425	2,070	-
Interest rate derivatives (net)						
Current portion		2,149	2,430	2,430	-	-
Non current portion		2,315	2,589	-	2,443	146
Total as at 30 June 2023		(151,589)	(165,272)	(18,653)	(146,145)	(474)
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 (net)						
Current portion		1,128	1,208	1,208	-	-
Non current portion		3,153	3,531	-	3,223	308
Total as at 30 June 2022		(114,286)	(118,308)	(16,195)	(101,366)	(747)

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 economic relationship between the hedged item and the hedging instrument is maintained as the terms of the floating-to-fixed swaps match the terms of the variable rate loan (i.e. notional amount, maturity, payment and reset dates). Hedge effectiveness is assessed on a qualitative basis using the critical terms methodology. Where the critical terms are matched it is expected there will be no ineffectiveness in the hedge relationship. 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 dates for the outstanding interest rate swaps range from November 2023 to April 2030 (2022: March 2023 to March 2027).

	2023 \$000	2022 \$000
Carrying amount - asset / (liability)	2,937	2,708
Notional amount	78,450	44,200
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments recognised in the hedging reserve during the financial year	228	3,312
Weighted average hedged rate	4.0%	2.1%

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 (2022: March 2025 to June 2029).

	2023 \$000	2022 \$000
Carrying amount - asset / (liability)	1,527	1,573
Notional amount	13,000	13,000
Change in fair value of outstanding non-hedging instruments recognised in the income statement during the financial year	(46)	1,203
Weighted average non-hedged rate	1.5%	1.5%

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.

	-100bps		+100bps	
	Profit \$000	Other Equity \$000	Profit \$000	Other Equity \$000
2023				
Interest rate risk				
Hedge accounted derivatives	-	(2,174)	-	2,082
Non-hedge accounted derivatives	(324)	-	312	-
Borrowings	1,406	-	(1,406)	-
Total sensitivity to interest rate risk	1,082	(2,174)	(1,094)	2,082

	-100bps		+100bps	
	Profit \$000	Other Equity \$000	Profit \$000	Other Equity \$000
2022				
Interest rate risk				
Hedge accounted derivatives	-	(957)	-	900
Non-hedge accounted derivatives	(439)	-	412	-
Borrowings	1,082	-	(1,082)	-
Total sensitivity to interest rate risk	643	(957)	(670)	900

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 2023 is 79% (2022: 83%).

F6

Derivative financial instruments

	2023 \$000	2022 \$000
Current assets		
Interest rate swaps	2,149	1,128
Total current assets	2,149	1,128
Non-current assets		
Interest rate swaps	2,430	3,153
Total non-current assets	2,430	3,153
Current liabilities		
Foreign exchange contracts	(23)	-
Total current liabilities	(23)	-
Non-current liabilities		
Interest rate swaps	(115)	-
Total non-current liabilities	(115)	-

The notional principal amounts of the interest rate swap contracts are as follows:

	2023 \$000	2022 \$000
Less than 1 year	12,100	10,000
1 - 2 years	8,000	12,100
2 - 3 years	18,850	8,000
3 - 4 years	13,095	13,100
4 - 5 years	29,405	9,000
Greater than 5 years	10,000	5,000
Total	91,450	57,200

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 2023 and 30 June 2022. 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 is 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. Hedge 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 information

G1

Reconciliation of profit for the year to net cash flows from operating activities

~ for the year ended 30 June 2023

	2023 \$000	2022 \$000
Profit for the year	23,277	70,475
Plus/(less) non-cash items		
Unrealised change in the value of investment property	458	(59,765)
Depreciation and amortisation	12,479	12,288
Unrealised foreign exchange (gains) losses	23	-
Movement in the fair value of ineffective interest rate swaps	46	(1,203)
Movement in non-current employee entitlements	(42)	(53)
Movement in deferred tax	(1,948)	4,026
Plus/(less) items classified as investing activities		
Gain on sale of investment property and derecognition of property, plant and equipment	(997)	(100)
Movement in working capital items		
Trade and other receivables	(6,704)	741
Trade and other payables	6,205	1,775
Current employee entitlements	1,342	565
Income tax payable	3,867	1,852
Maintenance inventories	(166)	71
Property inventories	(929)	(465)
Movement in other working capital items classified as investing activities	214	(437)
Net cash flows from operating activities	37,125	29,770

G2

Reconciliation of liabilities arising from financing activities to cash flows

~ for the year ended 30 June 2023

	Notes	2023 \$000	2022 \$000
Interest bearing liabilities			
Opening interest bearing liabilities		109,825	82,198
Cash movements			
Repayment of borrowings		(42,710)	(86,350)
Subscribed borrower notes	D3	(878)	(1,210)
Proceeds from borrowings		75,129	115,470
Repayment of lease principal		(259)	(283)
Closing interest bearing liabilities		141,107	109,825

G3

Capital expenditure commitments

At 30 June 2023 the Group had commitments for capital expenditure of \$14.1 million (2022: \$46.8 million) which relates to purchases and refurbishments of port assets and investment property.

G4

Contingencies

There are no contingent liabilities at 30 June 2023 (30 June 2022: nil) other than those arising in the normal course of business.

G5

Significant events after balance date

Dividends

On 5 September 2023 the Directors declared a final dividend of \$1.0 million for the year ended 30 June 2023 (final dividend for year ended 30 June 2022 of \$1.0 million). 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.

Independent Auditor's Report



To the readers of Port Otago Limited Group's financial statements for the year ended 30 June 2023

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 120 to 153, that comprise the Consolidated statement of financial position as at 30 June 2023, the Consolidated income statement, the Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated cash flow statement 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 2023; 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 5 September 2023. 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 of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements on pages 120 to 153, 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 Annual 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 an engagement in the area of provision of remuneration market data which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with, or interests in, the Group.



Bruce Loader
Ernst & Young
On behalf of the Auditor-General
Christchurch, New Zealand



Statutory information

The following disclosures are made pursuant to the Companies Act 1993 in respect of the financial year ended 30 June 2023.

Directors interests

Directors have disclosed the following general interests for the year ended 30 June 2023 in accordance with Section 140 of the Companies Act 1993:

Director	Entity	Relationship
T D Gibson	Fiscus Limited	Director
	Livestock Improvement Corporation Limited <i>(and its wholly owned subsidiaries)</i>	Director
	Manage My Health Global Limited - <i>(retired May 2023)</i>	Director
	Miraka Limited <i>(and its wholly owned subsidiaries)</i> - <i>(retired February 2023)</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	
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 Campbell	Energia Potior Limited	Director
	Invercargill City Council	Deputy Mayor
R J Fulton	Allied FH Limited	Chair
	WFH Properties Limited <i>(and its wholly owned subsidiaries)</i>	Chair
	Aberluer Limited	Director
	Blackhead Quarries Limited	Director
	Fulton Hogan Limited <i>(and its wholly owned subsidiaries)</i>	Director
	Helenslee Investments Limited	Director
	Horokiwi Quarries Limited	Director
	Pokeno Village Holdings Limited	Director

Director	Entity	Relationship
R C Lloyd	Concept Car Limited	Director
	Toitū Envirocare (<i>retired December 2022</i>)	Chief Executive
C C Hopkins	Dunedin International Airport Limited	Chair
	Health Central Limited	Director
	Bletsoe Securities Limited	Director
	CompanyHQ Limited (<i>and its wholly owned subsidiaries</i>)	Director
	Farra Engineering Limited	Director
	GW Batts Trustee Limited	Director
	INMR Measure Limited	Director
	Oakwood Group Limited	Director
	Our Planit Limited	Director
	Mimeo Industrial Limited	Director
	Silveracres Trust	Trustee
	Southmed Limited	Director
	Spade Work Limited	Director
Veritide Limited	Director	
A L McLeod (appointed 28 June 2023)	Anderson Lloyd Partnership	Partner and Board member
	Anderson Lloyd Shareholding Company Limited (<i>and its wholly owned subsidiaries</i>)	Director
	St Hilda's Collegiate School	Trustee
P F Rea (retired 31 December 2022)	Waitomo Group Limited (and its wholly owned subsidiaries)	Director
	Robos International Limited	Director

Employee remuneration

During the year the number of employees of Port Otago Limited and its subsidiaries who received total remuneration in excess of \$100,000 are:

Remuneration range (\$)	Number of employees
	2023
780,001 - 790,000	1
540,001 - 550,000	1
340,001 - 350,000	1
310,001 - 320,000	1
270,001 - 280,000	3
260,001 - 270,000	1
250,001 - 260,000	1
240,001 - 250,000	2
230,001 - 240,000	1
220,001 - 230,000	1
200,001 - 210,000	1
180,001 - 190,000	4
170,001 - 180,000	2
160,001 - 170,000	1
150,001 - 160,000	4
140,001 - 150,000	12
130,001 - 140,000	14
120,001 - 130,000	23
110,001 - 120,000	39
100,001 - 110,000	59

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 \$866 (2022: \$2,582).

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, Te Rapa Gateway Limited and Port Chalmers Container Terminal Limited.

The following persons held office as Directors of subsidiary companies at 30 June 2023:

Company	Director
Chalmers Properties Limited	T D Gibson P F Heslin T Campbell R J Fulton R C Lloyd C C Hopkins A L McLeod
Fiordland Pilot Services Limited	T D Gibson P F Heslin T Campbell R J Fulton R C Lloyd C C Hopkins A L McLeod
Te Rapa Gateway Limited	T D Gibson P F Heslin T Campbell R J Fulton R C Lloyd C C Hopkins A L McLeod
Port Chalmers Container Terminal Limited	T D Gibson P F Heslin T Campbell R J Fulton R C Lloyd C C Hopkins A L McLeod

Directors remuneration

Remuneration paid by the Port Otago Group to Directors during the year was:

	2023 \$000	2022 \$000
T D Gibson (Chair)	92	65
P F Heslin	79	78
T Campbell	63	64
R J Fulton	63	60
C C Hopkins (appointed 1 July 2022)	67	-
R C Lloyd	64	60
P F Rea (retired 31 December 2022)	62	124
D J Taylor (retired 31 March 2022)	-	49
	490	500

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 2023 was \$183,860 (2022: \$129,825).

For and on behalf of the Board of Directors



T D Gibson
Chair
5 September 2023



P F Heslin
Director
5 September 2023

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 wellbeing			
Critical risk: Visible Leadership Conversations	987	1,000	Target not achieved 
Total Recordable Injury Frequency Rate (TRIFR) - per 1 million hours	10.6	<10	Target not achieved 
Financial			
EBIT	\$33m	\$30m	Target achieved 
Shareholder's funds (equity) or net assets	\$704m	\$700m	Target achieved 
Stay in business capex (SIB)	\$31m	\$50m	Target not achieved 
Investment in growth	\$31m	\$60m	Target not achieved 
Return on equity	3.3%	2.5%	Target achieved 
Equity ratio	79%	Between 70% - 85%	Target achieved 
Interest cover ratio	8	6	Target achieved 
Dividend	\$14m	\$14m	Target achieved 
Environmental			
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

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 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	2023	2022	2021	2020	2019
Container and bulk cargo vessel arrivals	485	383	403	476	458
Otago cruise vessel arrivals	101	-	-	112	115
Total ship calls	586	383	403	588	573
Container throughput (TEU)	186,400	166,200	174,800	191,900	208,600
Bulk cargo tonnes (000s)	1,765	1,667	1,853	1,467	1,764
Employees	314	290	296	319	343
Financial comparisons	2023	2022	2021	2020	2019
	\$000	\$000	\$000	\$000	\$000
Revenue #	111,272	88,061	89,998	108,297	121,704
EBITDA #	45,460	34,475	34,671	42,466	44,043
Profit for the year	23,277	70,476	94,507	50,493	49,302
Underlying profit	32,045	17,584	21,412	24,727	30,687
Dividends for financial year *	14,000	13,000	10,100	10,000	8,450
Shareholder's equity	703,920	694,478	634,617	548,612	508,090
Total assets					
Port operations	284,740	260,250	243,344	248,137	224,472
Investment property	608,587	581,850	503,225	407,641	377,867
Total group	893,327	842,100	746,569	655,778	602,339
Cash flows					
Cash flows from operating activities	37,125	29,770	21,709	28,167	35,929
Port operations capital expenditure	(30,718)	(15,480)	(7,592)	(23,118)	(14,501)
Investment property purchases and improvements	(30,981)	(29,447)	(10,515)	(16,645)	(7,294)
Shareholder's equity	79%	82%	85%	84%	84%
Debt / (Debt+Equity)	17%	14%	11%	12%	10%
Return on average shareholder's funds **					
before unrealised revaluations	3.4%	1.6%	2.1%	4.3%	5.4%
after unrealised revaluations	3.3%	10.6%	16.0%	9.6%	10.1%
EBIT return on average assets #					
Port operations	5.4%	2.1%	2.0%	4.3%	6.5%
Property portfolio	3.1%	3.1%	3.6%	5.2%	5.1%
Total group	3.8%	2.8%	3.0%	4.9%	5.8%

* Includes the final dividend for the financial year declared after balance date, as disclosed in Note D2

** Profit, divided by average shareholder's equity

Excludes gain on sale of investment property and property, plant and equipment

Directory

Directors

Tim Gibson	Chair
Pat Heslin	Deputy Chair
Tom Campbell	
Bob Fulton	
Becky Lloyd	
Chris Hopkins	
Anne McLeod	(appointed 28 June 2023)

Intern

Kate Faulks

Leadership Team

Kevin Winders	Chief Executive
Stephen Connolly	Chief Financial Officer
Grant Bicknell	GM Marine and Infrastructure
Leigh Carter	Head of People
David Chafer	GM Chalmers Properties
Deanna Matsopoulos	GM Operations
Rachel Pullar	Head of Digital
Ross Buchan	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

Acronyms

A port business has many acronyms and abbreviations. This list may be helpful to readers.

AED	Automated External Defibrillator
DMR	Digital Mobile Radio
EBIT	Earnings Before Interest and Taxes
eMPX	Electronic Master Pilot Exchange
ERP	Enterprise Resource Planning
GHG	Greenhouse Gases
ICAM	Incident Causation Analysis Method
IR	Integrated Reporting
LTI	Lost Time Injuries
MSC	Mediterranean Shipping Company
NEPTUNES	Noise Exploration Program To Understand Noise Emitted by Seagoing ships
NIWA	National Institute of Water and Atmospheric Research
NPAT	Net Profit After Tax
NZIER	New Zealand Institute of Economic Research
OCR	Optical Character Recognition technology
ORC	Otago Regional Council
PCBU	Person Conducting a Business or Undertaking
PFD	Personal Floatation Device
PIANC	World Association for Waterborne Transport Infrastructure
PLC	Programmable Logic Controllers - industrial computers
PLWG	Port Liaison Working Group
PPE	Personal Protective Equipment
SCI	Statement of Corporate Intent
SDG	Sustainable Development Goals
SIEM	Security Information Event Manager
SOC	Security Operations Centre
SOP	Safe Operating Procedure
TARP	Trigger-action Response Plan
TEU	20-foot Equivalent Unit (international standard measurement for shipping containers)
TRIFR	Total Recordable Injury Frequency Rate
VSL	Visual Safety Leadership
ZIM	Name of a shipping line
ZPMC	Brand name of our ship-to-shore cranes

Glossary

Here are some common port terms used in this report.

Berth	Ship's allotted place at a wharf.
Bulk	Describes cargo that is transported in bulk form, such as fertiliser, fuel and logs.
Container	20- and 40-foot-long standardised metal boxes that carry cargo.
Critical risk	Hazard that has the potential for a catastrophic/fatal result.
Dredging	Removal of sediment from our harbour channel to keep it at an adequate depth for ships to transit, safely.
Gross crane rate	Containers moved per hour, as an indicator of productivity.
Labour On the Block	Describes when an area of the port is blocked out via lights and systems, so people can enter safely without machinery cross over.
Near miss	An event that does not result in harm, but has the potential to do so.
Pilotage	The act of piloting a vessel.
Reefer	Refrigerated shipping container.
Ship-to-shore crane	Gantry-style cranes that load containers on and off vessels.
Side Loader	Mobile machinery that transports and stacks empty containers in block stacks (up to 26-metres high).
Stevedoring	Describes the process of loading vessels and storing cargo.
Straddle carrier	Mobile machinery that lifts, transports and stacks fully-laden containers into rows (up to 12-metres high).
Transship	Describes when containers land at a port and are shipped out again via another vessel, without leaving the designated port area.
Wharfage	Fee charged by a port for using its wharf and facilities to load and unload cargo from a vessel.



CHAIR / CEO

VALUE CHAIN

MATERIALITY PROCESS

STRATEGY

STAKE-HOLDERS

GOVERNANCE & LEADERSHIP

CAPITALS: 1 2 3 4 5 6

FINANCIALS

PERFORMANCE TARGETS

FIVE YEAR SUMMARY

DIRECTORY

ACRONYMS + GLOSSARY