



Taking care of tomorrow

Port of Tauranga Limited
Integrated Annual Report 2021





Port of Tauranga is New Zealand's largest and most efficient port.

It is the international freight gateway for the country's imports and exports. It is the only New Zealand port able to accommodate larger container vessels, unlocking economic and environmental benefits for shippers.

As the Covid-19 pandemic continues to wreak havoc on global health and international supply chains, Port of Tauranga's people and processes have proven strong and resilient. Our customers, shareholders and the community continue to receive wide-reaching benefits from Port of Tauranga.

Port of Tauranga is New Zealand's Port for the Future.









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Highlights and Challenges

Year Ended 30 June 2021

Group Net Profit After Tax

⌄⌄ **\$102.4**

million (increased 15.4% from \$88.7 million¹)

Total trade

⌄⌄ **25.7**

million tonnes (increased 3.8% from 24.8 million tonnes)

Container volumes

⌄⌄ **1.2**

million (decreased 4.1% from 1.25 million TEUs²)

Revenue

⌄⌄ **\$338.3**

million (increased 12.0% from \$302.0 million)

Imports

⌄⌄ **9.4**

million tonnes (increased 4.0% from 9.0 million tonnes)

Exports

⌄⌄ **16.3**

million tonnes (increased 3.6% from 15.8 million tonnes)

Ship visits

⌄⌄ **1,307**

(decreased 13.7% from 1,515)

Port tours

⌄⌄ **2,500+**

people hosted on port tours

¹ Adjusted from \$90.0 million FY20 due to Northport and PrimePort revaluations. Refer to note 15(c) of the financial statements.

² TEUs = Twenty Foot Equivalent Units – a standard measure of shipping containers

**Subsidiary and Associate
Company earnings of**



\$18.6

million, a 46.0% increase

Final dividend



7.5 cents per share

(compared with 6.4 cents per share in 2020)

Total ordinary dividend



13.5 cents per share

(compared with 12.4 cents per share)

Container crane rate



29.7 moves per hour

(compared with 35.8 moves per hour in 2020)

Carbon emissions



7.0%

increase (mostly due to container terminal congestion)

Total Recordable Injury Frequency Rate



0 per million hours

worked (Port of Tauranga) and 13.8 per million hours worked (Port of Tauranga and contractors combined)

Scholarships



18

tertiary education scholarships awarded



Construction began at inland port at Ruakura Superhub, due to open in mid-2022

THE YEAR IN REVIEW:

Chair and Chief Executive's Report to Shareholders

Our people and our service providers have done an incredible job in the face of many challenges.

> The year in review has been extremely challenging as the world continues to grapple with the effects of the Covid-19 pandemic.

The pandemic has caused well-documented and widespread disruption to the international supply chain, through erratic consumer demand, interrupted production cycles and scarce shipping availability. In addition, closer to home, we have felt the consequences of congestion as a result of Ports of Auckland's operational problems.

We wish to acknowledge the incredible efforts of our people and our service providers in dealing with the range of challenges we've faced.

Our Subsidiary and Associate Companies have had a stellar year, delivering a strong financial result in spite of increased costs and an uncertain outlook.

Bulk cargoes, especially log exports, have bounced back strongly following the 2020 Level 4 lockdown.

Temporary surcharges for long-stay containers, introduced in January to discourage inefficient cargo flows and

relieve yard congestion, helped cover some additional costs from the congestion.

We took advantage of the low interest rates on offer and issued a \$100 million five year wholesale bond at a coupon rate of 1.02%.

We have preserved liquidity through astute debt management, and our balance sheet remains strong.

Financial results for the year ended 30 June 2021

Group Net Profit After Tax increased to \$102.4 million, up 15.4% from an adjusted \$88.7 million last year.

Parent revenue increased 8.9% to \$323.5 million. Marine revenue decreased due to a 13.7% drop in ship visits, including cruise ships. However, there was increased revenue from log and container storage, as well as Subsidiary and Associate Company income.

Labour, rail and other congestion-related costs grew significantly, with operating expenses increasing 15.3% to \$161.1 million.





 Leonard Sampson
Chief Executive

THE YEAR IN REVIEW:

Chair and Chief Executive's Report to Shareholders



Mark Cairns

> At the end of June we farewelled our retiring Chief Executive of 16 years, Mark Cairns.

Port of Tauranga's Board of Directors has declared a fully imputed interim final dividend of 7.5 cents per share to bring the total dividend to 13.5 cents per share, compared with 12.4 cents per share in the 2020 financial year.

Farewell to Mark Cairns

At the end of June we said farewell to our retiring Chief Executive of 16 years, Mark Cairns.

Mark built up a strong team and the Board was delighted to be able to appoint an internal successor in Leonard, who has been with Port of Tauranga for nearly eight years. The Company will continue to benefit from his deep commercial knowledge, wide logistics sector experience and relationship-building abilities.

Safety the top priority

The health and safety of our people continues to be our number one priority and is the issue of most importance for our stakeholders. Our message has been

that safety should not be sacrificed in the pursuit of speed or productivity, and we will continue to put safety first, always.

Congestion and delays for supply chain

Covid-19 and ongoing operational problems at Ports of Auckland contributed to the past year being one of the most volatile the Port has ever experienced in terms of cargo volumes.

The widespread disruption in the international supply chain caused shipping delays, cancellations and scarcity of supply.

We saw 208 fewer ships during the year, with container vessel visits between September 2020 and June 2021 dropping by 106 vessels compared with the previous period. However, the average cargo exchange per container vessel increased 21.7%, reflecting strong demand for capacity and the reduced vessel frequency. The average cargo tonnes per ship increased from 16,375 to 19,693.

Near-record spikes in container numbers in the months of October and December, compounded by constrained rail capacity, caused significant congestion. Overall container throughput for the year was 1.2 million TEUs, 4.1% less than the previous year.

The surges in demand put extreme pressure on our container storage capacity in both Auckland and Tauranga, and the rail capacity between. It had a severe impact on our efficiency and productivity. With the container yard operating at more than 100% capacity at times, the average net crane rate (container moves per hour) dropped to 29.7 for the year, down from 35.8 in 2020. Late arriving vessels were slow to pick up exports, adding to the congestion.

In January we introduced temporary surcharges for shippers rolling cargo or leaving their containers on the wharf for excessive time, which helped to ease avoidable congestion.

Relief in the form of additional trains from KiwiRail finally arrived in May, when we were able to increase our train programme from 72 trains to up to 90 trains per week.

Labour shortages start to bite

Vessels are still arriving “off window”. We are processing container vessels as they arrive and hoping to gradually introduce more schedule reliability as shipping companies can give us more certainty.

In recent months, we have witnessed a worsening labour shortage that could potentially have an impact on operations.

The lack of workers is widespread, affecting many industries, and we are competing for people against, in some cases, our own customers. We are working with other port employers to make jobs as attractive as possible.

Growing capacity to ease congestion

Congestion is also unlikely to be resolved permanently until Ports of Auckland is

back operating at full capacity, and/or we are able to extend our terminal berth and container handling capacity at Tauranga.

We have applied for resource consent to extend our container berths to the south of the existing wharves, where we currently have available cargo storage land.

The \$68.5 million project will create an estimated 368 jobs through the construction phase, and more than 81 permanent jobs after completion. Port of Tauranga believes this project is of national significance in that it will bring urgently needed capacity and resilience to New Zealand's supply chain. It is extremely frustrating that the process for gaining a consent takes so long, for what is a critical expansion to much-needed capacity.

No Government funding is required for the project. Last year we applied for consideration under the Government's “shovel ready” and “fast track” consenting programmes introduced to help the country recover from the pandemic.

THE YEAR IN REVIEW:

Chair and Chief Executive's Report to Shareholders

Our capacity will be further extended with the opening of the Ruakura Superhub inland port in Hamilton in mid-2022.

However, Government Ministers have instead recommended direct referral to the Environment Court to expedite the resource consent process and we are pursuing this option. Even under this process, it is unlikely we will get a court hearing until well into 2022.

In the meantime, we are also pursuing our plans to automate container storage at the terminal to increase our capacity within the current land footprint. Our automation project will utilise well-proven technology already in use in many of the world's most efficient ports.

You can read more about these projects on page 56.

Ruakura offers efficient option for Waikato importers and exporters

Our capacity will be further extended with the opening of the Ruakura Superhub inland port in Hamilton in mid-2022. The rail-connected hub is being developed in a 50/50 partnership between Port of Tauranga and Tainui Group Holdings.

You can read more about this initiative on page 32.

Frontline workers subject to Covid-19 precautions

New Zealand's evolving response to the Covid-19 pandemic has had a significant impact on Port of Tauranga operations.

In August, a Covid-19 outbreak in Auckland prompted the Government to order testing for all workers and visitors at Ports of Auckland and Port of Tauranga. At Tauranga, the order affected up to 6,000 people. Thankfully, health officials saw sense and quickly modified the order to apply to only those most at-risk workers. Frontline workers remain subject to mandatory testing at either seven-day or 14-day intervals, depending on the role. There are testing facilities on site and Port of Tauranga monitors compliance with the testing regime for its employees. Currently around 50 people out of our 243 employees are subject to the testing requirement, along with more than 500 other people port-wide.

With changes to legislation effective 14 July, this group of port workers is also now required to be vaccinated, with at least the first dose administered by 30 September. Almost all of Port of Tauranga's eligible employees have been vaccinated since vaccines became available in March, and we are working through options with a handful who are refusing or unable to be vaccinated.

Port of Tauranga has always strongly encouraged all port workers to get vaccinated. We have provided them with extensive health information, hosted question and answer sessions with local health experts, and offered vaccinations on site, with time off to get them if required.

Vaccination is a useful tool in the battle to keep our people, their families and the community safe from Covid-19, but we will continue to rely on the other measures we have been employing for more than a year. They include frequent deep cleaning, physical distancing



THE YEAR IN REVIEW:

Chair and Chief Executive's Report to Shareholders

We treat all visiting vessels as if they have Covid-19 on board and will continue to do so.

from ship's crew, the use of personal protective equipment (PPE) and regular Covid-19 testing.

We treat all visiting vessels as if they have Covid-19 on board and will continue to do so.

Cargo trends in 2021

Total trade increased 3.8% compared with the previous year, growing to 25.7 million tonnes, although container numbers were 4.1% fewer at 1.2 million TEUs.

Imports increased 4.0% to 9.4 million tonnes, and exports increased 3.6% to 16.3 million tonnes.

Log export volumes bounced back from the 2020 lockdown, increasing 14.3% to 6.3 million tonnes. Sawn timber and wood panel exports decreased 12.4% in volume.

Dairy product exports decreased 1.9% to just over 2.3 million tonnes, reflecting a later-than-usual season and a reduction in tranship volumes.

Kiwifruit exports increased 10.1% in volume.

Oil product imports increased 11.6% in volume, and cement imports increased 42.4% in volume, reflecting the strength in the local economy.

Fertiliser imports decreased 16.9% in volume, grain volumes decreased 8.9% and protein and stock feed imports decreased 10.4%.

Coal imports increased significantly as a result of lower hydro energy production and declining gas production.

Improving air and water quality

Efforts continue to improve air and water quality in and around the port.

In recognition of growing concerns, Port of Tauranga has decided to insist that all methyl bromide fumigations of export log stacks utilise recapture technology. This is over and above any regional or national requirements. We expect methyl bromide use at the Port to continue to decrease, with news of a second log de-barker to be commissioned by forestry exporters next year. De-barking logs off site greatly reduces the amount of pre-shipment fumigation required, and avoids log debris being deposited on the wharves during handling, threatening water and air quality. More detail on this issue can be found on page 47 of this report.



We are also investigating options for stormwater treatment at the Mount Maunganui wharves. While Port of Tauranga complies with all of the conditions of its stormwater resource consents on both sides of the harbour, we continue to explore ways to further improve water quality.

Carbon emissions affected by congestion

Our decarbonisation programme was thwarted by container yard congestion, with diesel use increasing by nearly a third due to straddle carriers having to shift containers around and travel further within the terminal. Electricity use also increased due to refrigerated containers staying longer than usual at the terminal.

We managed to further reduce the amount of waste going to landfill from the Mount wharves, with volumes halving again due to increased recycling and reuse of waste products.

Overall carbon emissions (Scope 1, 2 and 3) increased 7.0% to 43,464 tonnes. The increase also reflects the inclusion of emissions relating to Timaru Container Terminal, which became a 100% owned subsidiary of Port of Tauranga Limited in November 2020.

Carbon emission intensity (emissions per cargo tonne) stayed reasonably steady, increasing 1.2% from 1.63 to 1.65 kg CO₂e per cargo tonne.

Our opportunity for further emissions reduction in future lies in automation.

Electric stacking cranes have much fewer emissions than an equivalent manual straddle operation.

Upper North Island Supply Chain Review

In late 2019, the Upper North Island Supply Chain Strategy Independent Working Group, appointed by the last Government, recommended that Ports of Auckland be moved to Northport. A subsequent review, by economic consultants Sapere, released in July 2020 suggested Manukau Harbour was the best location.

The Ministry of Transport is undertaking further policy analysis on the options and the Minister of Transport, Michael Woods, has indicated a strategic decision will be

THE YEAR IN REVIEW:

Chair and Chief Executive's Report to Shareholders

Our opportunity for further emissions reduction in future lies in automation.

made by the next election in 2023 and that it will be part of a broader national freight strategy. We have stressed to policy makers the need for pragmatic, fact-based analysis and solutions, rather than the politically-motivated, interest-driven reports that have been undertaken previously.

Outlook

The outlook for the next financial year remains uncertain. The Port of Tauranga team is confident that it has resolved land-side congestion issues for now. However, the disruption to the international supply chain remains and the problems in Auckland are unlikely to be resolved in the near term.

Covid-19 precautions will continue to impact efficiency and costs as we continue to prioritise the health and safety of our team members, their whanau and the community.

We are confident that we are well-positioned to tackle the looming challenges. We will provide earnings

guidance for the 2022 financial year at our Annual Shareholders' Meeting on 29 October 2021.

Thank you

Thank you to our customers for their extraordinary patience over the past year. Thank you also to our service providers and business partners, who have worked tirelessly to overcome the many challenges. And we are eternally grateful to the many dedicated individuals, employed by Port of Tauranga and others, keeping New Zealand's cargo moving.

Ngā mihi nui



Leonard Sampson
Chief Executive



David Pilkington
Chair



> David Pilkington
Chair

Integrated Reporting

This integrated annual report for the 2021 financial year outlines how Port of Tauranga creates value for our shareholders over the short, medium and long term. It describes our strategy, governance, performance and outlook.

Port of Tauranga has chosen to follow the internationally-recognised International Integrated Reporting Framework. Following the International Integrated Reporting Council's recent merger with the Sustainability Accounting Standards Board to form the Value Reporting Foundation³, we will look to align our reporting with any updated standards or metrics.

We are well-prepared for the Government's implementation of mandatory climate-related disclosures from the 2023 financial year and already share much of the information that we expect will be required by the new legislation.

In the past year, we have reassessed our material issues by surveying our team members and our external stakeholders. This will ensure our strategies focus on those issues that are the highest priority for our stakeholders, and the ones that we have the greatest ability to influence.

We have also refreshed our purpose, values and vision statements to ensure they best describe our aspirations.

In the following pages, we examine the capitals, resources or inputs that we use or affect: our relationships, our people, our skills and knowledge, our environment, our assets and infrastructure, and our finances. We outline the capabilities and strengths we add, describe our activities and outputs, and the resulting outcomes for our stakeholders. We define "stakeholders" as anyone who has something to gain, or something to lose, from Port of Tauranga's activities.

Our carbon emissions are audited annually by Toitū Envirocare using the CEMARS certification. Our future plans include external assurance of other non-financial data.

The Board of Directors is committed to engaged, quality governance. Our conversations are characterised by open debate, respectful challenge and constructive criticism. We have effective relationships with management, and frequently engage directly with employees, customers and other stakeholders.

Integrated reporting is a journey and we will continue to increase our transparency to build credibility and trust. Integrated thinking, actions and reporting will help us ensure the best possible outcomes for our shareholders, employees, customers, partners and community.



David Pilkington
Chair

³ <https://integratedreporting.org>



COMPANY OVERVIEW:

Our Purpose and Vision

Port of Tauranga’s purpose, vision and values have been reviewed in 2021. We are in the process of realigning our strategic framework to ensure we will be able to reach our goals for the next decade and beyond. Our refreshed framework will ensure we focus our attention, effort and resources in the right places, and that our focus reflects the priorities of our stakeholders.

OUR PURPOSE

Connecting New Zealand and the world.

OUR VISION

Our purpose goes beyond profit and is the key to Port of Tauranga’s ongoing success. Our aspirations for 2030 are:

– Drive National Prosperity

New Zealanders will value the port as an asset that drives our nation’s prosperity by providing the most efficient access to global trade.

– Improve Community Wellbeing

We will improve our community’s wellbeing by providing jobs and economic growth, as well as forming effective partnerships to pursue a shared vision of success.

– Protect our Natural Environment

We will protect and enhance our natural environment. We will invest in technology and embed sustainable practices throughout our business.

– Respect Mana Whenua

We will recognise and respect the mana whenua of the rohe and acknowledge the kaitiakitanga of iwi and hapu.

– Nurture Our People

We will be an attractive and accessible workplace where talent is nurtured. Our people will be proud to work here and know their contribution is valued. We will foster a culture of empowerment, where health and safety is at the forefront of everything we do.

– Provide Superior Customer Service

We will be driven by our customers’ needs and create innovative supply chain solutions. We will deliver on our promises, provide superior service and grow together.

– Deliver Long-Term Value

We will deliver long-term value for investors through leading environmental and ethical performance, business resilience and sound financial management.

Our Values

Our values define our fundamental beliefs and dictate our behaviour as individuals and as an organisation.

We will achieve our vision by:

Taking pride and doing the right thing

–

Listening and working together

–

Creating better ways

–

Having a “safety always” mindset.

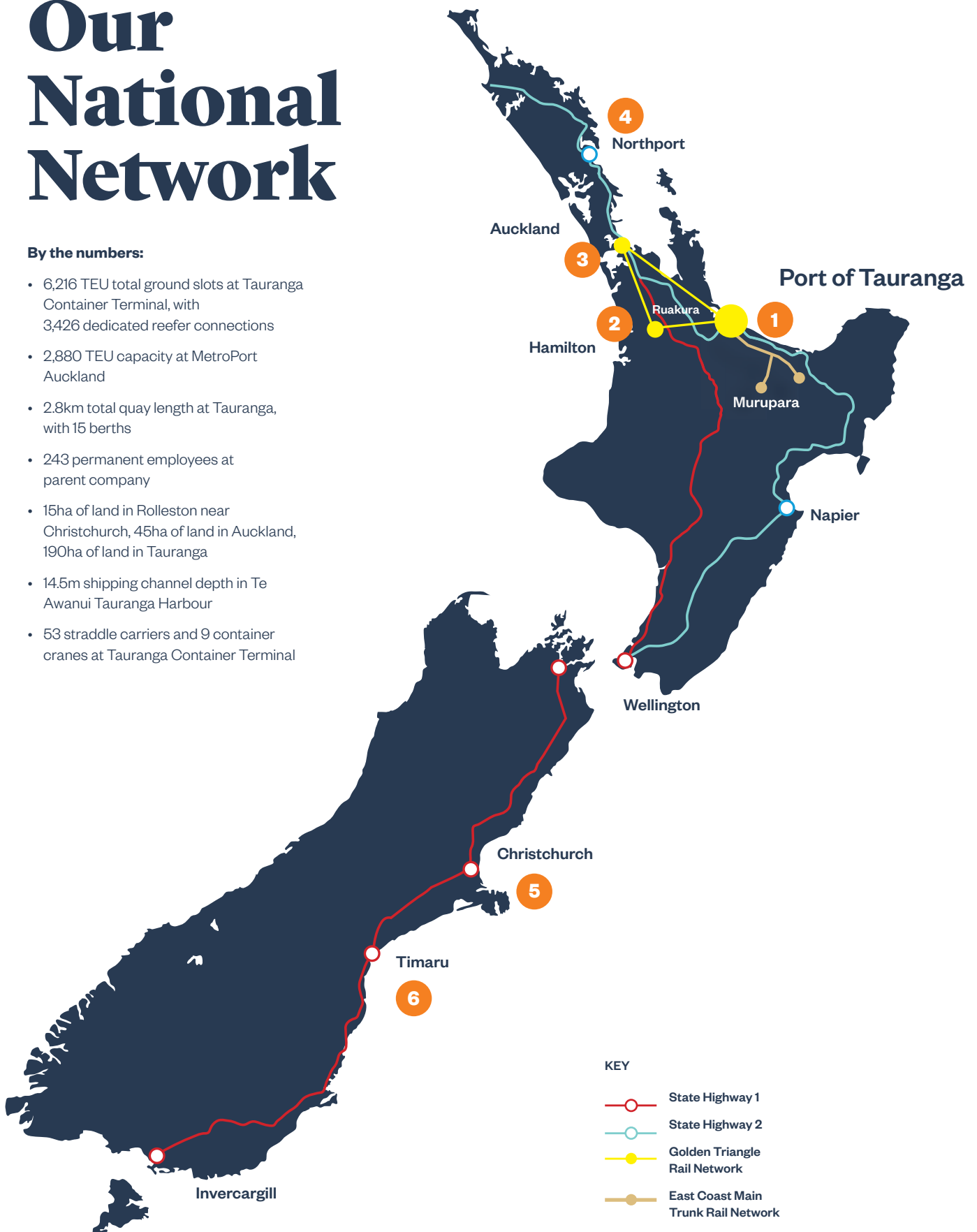


COMPANY OVERVIEW:

Our National Network

By the numbers:

- 6,216 TEU total ground slots at Tauranga Container Terminal, with 3,426 dedicated reefer connections
- 2,880 TEU capacity at MetroPort Auckland
- 2.8km total quay length at Tauranga, with 15 berths
- 243 permanent employees at parent company
- 15ha of land in Rolleston near Christchurch, 45ha of land in Auckland, 190ha of land in Tauranga
- 14.5m shipping channel depth in Te Awanui Tauranga Harbour
- 53 straddle carriers and 9 container cranes at Tauranga Container Terminal



PORT OF TAURANGA



1

PARENT COMPANY

- New Zealand's largest port and international freight gateway
- Container terminal, bulk cargo wharves and bunkering/bulk liquids facilities
- Extensive cargo storage and handling facilities
- Rail connections to Hamilton, Auckland and the central North Island
- Extensive road networks and coastal shipping connections.



1 2 3 5

50% OWNERSHIP WITH KOTAHI

- Freight logistics group incorporating Tapper Transport, Dairy Transport Logistics, Priority Logistics and MetroPack
- 50% shareholding in MetroBox
- Operates New Zealand's largest intermodal freight hub at Otahuhu in Auckland.



4

50% OWNERSHIP WITH MARSDEN MARITIME HOLDINGS

- Deep water commercial port near Whangarei.



1 3 6

50% OWNERSHIP WITH PORTS OF AUCKLAND

- Online cargo management system.



3

OPERATED BY PARENT COMPANY AND KIWIRAIL

- Inland port in the heart of Auckland's commercial and industrial area, connected by rail to Tauranga and Hamilton
- New Zealand's fourth largest container terminal.



2

50:50 JOINT VENTURE WITH TAINUI GROUP HOLDINGS

- Inland port connected by rail to Tauranga and Auckland
- Part of the Ruakura Superhub
- Due to open in mid-2022.



5

OPERATED BY TIMARU CONTAINER TERMINAL

- Intermodal freight hub at Rolleston
- Rail connections to Timaru Container Terminal and rest of South Island
- New warehouse built for Coda Group.



5 6

100% OWNERSHIP

- Direct links to Tauranga
- Operates MetroPort Christchurch at Rolleston.



1 6

100% OWNERSHIP

- Specialist cargo handling services company with operations at Tauranga and Timaru.



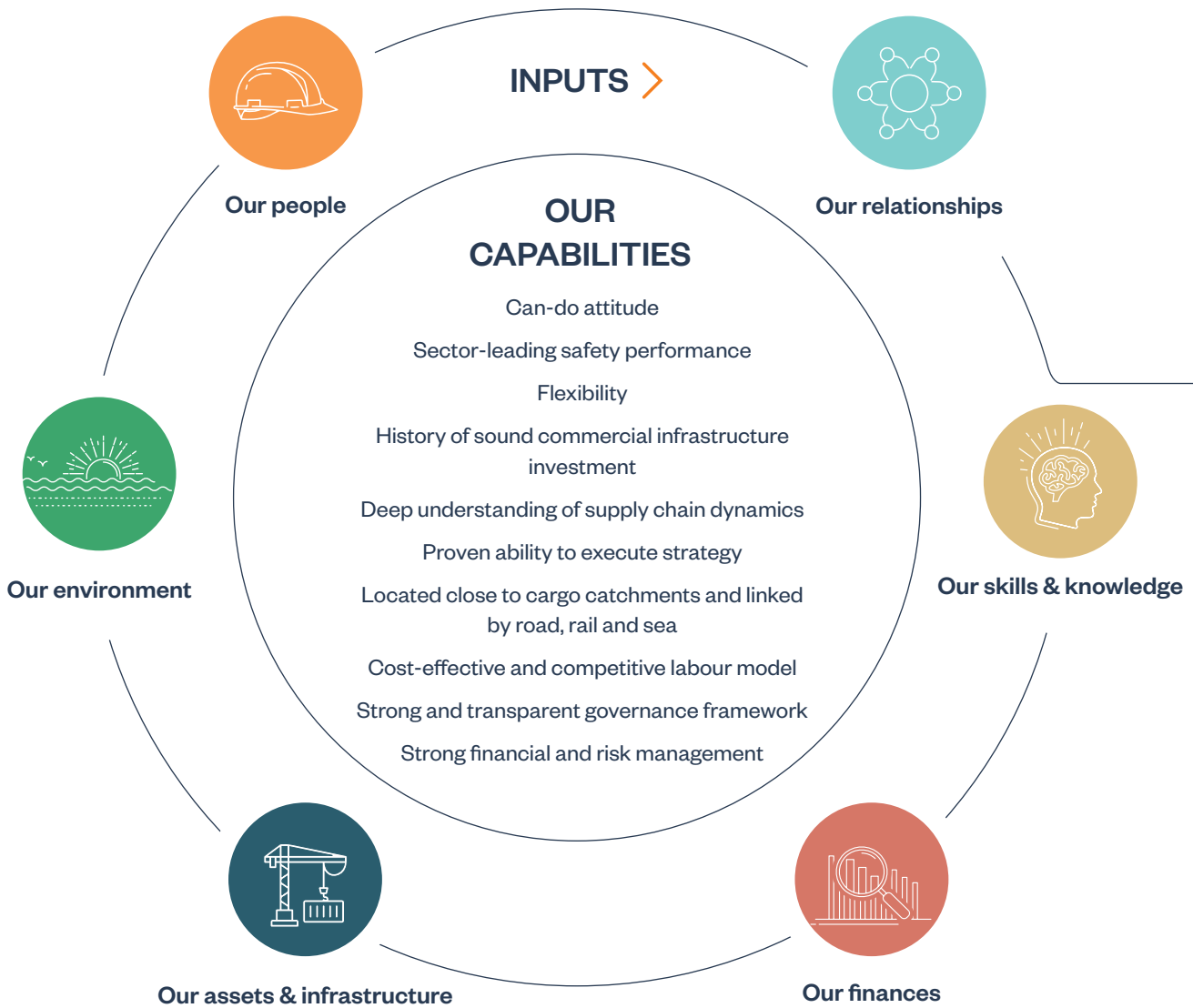
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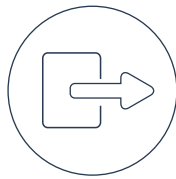
50% OWNERSHIP WITH TIMARU DISTRICT HOLDINGS

- Commercial port in Timaru
- Bulk cargoes including major cement handling facility
- New oil terminal.

COMPANY OVERVIEW:

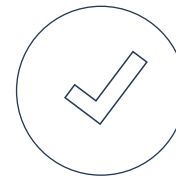
How Port of Tauranga Creates Value





OUR OUTPUTS >

- Growing trade volumes based on long-term freight agreements with key customers
- Constructive partnerships with iwi and our community, focussed on harbour health, education and youth development
- Consistent, reliable and efficient performance through safe and resilient operations within a competitive operating model
- Innovative investments in other ports, inland freight hubs, logistics and cargo handling specialists
- Strategic land holdings on both sides of Tauranga Harbour and other key locations
- Cargo handling equipment and storage capacity that enables cargo growth
- Proactive pollution prevention and focus on energy efficiency and waste minimisation
- Strong balance sheet
- Job creation (direct and indirect)
- Dividends paid to shareholders, including regional ratepayers (through cornerstone shareholder, Quayside)



OUTCOMES FOR OUR STAKEHOLDERS >

- Enduring, mutually beneficial partnerships
- A proud, safe and motivated workforce
- Highly effective logistics networks that meet the needs of the New Zealand supply chain
- Responsible environmental stewardship
- Appropriate risk and return for our shareholders
- Prosperity for local, regional and national communities

OUR STAKEHOLDERS:




What Matters Most?

Port of Tauranga's business strategies focus on the issues that matter most to our community, iwi, customers, suppliers, partners and investors.

In 2019, we engaged an independent expert to consult our internal and external stakeholders about the "material issues" most likely to impact the way we create or erode value. They include economic, environmental and social issues.

In late 2020 and early 2021, we reassessed these material issues in consultation with more than 50 internal and external stakeholders. Using a slightly different methodology, we asked our stakeholders to rank issues based on their importance as well as the areas where Port of Tauranga can make the biggest impact.

The top five material issues for Port of Tauranga can be summarised as:

-  **Health, safety and wellbeing**
 - Encouraging a positive health, safety and wellbeing culture, where incidents are prevented and wellbeing is proactively managed
-  **Resilient port capacity and expansion**
 - Growth in cargo volumes; keeping ahead of demand through resilient operations, innovation and automation; shipping lane widening/deepening; extending wharves and adding capacity
-  **Customer experience and trust**
 - Foster enduring partnerships with a diverse range of customers by supporting a strong customer-centric workplace culture

 **Governance, leadership and ethics**

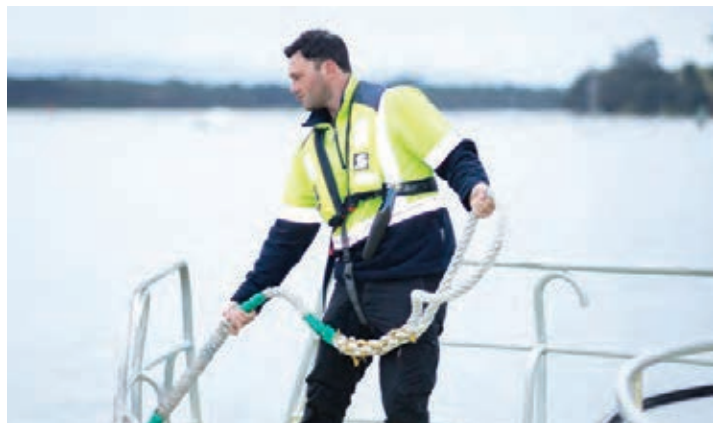
- Strong governance supporting strategy delivery, sound operations and transparent business practices; senior management engagement with workforce; building teamwork and recognising performance

 **Biodiversity protection**

- Protecting water quality, marine biodiversity, and habitats through responsible stewardship, including stormwater screening and low shipping speeds in the harbour.

Our external stakeholders also rated border stewardship as very important amidst the risks posed by the Covid-19 pandemic.

We use the results of these stakeholder surveys to inform our business strategies, our risk management framework and our reporting. They ensure we are focusing on the things that matter most to our stakeholders, and that we are putting resources into the areas where we can have the most impact or realise the greatest opportunity. We have used them to guide our refreshed vision and value statements.



Managing Risks and Opportunities

Port of Tauranga's Board of Directors oversees and monitors the risks to Port of Tauranga and its stakeholders, and ensures that the necessary mitigations have been put in place.

Risks are continuously evolving. Port of Tauranga's top strategic risks are:

- Maintaining the health, safety and wellbeing of our people
- Protecting our social licence to operate
- Legal and regulatory risk
- A natural disaster event
- Commercial and business risk due to global economic or geopolitical situations
- Malicious cyber attack
- A vessel foundering in the channel.

More detail on the potential consequences and how we mitigate these risks is outlined in the Corporate Governance Statement on our website: www.port-tauranga.co.nz

The most likely natural disaster events in the Bay of Plenty would be a major storm or a seismic event. Tauranga City Council has undertaken extensive modelling based on a tsunami of up to 14 metres resulting from a magnitude 9 earthquake on the Kermadec fault line, which it estimates has a 1-4% chance of occurring in the next 100 years. It shows the effect on the inner harbour would be significantly lower than on the ocean side.

Climate-related financial disclosures

New reporting standards on climate-related financial disclosures are being developed by the New Zealand External Reporting Board, with help from the Ministry for the Environment⁴. These standards will closely follow the recommendations of the Taskforce for Climate-Related Financial Disclosures⁵.

There are two major categories of climate-related impacts:

- The risks and opportunities related to New Zealand's transition to a lower-carbon economy
- The risks and opportunities related to the physical impacts of climate change.

Port of Tauranga relies on the projections of climate change from multiple agencies, including the Ministry for the Environment, the Ministry for Primary Industries and the National Institute of Water and Atmospheric Research (NIWA). We also consider scenario planning by the Bay of Plenty Regional Council and the Tauranga City Council.

The regional impacts from climate change include an increased likelihood of heatwaves, increased storm intensity, and droughts that are more frequent, longer and more intense. More frequent extreme rainfall events are also a possibility.

Current models show potential for flooding along wharf edges, on Port of Tauranga land at the southern end of the Mount Maunganui wharves, and to the south of the container terminal at Sulphur Point (potentially affecting road transport access). Sea level rise analysis shows there is likely to be minimal impacts to current wharf structures under most scenarios.

Our efforts to reduce greenhouse gas emissions are outlined in Our Environment on page 46.

⁴ <https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/mandatory-climate-related-financial-disclosures/>

⁵ <https://environment.govt.nz/assets/climate-change/FINAL-2017-TCFD-Report-11052018-2.pdf>

CLIMATE-RELATED IMPACTS

	Examples	Potential impacts
Risks from the transition to a lower-carbon economy	<ul style="list-style-type: none"> • Increased reporting requirements • Costs and implementation of new technology • Changing stakeholder expectations • Changes to Government and regulator policies 	<ul style="list-style-type: none"> • Increased compliance costs • Increased capital expenditure and operating costs • Reduced demand from customers and/or investors
Transition opportunities	<ul style="list-style-type: none"> • Greater efficiencies • Increased recycling • Reduced energy use • Changing stakeholder expectations • Technological improvements and innovations 	<ul style="list-style-type: none"> • Lower operating costs • Improved safety • New revenue sources • Increased demand from customers and/or investors
Physical risks from the impacts of climate change	<ul style="list-style-type: none"> • Increased severity and occurrence of extreme weather events • Rising sea levels • Biosecurity incursions due to warmer, wetter or drier conditions 	<ul style="list-style-type: none"> • Increased costs and operational impact of damaged equipment and infrastructure • Increased insurance premiums • Loss of useable land • Impact on cargo volumes from decreased primary production • Reduction in health and lifestyle quality
Physical opportunities	<ul style="list-style-type: none"> • Investment in more resilient equipment, infrastructure and technologies 	<ul style="list-style-type: none"> • Lower operating costs • New or increased revenue streams as a result of increased productivity or new cargoes.





Capital #1

OUR RELATIONSHIPS

Improving community wellbeing



Port of Tauranga has built long-term, mutually beneficial relationships with a diverse range of customers, communities and business partners. We share information in order to help us plan for the future in a way that best meets all stakeholders' needs. In the following pages we describe our progress in pursuing our relationship strategies.



MATERIAL ISSUES

- Iwi engagement
- Community engagement
- Community investment
- Responsible supply chain
- Economic contribution.



VISION

We will improve our community's wellbeing by providing jobs and economic growth, as well as forming effective partnerships to pursue a shared vision of success. We will recognise and respect the mana whenua of the rohe and acknowledge the kaitiakitanga of iwi and hapū.



Capital #1

OUR RELATIONSHIPS



Long-term freight agreements in place with major exporters Kotahi, Oji Fibre Solutions and Zespri



Joint venture with Tainui Group Holdings developing Ruakura Inland Port near Hamilton, due to open mid-2022

18

Tertiary scholarships awarded



30% increase in Facebook page followers

2,500+

People hosted on port tours

Customer relationships for the long-term

Port of Tauranga has long-term freight agreements with its key customers.



They include Kotahi, New Zealand's largest containerised freight exporter, which is committed to Port of Tauranga through to mid-2031. Kotahi manages freight on behalf of more than 40 importers and exporters, including its shareholders Fonterra and Silver Fern Farms.

We also have operating agreements in place with Oji Fibre Solutions, New Zealand's biggest producer of pulp, paper and

packaging products. Oji is committed to consolidating the majority of its import and export volumes through Port of Tauranga through to 2028.

Oji's relationship with Port of Tauranga dates back to the 1950s and Oji leases a purpose-built, 22,000m² warehouse at Port of Tauranga's container terminal, as well as other facilities nearby.

Another purpose-built facility, a coolstore at the Mount Maunganui wharves, is leased to Tauranga Kiwifruit Logistics, which handles exports for Zespri International.

Port of Tauranga also has enduring relationships with the major log exporters, which lease parts of the Mount Maunganui wharves for log storage and handling.

These long-term relationships give Port of Tauranga the confidence to invest further in expanding our cargo capacity and investing in infrastructure and equipment. These relationships have brought significant benefit to New Zealand, including the introduction of more efficient big ships and, with them, a lower carbon supply chain.

Working with Tauranga Moana iwi and hapū

Port of Tauranga works both formally and informally with Maori organisations in the rohe, including the three iwi with mana whenua status in Tauranga Moana – Ngāi Te Rangī, Ngāti Ranginui and Ngāti Pūkenga.

The Ngā Mātarae Charitable Trust was founded six years ago to balance the impact on the cultural and spiritual values of local iwi and hapū from the harbour capital dredging project completed in 2016. The Trust brings together the three iwi, the Port, the Mauao Trust and the Tauranga Moana Iwi Customary Fisheries Trust.

The Trust is funded through an annual grant from the Port and offers scholarships to tertiary students studying subjects that could benefit Te Awanui Tauranga Harbour. In 2021, scholarships were awarded to eight iwi tertiary students in their first, second or third year of study.

The Trust also sponsors organisations and projects to improve harbour health, such as supporting Manaaki Te Awanui with ongoing biosecurity research work.

Port of Tauranga also provides educational scholarships through the Turirangi Te Kani Memorial scheme, established more than 30 years ago in honour of a much-respected kaumatua. In 2021, the Port provided 10 scholarships under this scheme to students in their first, second or third year of study.

Supporting community causes

Port of Tauranga is a long-time supporter of community organisations that assist the most vulnerable in our community.

Port of Tauranga donates money every Christmas to the Tauranga Community Foodbank in lieu of giving gifts to our customers and suppliers. Last Christmas, in recognition of the increased hardship in our community, we increased our donation to \$15,000. This was on top of the \$25,000 one-off donation we made during the Covid-19 lockdown.

As a result of the lockdown, we also gifted cleaning supplies to SPCA Tauranga, and face masks and gloves to local marae to protect their community workers in their welfare work.

Port tours extend to winter season

Port of Tauranga's summer holiday port tours are usually sold out, with ticket proceeds going to one of our favourite charities.

It's the only way members of the public can see beyond the security gate, as the whole port site is a Customs-controlled area.

In 2021, we extended our tour offer to the winter school holidays and raised money for Waipuna Hospice. Over the course of the year, we hosted a total of more than 2,500 people on port tours.

Sponsoring local events

At Port of Tauranga, we believe events help create a vibrant community.



The Company is a founding gold sponsor of the biennial Tauranga Arts Festival, featuring local and guest performances in music, theatre and comedy, as well as a range of public talks and workshops.

We sponsored the 2021 New Zealand Marine Sciences Society Conference, hosted in Tauranga.

In the coming year, Port of Tauranga will take over naming rights of the National Jazz Festival, held in Tauranga every Easter.

Port of Tauranga's sponsorship has also helped provide and protect valued community infrastructure and equipment. Past projects include the Pilot Bay boardwalk, the Bay of Plenty TECT rescue helicopter's specialist winch, floodlighting at the Bay Oval cricket ground, patrol boats for the Tauranga Yacht and Power Boat Club, and enhancement of walking tracks on Mauao.



Capital #1

OUR RELATIONSHIPS

Feature:

Ruakura Inland Port

Port of Tauranga's partnership with Tainui Group Holdings will better connect the Auckland, Waikato and Bay of Plenty regions.

The Ruakura Superhub being developed by Waikato-Tainui a few kilometres from downtown Hamilton comprises an inland port, a logistics and industrial hub, and associated services.

Earthworks are well under way on the development's roads, stormwater infrastructure and the inland port.

The nine-hectare first stage of the inland port is due to open mid-2022 and future stages will see it grow to around 30 hectares. It will have two 800 metre rail sidings off the East Coast Main Trunk rail line.

The inland port is being developed by a 50/50 joint venture between Tainui Group Holdings and Port of Tauranga.

Port of Tauranga Chief Executive, Leonard Sampson, says the Port is investing in the development for economic, social and environmental reasons.

"The Superhub and inland port will help us better service importers and exporters in the Auckland and Waikato regions. They will be able to use it and the existing rail network to connect with the big ship services calling at Tauranga," he says.

"Bigger ships are more efficient and have fewer carbon emissions, and utilising rail will remove truck movements off regional roads."

The inland port will allow Port of Tauranga to grow cargo capacity as container volumes increase. It will be used as a cargo consolidation and staging area.

Leonard says that Port of Tauranga and Tainui Group Holdings have strongly aligned values and interests.

"We see this as a long-term, strategic partnership. Our joint venture combines the Port's experience and expertise in developing and operating ports, Waikato-Tainui's deep regional connections and commercial acumen, and the site's sheer scale and connectivity."



> Port of Tauranga Chief Executive, Leonard Sampson, says the Port is investing in the development for economic, social and environmental reasons.



The Ruakura Superhub under development in Hamilton, with the inland port in the foreground





Capital #2

OUR PEOPLE

Nurturing our people



Port of Tauranga aims to recruit talented people, nurture them, retain them and recognise them. Our wellbeing programme promotes the physical, mental and emotional health of our team members and their whanau. Our positive health and safety culture proactively manages and mitigates risks. We deal with any challenges, emergencies or crises with thorough planning, preparation and practice. In the following pages we describe our progress in pursuing our people, wellbeing and safety strategies.



MATERIAL ISSUES

- Health, safety and wellbeing
- Employee engagement and capacity
- Governance, leadership and ethics
- Diversity and inclusion
- Border stewardship.



VISION

We will be an attractive and accessible workplace where talent is nurtured. Our people will be proud to work here and know their contribution is valued. We will foster a culture of empowerment, where health and safety is at the forefront of everything we do.



Capital #2

OUR PEOPLE

9.6%

staff turnover (more than half due to retirement)

57.8%

of job vacancies filled internally

19%

of workforce is female (up from 18% last year)

Zero

Total Recordable Injury Frequency Rate per million hours worked (Port of Tauranga employees)

13.8

Total Recordable Injury Frequency Rate per million hours worked (Port of Tauranga employees and contractors combined)

Workers' wellbeing in focus

Covid-19 and congestion have put an enormous amount of pressure on our team members over the past year and our employee wellbeing programme, ShipShape, has been there to support their physical, mental and emotional health.



Regular newsletters promote coping strategies and share online resources, as well as providing a sense of teamwork and healthy competition.

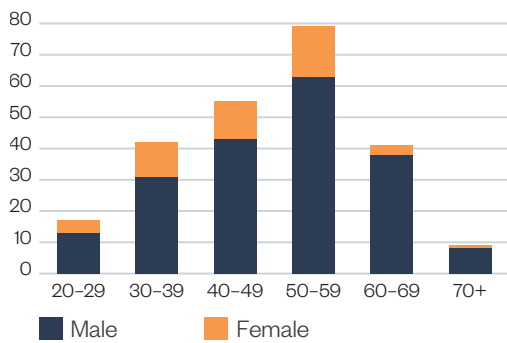
ShipShape was launched in 2018 to bring together existing and new wellbeing initiatives and is driven by a committee of team members from across the business. This year, the programme won silver accreditation under the WorkWell framework of Toi Te Ora Public Health.

Recent ShipShape initiatives include a vegetable growing competition, a darts contest, talks by psychologist Nigel Latta, sports team sponsorship, free yoga sessions and on site massages.

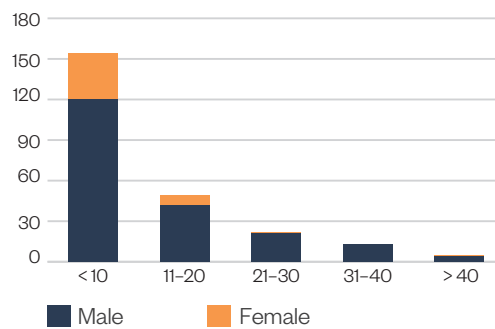
Through ShipShape, Port of Tauranga is now a partner of Dignity. Dignity works to increase accessibility to period products in workplaces and community organisations in a "buy one, give one" initiative. For every box of sanitary items that Port of Tauranga purchases, Dignity provides the equivalent to youth and community groups throughout New Zealand.

Port of Tauranga employees can access subsidised health insurance, free health assessments and skin checks, flu vaccinations, financial advice and an exercise membership subsidy. The Company also provides a free, confidential employee assistance programme through Vitae.

Age and Gender Profile



Length of Service (Years)



Injury rate cause for concern

Safety is one of our core values and we work constantly to identify, understand and minimise hazards. All near misses and incidents are recorded, analysed and acted on.

Unfortunately, our combined Total Recordable Injury Frequency Rate (TRIFR) increased due to a handful of injuries among straddle drivers encountering potholes at the container terminal.

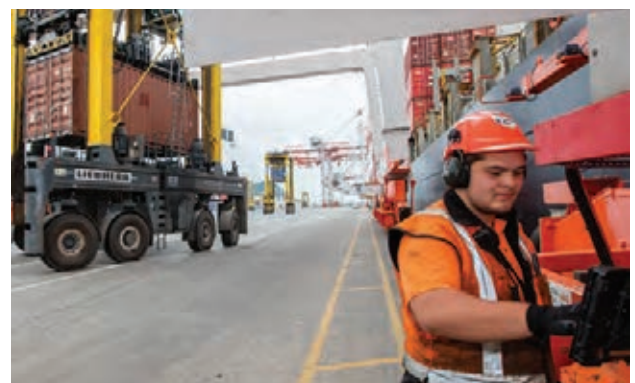
The high traffic volumes and congestion at the container terminal have caused additional wear and tear on the pavement as straddle movements have increased. Our civil works team inspects the site daily and any problems are immediately fixed, or blocked off until they can be repaired. On top of this, we have a multi-disciplinary team looking at short-term and long-term fixes for pavement issues.

Our employees recorded a TRIFR of zero and our team reporting culture remains strong, with a 31% increase in employee-led operational risk interventions across the port. Nine out of ten respondents in our last employee engagement survey agreed that the Company consistently demonstrates a genuine commitment to health and safety.

The coming year will see the development of a comprehensive health and safety strategy to take us to 2024 and beyond.

Protecting our people from discrimination

Port of Tauranga strives to provide an inclusive workplace that recognises and values different skills, abilities, genders, ages, ethnicities and experiences.



We have implemented a suite of policies to help avoid unlawful or unacceptable behaviour in the workplace, including bullying and harassment.

In the past year, team members at all levels of the organisation have undergone unconscious bias training. We have also rolled out an online learning and development programme that includes training modules on ethics and discrimination.



Capital #2

OUR PEOPLE

Feature:

Long-time Chief Executive Mark Cairns sets sail

Mark Cairns retired as Port of Tauranga's Chief Executive in June after 16 years at the helm of New Zealand's most successful port.

On announcing his retirement, Mark said he felt the time was right to hand over to the next generation to take Port of Tauranga into the future.

"Port of Tauranga is in excellent shape. I'm incredibly proud of our people and the positive outcomes we have achieved for our customers and our community," he said.

"I will certainly miss my colleagues but I am excited to see where the Company goes next, driven by the creative and innovative team we have built."

During Mark's tenure, the Company has grown from a regional bulk export port to New Zealand's international cargo hub. In 2005, when he joined Port of Tauranga from C3 Limited, the Port handled 12.6 million tonnes of cargo and 438,214 TEUs.

His legacy includes strong relationships with customers and suppliers, which have helped the Company plan for future capacity with confidence. He kept a strong focus on future opportunities, while maintaining an industry-leading safety record and the highest port productivity rates in Australasia.

He also oversaw an average compounding Total Shareholder Return of 19% per year, with market capitalisation increasing from \$665 million to 4.782 billion on his departure.

Mark was named Chief Executive of the Year in the 2012 Deloitte Top 200 Business Awards and was winner of the Caldwell Partners Leadership Award in the 2019 Institute of Finance Professionals Awards. He is pursuing a governance career and has joined the Boards of several major New Zealand companies.



> “I will certainly miss my colleagues but I am excited to see where the Company goes next, driven by the creative and innovative team we have built.”







Capital #3

OUR SKILLS AND KNOWLEDGE

Proving Superior Customer Service



Port of Tauranga's integrated view of the supply chain leads us to invest in other ports, inland freight hubs, cargo handling expertise, transport operations and logistics services. The aim is to reduce waste in the supply chain and offer our customers the most efficient and environmentally sound option for their freight. In the following pages we describe how we use our skills and knowledge to pursue our strategies.



MATERIAL ISSUES

- Customer experience and trust
- Resilient port capacity and expansion
- Geographic reach
- Supply chain efficiency.



VISION

We will be driven by our customers' needs and create innovative supply chain solutions. We will deliver on our promises, provide superior service and grow together.



Capital #3

OUR SKILLS AND KNOWLEDGE

Setting records with our partners

Port of Tauranga and its container terminal partners helped long-term customers Maersk and Kotahi to relieve export supply chain congestion in May.



A record volume of export containers departed Port of Tauranga, including the largest shipment of refrigerated containers to ever leave the port.

A New Zealand record volume lift of 5,326 TEU containers with a record 1,914 refrigerated TEUs, was loaded onto the *Maersk Shams*. More than 80% of the containers belonged to Kotahi customers and were mostly dairy products.

Kotahi's Chief Executive, David Ross, says the global supply chain disruption is causing schedule slippage, loss of capacity and container shortages for some exporters.

"Our strong partnership with Maersk and Port of Tauranga continues to enable us to access additional capacity, enabling trade between New Zealand and global markets and taking pressure off the supply chain in both the North and South Islands," he says.

"We can bring in extra capacity at a time when most of the world is seeing the opposite. It is a tremendous endorsement of our partnerships that we could find innovative ways to manage strong export volume."

Port of Tauranga is the only New Zealand port able to accommodate the largest container vessels to visit here. This follows our six-year, \$350 million capital expenditure programme – completed in 2016 – that included dredging the shipping channels, extending the container wharves and adding more cargo handling equipment.

Linking shippers to national networks

Since September, container vessel delays have had significant operational impacts on Port of Tauranga.



Port of Tauranga has done its best to accommodate diverted import and export cargoes from Auckland, and process vessels arriving "off window". Container vessels have been sent to our Mount Maunganui bulk cargo wharves, and further afield to Northport in Whangarei, to try to alleviate pressure at peak times.

Port of Tauranga's ability to respond was constrained at times by the lack of additional rolling stock and train drivers for the rail link between Tauranga and Auckland.

KiwiRail was able to introduce additional trains in May 2020, and we have increased train services from 72 a week to up to 90 a week to eliminate land-side delays.

The rail link connects the Tauranga Container Terminal with our market-leading inland freight hub, MetroPort Auckland. We are replicating the model with the establishment of the Ruakura Inland Port, currently under construction at the Ruakura Superhub near central Hamilton.

Container crane rate of

29.7

moves per hour (compared with 35.8 moves per hour in 2020)

Record volume lift of

5,326

TEU (twenty-foot equivalent) containers loaded on the *Maersk Shams* in May, a NZ record

Working with enforcement agencies

Port of Tauranga works closely with New Zealand Police and Customs to stop threats entering New Zealand and detect potential criminal activity within the port gates.



In the past year, Customs has taken on the role of monitoring compliance with Covid-19 precautions. Dozens of Customs officers have been recruited to assist ship's crew and port operational staff to reduce the risk of Covid-19 entering New Zealand through the port. They work 24 hours/7 days a week to ensure quarantine orders are being followed.

Other government agencies with a regulatory role in border protection and safety at the port include the Ministry for Primary Industries, WorkSafe, Maritime NZ, the Tauranga Harbourmaster (employed by the Bay of Plenty Regional Council), the local District Health Board's Public Health Unit and the Ministry of Health.

Sharing our expertise

Port of Tauranga participates in multiple local and national forums to address the issues facing our industry, our communities and the national economy.



During the Covid-19 pandemic, we have lent our expertise to a range of government-related forums and working groups.

We are heavily involved in port sector safety strategy and hold leadership roles in the Port Industry Association and Maritime NZ/ WorkSafe joint port sector groups.

We also take an active role in regional and national business organisations such as Priority One, the Bay of Plenty region's economic development agency.





Capital #4

OUR ENVIRONMENT

Protecting Our Natural Environment



Port of Tauranga prevents air and water pollution through dust suppression, stormwater management and spill prevention. We support industry efforts to reduce fumigation, while ensuring the port community is vigilant in detecting pest incursions that threaten our way of life. We choose energy efficient equipment where possible, minimise waste and seek to reduce our carbon emissions across all areas of our business. In the following pages, we describe our progress in pursuing our environmental and climate change strategies.



MATERIAL ISSUES

- Biodiversity protection
- Biosecurity
- Air and water quality management
- Local impacts
- Managing carbon emissions
- Climate action.



VISION

We will protect and enhance our natural environment. We will invest in technology and embed sustainable practices throughout our business.



Capital #4

OUR ENVIRONMENT

7.0%

increase in total carbon emissions due to congestion and business growth

49.9%

reduction in waste sent to landfill

Carbon emissions increase due to congestion

Congestion in the container terminal had a negative impact on carbon emissions⁶.



Emissions from diesel use at the terminal increased 33% on an annual basis as straddle carriers were forced to make more movements and stack containers in areas not usually utilised for cargo storage.

The increase in diesel use was offset by savings in other areas, including further reductions in waste removed to landfill. Waste volumes were chopped in half and now sit at about 27% of the volume sent to landfill two years ago.

Overall reported emissions also reflect the fact that the parent company now has 100% ownership of Timaru Container Terminal, and all its emissions. Kilograms of carbon emissions per cargo tonne increased just 1.2% to 1.65.

Total Scope 1, 2 and 3 emissions⁶ were 43,464 tonnes CO₂e, a 7.0% increase on last year and broadly in line with the 6.1% increase in cargo throughput (including Timaru).

Port of Tauranga’s main sources of carbon emissions are rail freight, diesel use (primarily straddle carriers and marine fuel), electricity and waste to landfill.

Airshed declared for Mount industrial area

Concerns about air quality in industrial areas led to the establishment of the Mount Maunganui Airshed in November 2019.

The airshed declaration allows the Bay of Plenty Regional Council to better manage discharges to air from industries operating within the airshed.

The Council has 10 air quality monitors in the area, testing a range of parameters. According to data from the monitors, air pollution from local shipping has been reduced dramatically by the international introduction of new low sulphur fuel limits in January 2020.

The council has proposed changes to its Regional Air Plan. Some of the changes, referred to as “Plan Change 13”, are currently being considered by the Environment Court.

The community of Whareroa Marae, located next to Tauranga Airport not far from the port, has been campaigning against the presence of heavy industry in the area. Port of Tauranga has joined a working group with representatives from the marae, the regional and city councils, environmental and community groups, and industry.

⁶ Scope 1 measures the direct emissions of our activities on site. Scope 2 measures carbon consumed but not created (e.g. electricity from the national grid). Scope 3 measures emissions from other parts of our supply chain (e.g. rail freight).

Preventing pests from entering New Zealand

Port of Tauranga's award-winning biosecurity excellence partnership aims to build a port community prepared to prevent any pest incursions through the port.



The partnership involves Port of Tauranga, the Ministry for Primary Industries, Kiwifruit Vine Health, primary produce organisations, scientists and local government.

The partnership is focused on educating the port community. It publishes an annual calendar featuring the top 12 unwanted pests, other publications, and runs an annual Biosecurity Week to raise biosecurity awareness among the port community.

Port of Tauranga also supports the Tauranga Moana Biosecurity Capital initiative, which seeks to raise biosecurity awareness throughout the wider western Bay of Plenty.

By knowing what to look for, our community can help keep bugs out of our region.

Cleaner air for our people and our neighbours

Port of Tauranga's dust reduction programme is showing positive results in air quality.



The Port is working with port users to minimise fine dust becoming airborne from on-wharf activities, especially bulk cargo handling and log yard activities. Since 2017, our wharf sweeping has increased five-fold, and other port users have also increased their cleaning. Recent improvements include upgrading a bark collection plough to a new unit that suppresses dust with high pressure water sprays, port user education on preventing dust and new log handling technology to reduce dust generation.

Log yard roadways have been moved to prevent wind tunnelling effects, and concrete barriers have been introduced to keep unnecessary traffic out of dusty areas. Bulk cargo handling procedures, including wind limits, have been reviewed and updated. They include visual wind alarms, equipment rules and the use of water suppression on hoppers when handling dusty cargoes.



Capital #4

OUR ENVIRONMENT

Feature:

Tauranga still offers lowest carbon supply chain

Port of Tauranga's bigger ship services offer a lower carbon supply chain for importers and exporters.



By far the largest proportion of carbon emissions in New Zealand's container supply chain relates to the "blue water" or ocean-going component of the cargo journey.

Landside emissions from road or rail transport contribute only a small percentage of the total carbon emissions related to container imports and exports.

Port of Tauranga is the only New Zealand port able to handle larger container vessels and give shippers access to their higher fuel efficiency and lower emissions.

Port of Tauranga regularly receives visits from vessels with capacity of around 9,500 TEUs. The carbon footprint for a 20 foot, 15 tonne dry container from Shanghai to Port of Tauranga on a ship of that size is smaller than the same box shipped from Shanghai to Auckland on a 4,500 TEU vessel. This is true even taking into account the emissions from transferring the container by rail from Tauranga to Auckland.

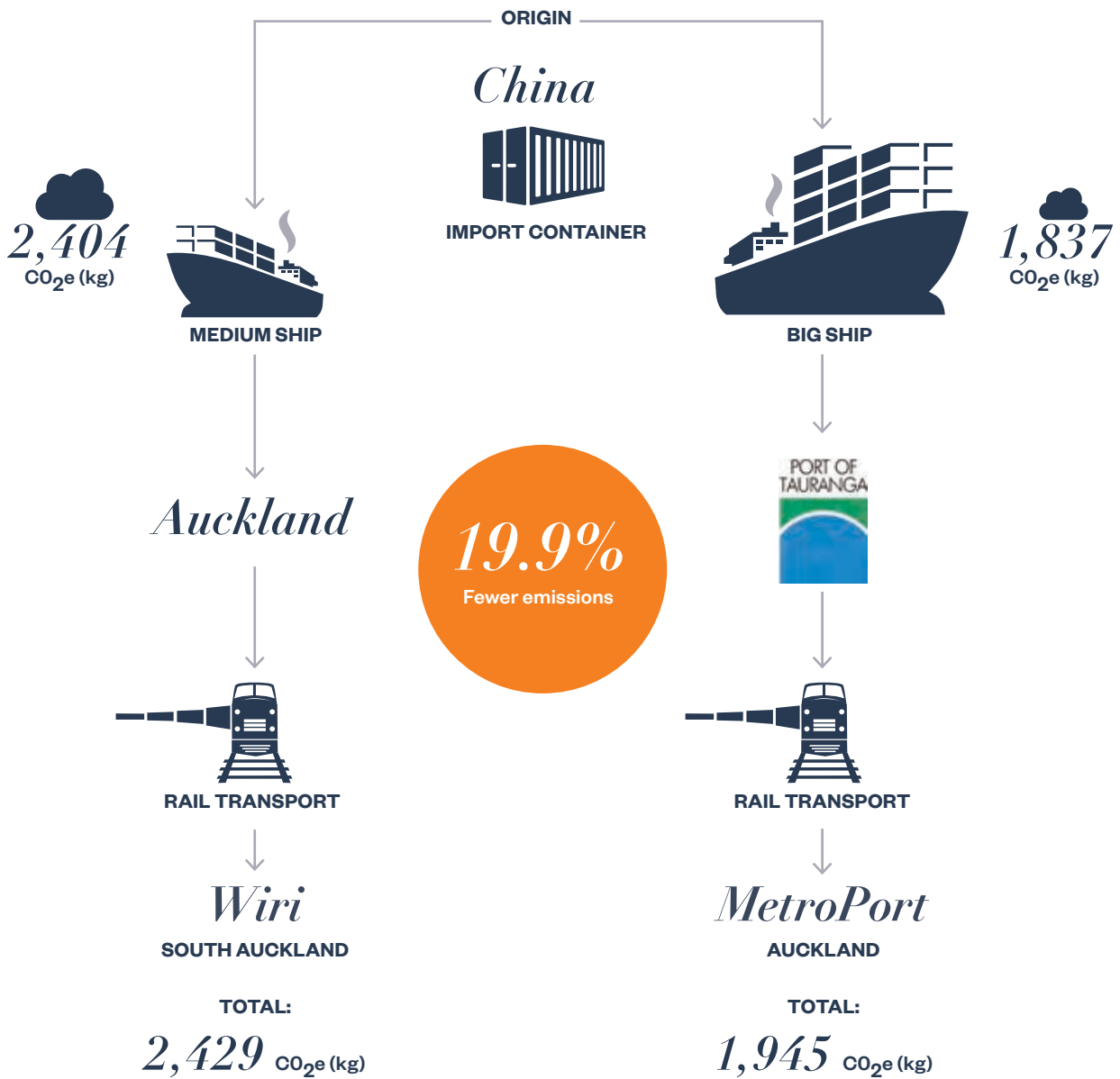




Capital #4

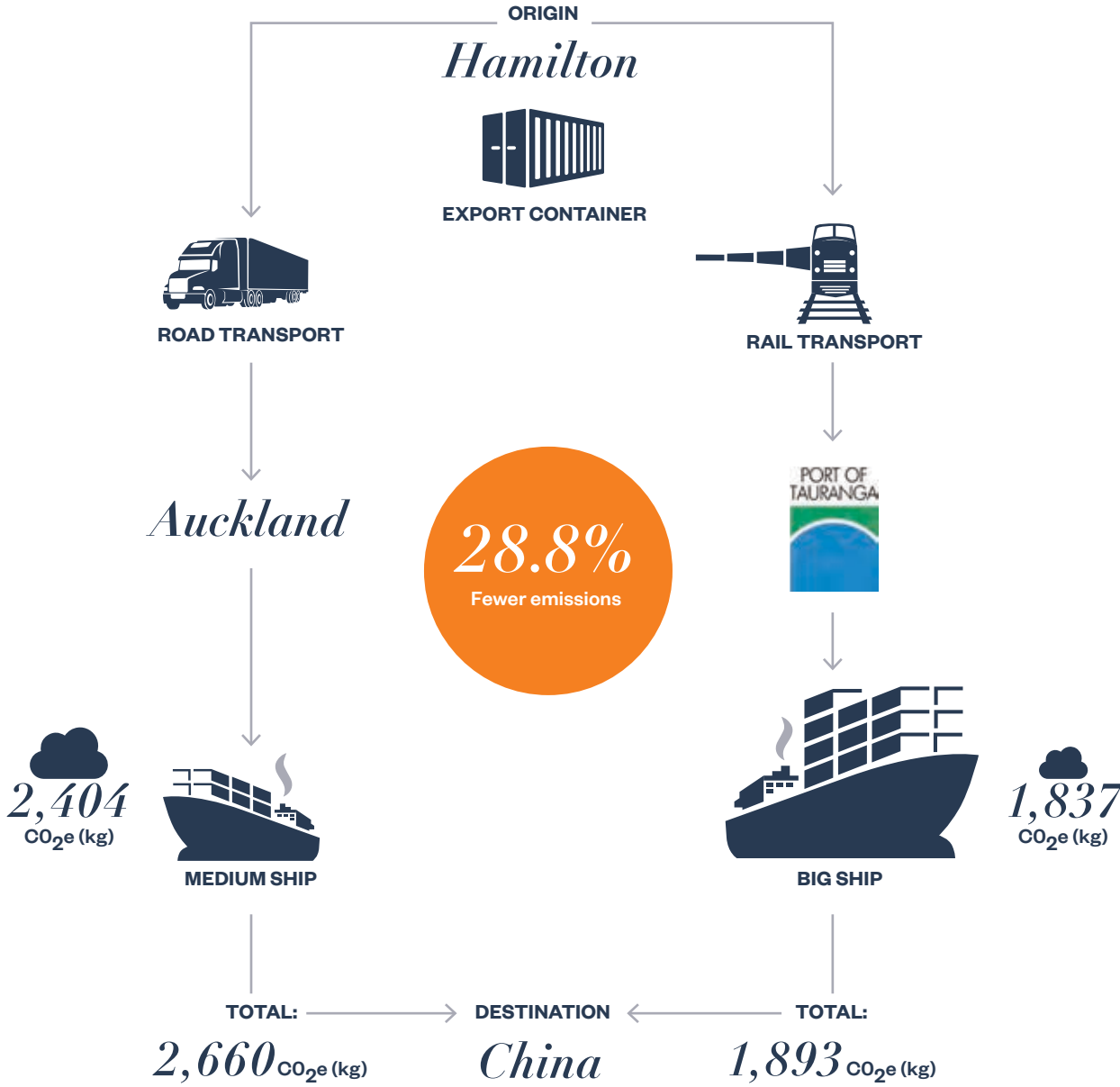
OUR ENVIRONMENT

Import cargo from China to South Auckland CO₂ emission comparison



CO₂e calculations are based on a 20 foot, 15 tonne container shipped on a typical container vessel size of 3,000-4,999 TEUs (via Auckland) and 8,000+ TEUs (via Tauranga)

Export cargo from Hamilton to China CO₂ emission comparison







Capital #5

OUR ASSETS AND INFRASTRUCTURE

Driving National Prosperity



Port of Tauranga's investment in capacity to accommodate bigger ships has proven a successful strategy for growth. We spent more than \$350 million over six years to prepare for larger vessels, which started calling in late 2016. The investment included dredging, wharf extensions and new ship-to-shore cranes. In the following pages, we describe our progress in pursuing our infrastructure development strategies, including preparing for the next stage of cargo growth.



MATERIAL ISSUES

- Resilient port capacity and expansion
- Geographic reach
- Cyber and data security.



VISION

New Zealanders will value the port as an asset that drives our nation's prosperity by providing the most efficient access to global trade.



Capital #5

OUR ASSETS AND INFRASTRUCTURE

1,307

ship visits (decreased 13.7% from 1,515)

106

fewer container ships between September 2020 and June 2021 compared to previous year

4.1%

decrease total TEUs to 1,200,831

Avoiding truck gridlock

Port of Tauranga's new container truck exchange opened in January to speed up cargo deliveries and collections from the terminal.



The new exchange, on the site of a demolished cargo shed at the north end of the terminal, has 10 lanes – double the number at the previous exchange. It works in tandem with our Vehicle Booking System (VBS) implemented in April 2019. Together, they speed up truck turnaround times and incentivise cargo movements outside of peak traffic periods.

Since the VBS was introduced, average truck turnaround times have been well under 20 minutes – although yard congestion from September to December stretched out average waiting times to around 30 minutes at times.

The VBS also incentivises truck visits outside peak hours, avoiding congestion on roads surrounding the port.

Much of the increase in cargo volume in recent years has been able to be absorbed without adding significant truck movements on local highways, due to the use of rail and the growth in transshipment (where containers are transferred between ships at Tauranga).

We continue to lobby for state highway designation for Totara Street, a busy route that serves our Mount Maunganui wharves, the neighbouring industrial area and nearby residential area. Such a designation would help fast-track improvements to safety, capacity and intersections.

Choosing energy-efficient equipment

Our first hybrid container straddle carriers have proven to be reliable, quiet, comfortable and more fuel efficient.



We took delivery of three Kalmar hybrid straddle carriers in early 2020 and they have proved popular with operators, with one of them averaging 21.5 hours of use a day.

Our modern fleet of ship-to-shore gantry cranes have sophisticated electric motors that re-generate up to 700 kw of electricity when lowering a container.

Excess electricity can be made available to adjacent cranes lifting containers, or fed back into the terminal to power refrigerated container connections.

Our light vehicle fleet is progressively being converted to electric or hybrid models.

Land holdings

Port of Tauranga owns 190 hectares of land on both sides of Tauranga Harbour, with about 40 hectares still available for development.



We believe container throughput could reach 2.8 to 3.0 million TEUs in future (more than double the existing throughput) through land reconfiguration, stacking cranes and other technology.

At the Mount Maunganui wharves, we still have storage space available to accommodate growing cargoes, including secure space for marshalling imported cars.



Capital #5

OUR ASSETS AND INFRASTRUCTURE

Feature:

Preparing for future cargoes

Port of Tauranga is pursuing two major capital projects to more than double the capacity of the Tauranga Container Terminal.

The Company has applied for resource consent to extend the container berths to the south of the existing wharves. Stage one of this project would convert 220 metres of cargo storage land, at a cost of around \$68.5 million. It will create an estimated 368 jobs through the construction phase, and more than 81 permanent jobs post-completion.

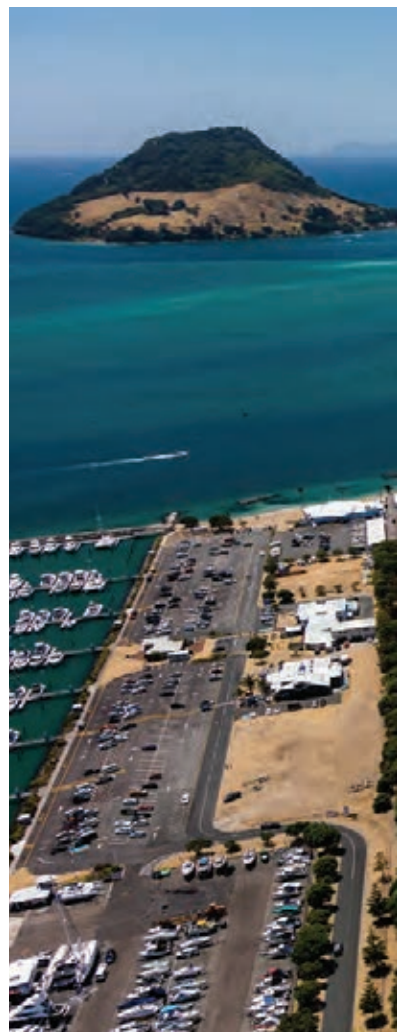
Last year, Port of Tauranga applied for consideration under the Government’s “shovel ready” and “fast track” consenting programmes introduced to help the country recover from the Covid-19 pandemic. However, Government Ministers have instead recommended direct referral to the Environment Court to expedite the consent process and we are pursuing this option.

In the meantime, we are also exploring our options to install automated stacking cranes in the area directly behind the new berth extension.

Introducing automated equipment and technologies will help us grow capacity within the existing footprint, improve safety, reduce operating costs and reduce carbon emissions.

Container terminal capacity relies on berth availability, storage yard space, productivity and dwell (storage time). Modelling undertaken in 2018 by container terminal experts TBA Group shows that Port of Tauranga could grow container throughput to between 2.8 and 3.0 million TEUs on the current site.

The automation project under consideration utilises technology already well-proven in some of the world’s most efficient ports. Automated or electric stacking cranes will place containers to or from trucks in a staging area, and then deliver or pick up containers to manual straddle carriers servicing the ship-to-shore cranes. The technology will be introduced in blocks, timed to match container growth.



> Tauranga could grow container throughput to between 2.8 and 3.0 million TEUs on the current site.







Capital #6

OUR FINANCES

Delivering Long Term Value



Port of Tauranga provides sustainable shareholder returns through revenue growth from diverse income streams and we are constantly seeking new customers and cargoes. Through our cornerstone shareholder, Quayside Holdings, we share the financial benefits of the Port's success with the residents and ratepayers of the Bay of Plenty. In the following pages, we outline our progress in pursuing our economic strategies, as well as sharing our financial statements of performance.



MATERIAL ISSUES

- Financial performance
- Capital base
- Shareholder returns
- Supply chain efficiency.



VISION

We will deliver long-term value for investors through leading environmental and ethical performance, business resilience and sound financial management.



Capital #6

OUR FINANCES

Group Net Profit After Tax

\$102.4million

(increased 15.4% from \$88.7 million)

Subsidiary and Associate
Company earnings of

\$18.6million

a 46.0% increase

Parent revenue
increased

8.9%

to \$323.5 million

Dividends paid to regional ratepayers

More than half of Port of Tauranga's shares are owned by local ratepayers.



Port of Tauranga's cornerstone shareholder is Quayside Holdings, the investment arm of the Bay of Plenty Regional Council. Quayside received dividends of \$45.7 million over the past year from its investment in the Port, and has received more than \$905 million in total since the Company was listed in 1992.

Dividends paid by Quayside to the Council represent around 25% of the Council's annual income.

In addition, Quayside has used its 54.14% shareholding in Port of Tauranga to establish a \$200 million infrastructure fund to help pay for regional assets. It was set up in 2008 through a share issue by Quayside and has been used to kickstart regional projects such as the Opotiki Harbour transformation, the Tauranga tertiary education campus, the Tauranga marine precinct and the Scion Innovation Hub in Rotorua.

Port of Tauranga is also the city's largest ratepayer, contributing more than \$2.5 million in rates in the past financial year.

Covid-19 impacts on finances

Covid-19 continues to have a significant effect on our operations and costs, and casts a shadow over our ability to predict future cargo trends.



We have adapted our financial strategy to address these impacts. Temporary surcharges for long-stay containers, introduced in January to discourage inefficient cargo flows and relieve yard congestion, helped cover some additional costs from the congestion.

We took advantage of the low interest rates currently on offer, and issued a \$100 million five year wholesale bond at a coupon rate of 1.02%.

Our revenue diversification strategy has also paid off, with strong performances from our Subsidiary and Associate Companies contributing significantly to Group profit in 2021. Earnings from them increased.

Earnings per share

Dividend of

15.0 cents

13.5 cents

per share



Board of Directors

D A PILKINGTON

BSc, BE, GradDip Dairy Science & Technology, CFInstD, Chair Independent Director

David Pilkington was a member of Fonterra's senior executive team. He holds directorships in Northport Limited, Port of Tauranga Trustee Company Limited and PrimePort Timaru Limited and chairs Douglas Pharmaceuticals Limited and Rangatira Limited. He has a strong background in marketing, international business and supply chain logistics. David joined the Board in July 2005.



A R LAWRENCE

BCA Independent Director

Alastair Lawrence is a very experienced corporate advisor, specialising in mergers and acquisitions, and strategy development. He brings rigorous evaluation skills and strong business acumen to the Board. He was a Director of private investment bank, Antipodes, from 1998-2014. Governance roles have included Takeovers Panel, Landcare Research Limited, Coda GP and a number of mid market private companies. Alastair joined the Board in February 2014.



K R ELLIS

BCA Economics (1st Class Honours), BE Chemical (1st Class Honours) Independent Director

Kim Ellis is Chair of Green Cross Health, and NZ Social Infrastructure Fund Limited and a Director of Ballance Agri-Nutrients Limited, Fonterra Shareholders Fund (FSF) Management Company Limited and Freightways Limited. Kim chairs the Remuneration Committee and joined the Board in May 2013.



J C HOARE

BCom, FCA, CMInstD Independent Director

Julia Hoare has a comprehensive range of commercial, financial, tax, regulatory and sustainability expertise which she developed over the course of 20 years as a partner with PwC. Julia is Deputy Chair of The a2 Milk Company Limited, and a Director of Auckland International Airport Limited, and Meridian Energy Limited. She is Vice President of the Institute of Directors, and a Member of the Advisory Panel to External Reporting Board. Julia chairs the Audit Committee and joined the Board in August 2015.

A M ANDREW

BE Chemical & Materials (1st Class Honours), MBA (Distinction), FEngNZ, CMIInstD
Independent Director

Alison Andrew is currently Chief Executive of Transpower New Zealand Limited having joined in 2014. She has held a number of senior executive roles across various industry sectors, most recently as Global Head of Chemicals for Orica PLC. She has also been a Director for Genesis Energy. Prior to those roles, she held a number of senior roles at Fonterra Cooperative Group and across the Fletcher Challenge Group in Energy, Forests and Paper. Alison has a MBA from Warwick University, and studied Engineering (Chemicals and Materials) at Auckland University. Alison joined the Board in April 2018.



D W LEEDER

Doug Leeder is Chair of Bay of Plenty Regional Council. He is a dairy farmer, and has considerable experience in governance and management. Doug has held positions of governance in Federated Farmers, was a Director and Chair of Bay Milk Products, Director of the East Bay Health Board, Chair of Subsidiary East Bay Energy Trust, Chair of NZ Dairy Group and Dairy Insight, and Director of DEXCEL. Doug joined the Board in October 2015.



SIR R A MCLEOD

LLB, BCom, FCA, CFIInstD

Sir Robert McLeod joined the Board of Quayside Holdings Limited in November 2016 and is Chair. Sir Robert is also Chair of Quayside Securities Limited, Quayside Properties Limited, NZX listed Sanford Group and Ngati Porou Holding Company Limited, Director of AZSTA NZ Limited, MSJS NZ Limited, Point 76 Limited, Point Guard Limited, Point Seventy Limited and VCFA NZ Limited. Sir Robert has been a past Board Member at ANZ National Bank, Tainui Group Holdings, Sky City Entertainment Group and Telecom. Sir Robert was Oceania (Australia, New Zealand and Pacific Islands) CEO/Managing Partner for the international accounting practice of Ernst & Young and more latterly as Ernst & Young New Zealand Chair, a position from which he retired on 31 December 2015. In 2019 Sir Robert was appointed Knight Companion of the NZ Order of Merit. He joined the Board in October 2017.

Senior Management Team



LEONARD SAMPSON
Chief Executive

Leonard became Chief Executive of Port of Tauranga in July 2021 following the retirement of Mark Cairns. Leonard was appointed as the Port's Chief Operating Officer in September 2019, and before that was Commercial Manager. He joined the Company in 2013 from the role of General Manager – Sales at KiwiRail. He also held senior roles at Carter Holt Harvey and Mainfreight.



SIMON KEBBELL
Chief Financial Officer & Company Secretary

Simon was appointed Chief Financial Officer of Port of Tauranga Limited in 2020. He has been with the Company since 2003 and was previously IT/Finance Manager. He is a chartered accountant and has a First Class Honours Degree in a Bachelor of Management Studies. Prior to joining Port of Tauranga, Simon was Manager – Internal Audit for PricewaterhouseCoopers in Singapore. He also held positions at Ernst & Young in Singapore and Auckland.



MELANIE DYER
Corporate Services Manager

Melanie joined Port of Tauranga Limited in August 2020 from Trustpower Limited, where she was General Manager, People and Culture. Prior to joining Trustpower in 2014, Melanie spent 11 years at Hydro Tasmania. Melanie has a Master's Degree in organisational development and leadership studies.



DAN KNEEBONE
Property & Infrastructure Manager

Dan has overall responsibility for both the property portfolio and engineering interests of the Port. Dan joined the Port of Tauranga Senior Management Team in January 2013. He was previously National Property and Development Manager for Bunnings Limited and held senior roles at Trans Tasman Properties Limited, Fletcher Property Limited and Simes Limited.



PAT KIRK
Group Health & Safety Manager

Pat joined the Company in 2013. He was previously General Manager Health and Safety at Carter Holt Harvey and has three decades of strategic and applied industry health and safety experience across a wide range of sectors. Pat is Chair of the Port Industry Health & Safety Committee and a member of various national health and safety organisations, including the WorkSafe/Maritime NZ Port Sector Health and Safety Strategy Working Group, and the Business Leaders' Health & Safety Forum. Pat has a Master of Business Studies (1st Class Honours).



ROCHELLE LOCKLEY
Communications Manager

Rochelle joined the Company's Senior Management Team in September 2020. Rochelle, a former journalist, held senior communications roles in tourism and telecommunications in New Zealand, the United Kingdom and United States. She then established a communications consultancy in 2005.



BLAIR HAMILL
Commercial Manager

Blair oversees port operations, marketing and new business opportunities. He joined the Company in July 2020 after 20 years at Zespri International, the world's largest kiwifruit marketer. Blair held a variety of senior roles at Zespri, including Global Commercial Manager and, most recently, Chief Global Supply Officer. Blair is a former chartered accountant.