



Statement of Corporate Intent

For the period from 1 July 2021 to 30 June 2024



Introduction

This statement is submitted by the Directors of Port Taranaki Limited ("**Port Taranaki**", "**Company**" or "**Port**") in accordance with the requirements of Section 9 of the Port Companies Act 1988. It sets out the Board's intentions, objectives and expectations of the Company for the period 1 July 2021 to 30 June 2024.

The purpose of this Statement of Corporate Intent ("**SCI**") is to:

- State publicly the activities and intentions of Port Taranaki and the objectives to which those activities will contribute; and
- Provide a basis for the accountability of Port Taranaki's Board of Directors to the Shareholder for the performance of the Company.

Port Taranaki's achievements against the objectives in this SCI will be reported in the Company's Annual Report for the year ending 30 June 2022.

The Climate Change Commission (the "**Commission**") was established by the Climate Change Response (Zero Carbon) Amendment Act 2019. The Commission's purpose is to provide expert advice to the Government on reducing emissions and adapting to the impacts of climate change. On 9 June 2021 the Commission's final advice outlining how New Zealand can reach its climate target was published.

The Commission's advice has relevance to the energy sector, those sectors that serve the industry and therefore Taranaki. Accurately predicting the eventual impact on the energy sector and Port Taranaki is not currently possible as the Government is still to formulate its response to the Commission's advice.

Objectives

The Company's principal objective is to operate as a successful business. The Company interprets this to mean that its activities will create long-term value for all its stakeholders.

Accordingly, Port Taranaki seeks to create value for its Shareholder and ensure that the Company is seen as a responsible corporate citizen that is successful and sustainable and one that the region and community are proud of. The Company aims to:

- Deliver on the performance targets and measures set out in this SCI.
- Provide its Shareholder with a satisfactory dividend flow.
- Pursue business opportunities that seek to diversify revenue and are based upon our capabilities and expertise.
- Undertake activities designed to ensure the safe and effective utilisation of its assets, its people, contractors and other service providers.
- Provide customers with a safe, effective, efficient and competitive port operation.
- Focus on the health, safety, and wellbeing of its people by a culture of safety leadership and seeking to reduce risk and continuously improve safety in the working environment.
- Adopt an environmentally sustainable approach to the operation of all its activities and pursue a commitment to protecting the environment.
- Be a fair employer and provide a work place that values people, celebrates diversity and supports the development of its people.
- Have regard to the interests of the community in which it operates.
- Manage its financial assets and liabilities prudently and, in a manner, which will provide an appropriate return on the Shareholder's investment, whilst ensuring the provision of long-term marine and port infrastructure assets for the region.

Nature and Scope of Activities

Port Taranaki is the only deep-water port on the west coast of New Zealand and services bulk liquids (serving the nation's energy industry), dry bulk (logs, fertiliser, stock feed and cement) and general cargo. The Company creates long-term value by using its resources (assets and people) and relationships to undertake port and marine related commercial activities that include, but are not limited to, the provision of vessel and cargo/logistics handling services, offshore support and property and storage services.

In achieving its strategic objectives, the nature and scope of activities undertaken by the Company will be influenced by, and be responsive to, the competitive and regulatory environment. The Shareholder will be informed and consulted on any proposal for significant diversion from existing activities or expansion into new business areas.

To achieve our purpose, Port Taranaki's strategy is based upon three themes:

1. People – key to the productivity and capability of the Company.
2. Connectivity – enabling and influencing trade.
3. Land flexibility and availability – having port facilities suitable to broaden the range of cargo.

These themes are underpinned by:

- Delivering customer service that meets customers' expectations.
- Optimising the use of our assets and capability base.
- Investing in people and systems to continually improve performance and ensure everyone returns safely home every day.

Everyone at Port Taranaki is critical to achieving the Company's purpose.

Mission and Vision

Businesses face many challenges getting their products to market. At Port Taranaki we provide a safe harbour, services, and storage facilities that makes trade easy for customers and helps Taranaki prosper.

The Company's vision is to be "The Pride of Taranaki". This vision reflects a successful and sustainable business that the region and community are proud of and describes the Company's desire to develop community connections, create strong relationships with Iwi and signals a commitment to protecting and enhancing the environment in which the Company operates.

Port Taranaki will excel at its core activities and actively build on those to grow its business.

Sustainability

The Company's vision, as noted, is to be "The Pride of Taranaki". Sustainability is a key component of this. The Company recognises that it operates in a unique and yet highly modified environment and that its business operations impact many people. The Company's Sustainability Strategy seeks to address the issues that are: (1) material to the Company's risks, opportunities, and financial performance; and (2) important to its communities, customers, shareholder, Iwi, hapū and key stakeholders.

The Company's Sustainability Strategy seeks to address the areas where the Company has the most impact, and our future aims, and targets will focus on where our actions will lead to meaningful change. The next steps in furthering the Company's Sustainability Strategy is to develop specific goals, targets, and actions to pursue and report on.

As an initial step the Company has identified the following material issues and this SCI outlines the sustainability measures that the Company will be pursuing over the next 12 months. Key material issues for Port Taranaki are:

1. Environmental performance. – this includes managing the impacts of the Port on air, water, land, the seabed and wildlife.
2. Climate change.
3. Iwi, hapū and community engagement.
4. Health, safety and wellbeing.
5. Workforce engagement.
6. Port user and customer communication and relationships.
7. Best practice governance.

Performance Targets

1. Trade Volumes

The Company will pursue strategies aimed at maximising the opportunity for trade through the Port and growing the Port's hinterland. Over the next three financial years the Company aims to expand its hinterland and achieve a trade volume of five (5) million freight tonnes of which one (1) million freight tonnes will be non-bulk liquids trade.

2. Financial

The Company will provide an assessment of its financial performance against several measures based on the value of its assets including:

- Profitability and growth;
- Return on assets and capital employed; and
- Gearing levels and capability to service that debt.

The key financial targets of the Company are as presented in the table below:

Year Ending 30 June	2022 - 2024
EBITDA on Average Total Assets	> 10.2%
Return (NPAT) on Average Total Assets	> 4.0%
Return (NPAT) on Average Shareholder's Funds	> 5.5%
Shareholder Equity Ratio (Shareholder Equity / Total Assets)	> 65%
Interest Coverage Ratio	> 5x

The Company has completed the third year of a programme of extraordinary expenditure to repurpose or demolish aged and earthquake prone buildings and to remove the presence of asbestos on the site. Building demolitions scheduled across FY22 to FY24 is forecast at \$950 thousand. These demolitions and the need to dispose of firefighting foam, following amendments to Fire Fighting Chemicals Group Standards impact profitability and returns over the next three years.

3. Health, Safety and Wellbeing

The Health, Safety and Wellbeing of all port users and port user and customer communication and relationships are two key sustainability matters for the Company.

The Company is committed to ensuring that it provides a safe and healthy workplace for its employees, port users, contractors, and the public. Health, Safety and Wellbeing measures the Company will focus on in the next twelve months include:

- Continuing to develop our engagement and relationships with port users to ensure a proactive and collaborative approach to shared PCBU responsibilities. This includes the ongoing rollout of an Operating Licence to PCBUs on site.
- Refreshing Fatigue Management procedures with aligned education programme for managers and staff.
- Developing a set of critical risk control standards, verifiable audit criteria, an assurance plan of scheduled critical risk checks/audits, and internal audit capability within operational teams.

4. Environment

The Company recognises that it operates in a unique and yet highly modified environment and is committed to protecting and enhancing the environment in which the Company operates. This includes a commitment to improving its environmental practices and performance.

Our impact on the planet and climate change are key focus areas of Port Taranaki's Sustainability Strategy and in assessing our environmental impact and performance we look at our impact on the air, water, land, the seabed and wildlife.

Over the next 12 months a key focus is developing the appropriate measures and targets. The Company intends to move from compliance measures to what it terms “community care” measures and targets.

Port Taranaki aims to develop measures that are focused on:

- Water Quality.
- Kaimoana – implementing a monitoring programme and key performance indicators that determine the stability of the populations of taonga species.
- Biodiversity.
- Water Consumption.
- Carbon emissions.

In addition to developing the above measures, over the next 12 months environmental measures the Company will focus on include:

- Completing a cultural values framework for PTL and develop an agreed engagement protocol to support a healthy relationship with iwi and the broader community.
- Developing a long-term environmental management framework.
- Upgrading log yard stormwater systems.

5. People

Workforce engagement is another key focus area of Port Taranaki's Sustainability Strategy. Port Taranaki's people strategy is focused on developing a capable, agile workforce with an accountable culture through empowered teams.

The Company's seeks to be a fair employer and provide a workplace that values people, celebrates diversity and supports the development of its people.

Governance

PTL's Board of Directors is accountable to its Shareholder on how it runs the business, manages risks, reviews and improves performance and delivers on its promise as set out in this SCI.

In discharging its duties, Port Taranaki's Directors are committed to high standards of corporate governance and has adopted the following governance objectives:

1. To lay solid foundations for management and oversight.
2. To structure itself to add value through its composition, size and commitment.
3. To promote ethical and responsible decision-making and act ethically and responsibly.
4. To safeguard the integrity of its corporate reporting.
5. To respect the rights of its Shareholder.
6. To recognise and manage risk.
7. To remunerate fairly and responsibly.
8. To ensure that PTL acts as a good corporate citizen.
9. To promote a Company culture that embraces diversity and inclusion.

The Board conduct, responsibilities and commitments are guided by its Board Charter and key Company Policies.

PTL's Directors are appointed by the Shareholder and the role of the Board is to effectively represent and promote the interests of the Shareholder with a view to adding long-term value to the Company. Having regard to its role the Board directs and supervises the management of the business and affairs of the Company.

In accordance with its Board Charter, Board committees are formed when it is efficient or necessary to facilitate efficient decision-making. Each Board Committee has a written charter approved by the Board. The members of each Board Committee are appointed by the Board based upon the needs of the Company, relevant legislative and other requirements and the skills and experience of the individual Directors. The role, function, charter, performance and membership of each Committee are reviewed by the Board on an annual basis.

Distribution of Profits to Shareholder

The Company's Capital Management Policy is to maintain a stable and strong capital base to maintain investor and creditor confidence and to sustain the future business and development of the Company. In accordance with its Capital Management Policy, the Company's annual dividend pay-out takes into consideration:

- Earnings, cashflow and performance in any given period;
- Working capital requirements;
- Capital expenditure requirements;
- Risks from predicted short and medium-term economic and market conditions;
- The Company's trade and financial outlook;
- The free cash flow available for distribution
- The tax efficiency of distributions; and
- The interests of the Shareholder.

The Company forecasts, subject to the Directors' consideration of the above factors, that it will pay on average an annual dividend greater than or equal to \$8.0 million for each of the next three financial years.

As noted above, the current operating environment is highly uncertain and consequently developing forecasts is challenging. Dividend payments will reflect the circumstances at the time.

Year Ending 30 June	2022 - 2024
Dividends \$m per annum	\$8.00

Accounting Policies

Policy application will be made consistent with and conform to:

- The legal requirements of the Companies Act 1993;
- Generally accepted accounting principles (NZ GAAP);
- Financial Reporting Act 2013;
- New Zealand equivalents to the International Financial Reporting Standards (NZIFRS); and
- Other applicable regulatory and statutory requirements.

The latest published annual report including the Statement of Accounting Policies is available on the Company's website www.porttaranaki.co.nz.

Shareholder Information

The Company will provide the Shareholder with information (within two months of the relevant reporting period) that is normally provided to a controlling private Shareholder, and as required under the Port Companies Act 1988 as set out below.

- Quarterly report on activities and results including health, safety and environmental performance.
- Half-yearly report including such information as the Directors consider necessary to enable an informed assessment to be made of the Company's performance in the reporting period.
- Annual Report containing audited financial statements for the year.
- Budget and Business Plan financial information for the first of the three-year period covered under the Statement of Corporate Intent.
- Details of any significant new developments which have not been covered in the Budget or Statement of Corporate Intent for the year.
- Any information which would normally be available to a Shareholder, thereby enabling the Shareholder to assess the value of its investment in the Company.
- Significant departure from the anticipated performance of the Company including industrial or other activities that may affect the operations or reputation of the Company.
- Details of any new developments which would involve a significant move away from the current activities of the business.

In addition, the Company will provide to the Shareholder, within one month of commencement of each financial year, its Statement of Corporate Intent for that year with the expectation that it will be completed before the end of the first quarter of the financial year.

Procedures for Major Transactions and Other Acquisitions and Disposals

The Company will only invest in the shares of another business when the shares acquired are considered likely to bring added value or will further enhance the objectives of the Company.

The Company will not enter into major transactions as defined in Section 129(2) of the Companies Act 1993 without the consent of the Shareholder.

The Company will not enter into any transaction of the nature of a major transaction where a) the acquisition is of assets equivalent in value to 20% or more of the assets of the Company before the acquisition, or b) the disposition of assets equivalent in value to 20% or more of the assets of the Company, without giving written notice to the Shareholder of its intention and consulting with it.

The Company will always ensure that:

- Control of the affairs of every subsidiary of the Company is exercised by a majority of the Directors of that subsidiary; and
- A majority of the Directors of every subsidiary of the Company are persons who are also Directors or Executives of the Company, or who have been approved by the Shareholder for appointment as Directors of the subsidiary.

Procedures for Issues of Shares

In accordance with paragraph eight of the Company's constitution, the Company will not issue any shares unless the Shareholder has resolved by ordinary resolution to approve the issue.

Consent of the Shareholder must be granted prior to the Company entering into any transaction(s) that may have immediate or future potential to alter the current ownership structure of the Company.

Activities for Which Compensation is Sought

The Company, if requested by the Shareholder, will construct and maintain recreational facilities, for which the Company expects to be remunerated.

Estimate of Commercial Value of the Shareholder's Investment

The Directors' assessment of the value of the Shareholder's investment in the Company is the valuation of the worth of the net tangible assets at 30 June 2021 as shown in the audited financial statements as at that date. The market value of the Company may differ to that value.

A reassessment of the value of the Shareholder's investment in the Company will be undertaken as may be required from time to time by the Shareholder or Directors. In reassessing the value of the Company, following a specific request to do so, the Company is likely to determine the commercial value of the Company through a discounted cash flow approach.