



Our place, our future

INTEGRATED ANNUAL REPORT 2019

PORT OF
TAURANGA



Facilitating the most efficient and sustainable trade to and from New Zealand

Port of Tauranga is New Zealand's largest, fastest-growing and most efficient port.

It is the international freight gateway for the country's imports and exports and the only New Zealand port able to accommodate the largest container vessels to visit. We handle 30% of all New Zealand cargo, 35% of New Zealand exports and 37% of all shipping containers¹.

We provide our customers with highly effective supply chains through our investment in other ports, inland freight hubs, cargo handling expertise and logistics services.

We have the people and expertise required to deliver excellent service to our customers, sustainable benefits to the community and strong financial returns to our shareholders.

Port of Tauranga is the economic anchor of the Bay of Plenty economy, creating jobs and wealth for the Tauranga community, the broader region and beyond.

Our approach is grounded in the principle of kaitiakitanga or guardianship – of our environment, our people, our community and our future.

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



¹ Source: Ministry of Transport

Table of contents

Our highlights and challenges	02	Senior Management Team	78
Chair and Chief Executive's report to shareholders	04	Board of Directors	80
Our integrated report	12	Consolidated Financial Statements	82
Our business model	14	Directors' Responsibility Statement	83
Our national network	15	Independent Auditor's Report	84
How Port of Tauranga creates value	16	Corporate Governance Statement	121
What matters to our stakeholders	18	Financial and Operational Five Year Summary	128
Our strategies for the future	20	Company Directory	129
Capital #01 - Our relationships	24		
Capital #02 - Our people	34		
Capital #03 - Our skills and knowledge	44		
Capital #04 - Our environment	52		
Capital #05 - Our assets and infrastructure	62		
Capital #06 - Our finances	70		



Our highlights and challenges

For the year ended 30 June 2019

Group Net Profit After Tax up

↑ **6.7%**
to \$100.6 million

Imports up

↑ **8.4%**
to 9.8 million tonnes

Port of Tauranga Total Recordable Injury Frequency Rate down

↓ **55%**

Revenue up

↑ **10.4%**
to \$313.3 million

Exports up

↑ **11.2%**
to 17.1 million tonnes

Container crane productivity rate of

33.6
moves/hour

Total trade up

↑ **10.2%**
to 26.9 million tonnes

Ordinary dividend up

↑ **4.7%**
to 13.3 cents per share

Ship visits down

↓ **3.9%**
to 1,678

Container volumes up

↑ **4.3%**
to 1.2 million TEUs²

Subsidiary and Associate Companies' earnings down

↓ **27.5%**

116 cruise ship visits, a

↑ **39.8%**
increase

Transhipped³ containers up

↑ **11.2%**

Contractors' Total Recordable Injury Frequency Rate down

↓ **22%**

People hosted on port tours

2,000+

Provided educational scholarships to 18 tertiary students with ties to the Bay of Plenty

18
tertiary students

A massive fire destroyed our electricians' workshop at the Tauranga Container Terminal in August



Signs of a slowing in the New Zealand economy



Port of Tauranga Chief Executive Mark Cairns honoured with a prestigious leadership award by the Institute of Finance Professionals



The Government commenced a high-level review of the Upper North Island Supply Chain with a view to move much of Auckland's cargo to Whangarei's Northport (50% owned by Port of Tauranga)

Regional transport infrastructure capacity under strain due to population growth and increased economic activity



Secured resource consent for stormwater management at our Mount Maunganui wharves



Evolving industrial frameworks, including legislative changes, caused uncertainty for employers



Renewed long-term operating agreement with Oji Fibre Solutions for a further ten years



Ordered a ninth container crane, due for delivery in January 2020, and seven straddle carriers



Compliance costs continue to rise



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

3. Transhipment is when containers are transferred from one ship to another at Port of Tauranga



Chair and Chief Executive's report to shareholders

Our year in review



David Pilkington
Chair

Mark Cairns
Chief Executive

“

In the year to 30 June 2019, container transshipment grew 11.2%. Transshipment now makes up 32.1% of the containers handled at Tauranga.



We are pleased to present our annual review of performance of Port of Tauranga Limited for the year to 30 June 2019.

Port of Tauranga has had another good year. We handled more than 26.9 million tonnes of cargo, an increase of 10.2% in volume. Containerised cargo grew 4.3% in volume, to more than 1.2 million TEUs.

Group Net Profit After Tax passed the \$100 million milestone for the first time, increasing 6.7% on last year's profit of \$94.3 million to reach \$100.6 million.

Hub port strategy

We continue to see big increases in transshipment as evidence of our success in becoming New Zealand's major international hub port.

Transshipment, where containers are transferred from one service to another, has been growing significantly since 2016, with the completion of Port of Tauranga's \$350 million investment in building capacity to become big ship capable.

Having the necessary infrastructure is one thing, but it is also vital to have the long-term relationships in place to ensure we have the freight volume to justify the big ship services. Our relationships with key cargo owners such as Oji Fibre Solutions, Kotahi Logistics and Zespri International give us that assurance.

New Zealand shippers can now access fast, big ship services that call only in Tauranga by utilising the sea links between Tauranga and Timaru, Napier, Nelson or Wellington.

In the year to 30 June 2019, container transshipment grew 11.2%. Transshipment now makes up 32.1% of the containers handled at Tauranga.

The number of containers transferred by rail to and from our inland freight hub, MetroPort Auckland, increased 4.3%. MetroPort Auckland now stands alone as the country's fourth largest container terminal by volume.

We recently announced a partnership with Tainui Group Holdings to support the development of the Ruakura Inland Port in Hamilton, which is approximately midway between Tauranga and MetroPort Auckland.

Our other inland freight hub, MetroPort Christchurch, is now home to a purpose-built warehouse for our Associate Company Coda Group. The facility allows Coda Group to handle Westland Milk dairy exports.

Meanwhile, in response to customer demand, we are pursuing plans to add another container vessel berth by extending up to 385 metres to the south of the existing Sulphur Point wharves.

Our ninth container crane will be delivered in January 2020.

“

The average size of vessels continues to increase. The average gross tonnage of container ships visiting Tauranga has increased 25.2% between 2016 and 2019.



Oji Fibre Solutions agreement extended

Port of Tauranga and Oji Fibre Solutions have agreed on a ten year extension to our long-term operating agreement. Oji, New Zealand's major manufacturer of market kraft pulps, container board and packaging products, has committed to consolidating the majority of its import and export cargo through Tauranga.

Trade trends

Exports increased 11.2% to 17.1 million tonnes and imports increased 8.4% to 9.8 million tonnes for the year ended 30 June 2019.

Log exports increased 12.5% to 7.1 million tonnes. This trend is not expected to continue in the short term, with log prices declining in June 2019 following a drop in demand from China, New Zealand's biggest log export market. We expect

some impact on volumes in the coming months.

Sawn timber exports increased 5.4% in volume. Overall, forestry-related exports increased 10% in volume.

Dairy product exports remained steady at just over 2.3 million tonnes. Imports of dairy herd food supplements decreased 11.8%, and fertiliser imports decreased 9.2%. Kiwifruit exports increased 15.2% during the period.

Other primary produce sectors also performed strongly, with frozen meat exports increasing 18.8% in volume and apple exports increasing 54.3%.

Cement imports decreased 17.1% and steel exports decreased 7.7%. Salt imports increased 26.8% in volume.

Oil product imports increased by almost 2% and dry chemical imports increased by almost 9%.

“

The Board has decided to extend the capital repayment programme from October 2020 through special dividends of 2.5 cents per share for another four years, subject to meeting certain conditions.

Ship visits decreased 3.9% to 1,678 for the year. The average size of vessels continues to increase. The average gross tonnage of container ships visiting Tauranga has increased 25.2% between 2016 and 2019.

Financial performance

Revenue increased 10.4% to \$313.3 million. Parent EBITDA (earnings before interest, tax, depreciation and amortisation) increased 12.4% to \$168.6 million.

Associate and Subsidiary Company performance

Earnings from Associate Companies decreased 27.5% after a very disappointing result from Coda Group, our 50/50 joint venture with Kotahi. We are confident Coda Group will return to profitability in the next financial year. Coda Group's new Chief Executive, Gerard Morrison, has embarked on an extensive change programme to ensure its long-term success.

Our 100% subsidiary Quality Marshalling had an outstanding year, with profits increasing 15.1%, and our joint venture in the South Island, PrimePort Timaru, increased its contribution by 36.6%.

Dividend policy extended

The Port of Tauranga Board of Directors declared a final fully imputed dividend of 7.3 cents per share, bringing the full year's dividend to 13.3 cents per share, a 4.7% increase on the previous year.



The last of four special dividends of 5.0 cents per share will be paid on 4 October 2019.

The Board has decided to extend the capital repayment programme from October 2020 through special dividends of 2.5 cents per share for another four years, subject to meeting certain conditions.

Health, safety and people

We continue to make progress towards our health and safety goals, with a 55% reduction in Total Recordable Injury Frequency Rate and a 17% reduction in Injury Severity. We had one lost-time injury during the year, involving blistered feet.

We have a very special bunch of people working at Port of Tauranga. They show enormous compassion for many good causes. They take immense pride in their surroundings, both in their guardianship of the natural environment and their thorough care of the equipment and facilities we own and operate.

Our people continuously demonstrate a can-do attitude towards the challenges presented to them. Their commitment to problem-solving has contributed to our reputation as an innovative organisation that puts customer needs at the heart of everything we do.

Sustainability

We take climate change seriously in our business and are proud to have one of the lowest carbon emissions per tonne of cargo handled of any port in New Zealand. We are committed to the Paris Agreement target to keep global warming below two degrees.

Port of Tauranga has gained certification of its carbon emissions.

The CEMARS (Certified Measurement and Reduction Scheme) accreditation will help us measure our progress in reducing our carbon footprint.

We have set an initial short-term goal of a 5% reduction in our Scope 1⁴ emissions per cargo tonne and we are targeting net-zero emissions by 2050.

Part of our response is to “inset” carbon offsets by investing the money into sustainability initiatives within our business. This year, this fund sits at just under \$1 million.

The largest source of our Scope 1 emissions is from diesel-powered straddle carriers at the container terminal and we are using the inseting fund to purchase more expensive, battery-hybrid straddle carriers. Our next stage of expansion will allow us to utilise fully electric automated stacking cranes, avoiding increased diesel consumption.

We are also replacing light vehicles with electric or hybrid models where available, installing LED lighting, and using biodiesel. We favour electricity suppliers that use renewable energy sources. Our modern fleet of ship-to-shore gantry cranes now all 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 emissions from waste to landfill have grown due to increased wharf sweeping to prevent dust and debris entering the harbour. A large proportion of bark from the log wharves is already recycled into compost, and we are looking at ways we can recycle more waste.

“

We have set an initial short-term goal of a 5% reduction in our Scope 1 emissions per cargo tonne and we are targeting net-zero emissions by 2050.



4. 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. air travel)

“

We continue to focus on maintaining diversity in our cargo and customer mix, giving us a range of revenue sources and ensuring we can capitalise on any new business opportunities.



We favour rail transport over road because of the lower emissions and are working with our rail partners KiwiRail to reduce train-related emissions through efficiency and technology. We are also working with Pacifica Shipping to promote greater use of coastal shipping where feasible.

The availability of rail and coastal shipping to consolidate cargo at the Port, and the efficiency of the big ship services, means Port of Tauranga is the obvious choice for customers seeking the lowest carbon supply chain. Big ships of 7,500 to 9,500 TEUs have a carbon footprint more than 31% lower than the previous average size vessels calling in New Zealand⁵.

In addition to our response to climate change, we are placing increasing focus on the impact of our growing business on our various communities and stakeholder groups.

We are very pleased to have secured resource consent for our stormwater network at Mount Maunganui. We have also made significant progress in dust suppression and spill prevention.

We encourage the moves to require ships to use low sulphur fuel and note the continuing improvements to minimising the amount of the log fumigant methyl bromide that is released to the atmosphere.

Upper North Island Supply Chain Review

In February 2018, the Government announced an Upper North Island Supply Chain Review. A working group is reviewing the current supply chain to advise on priorities for transport investment, with a view to moving significant cargo volumes from Ports of Auckland to Northport in Whangarei. We see a growing role for Northport in helping to alleviate the pressure on Ports of Auckland.

After the release of the working group's interim progress report, we hosted the group in Tauranga and outlined the significant capacity still available for cargo growth. We look forward to the group's future reports, which we hope will address well-known issues such as the need for increased investment in road and rail networks and the historic financial under-performance of some port companies.

External influences

Port of Tauranga's ability to create value for our stakeholders is impacted by external factors. This includes economic conditions, trade trends and technological change. We also operate within the context of the current political environment, both locally and nationally. We share our views with elected representatives across the political spectrum, especially in regard to regulatory and legislative changes impacting the port industry.

5. http://shipperscouncil.co.nz/wp-content/uploads/The_Question_of_Bigger-Ships-1.pdf

“

Finally, we would like to acknowledge and thank our loyal staff and contractors, whose dedication, innovation and enthusiasm make Port of Tauranga New Zealand's Port for the Future.



Current global influences include increased trade protectionism (including the tension between the United States and China), political uncertainty with the ongoing Brexit process, and geopolitical threats involving the Middle East, Russia and North Korea.

Market outlook

Log export prices dropped sharply mid-year from their historic highs due to multiple international market influences. We expect some impact on volumes in the coming months, in line with the usual fluctuations in demand for this commodity. Port of Tauranga's largest log export customers source logs from the extensive forestry estates in the central North Island, which tend to maintain steady harvesting rates.

We continue to focus on maintaining diversity in our cargo and customer mix, giving us a range of revenue sources and ensuring we can capitalise on any new business opportunities.

We will provide earnings guidance for the 2020 financial year at our Annual Shareholders Meeting on 25 October 2019, once we have a feel for the first quarter's trade.

Finally, we would like to acknowledge and thank our loyal staff and contractors, whose dedication, innovation and enthusiasm make Port of Tauranga New Zealand's Port for the Future.

A handwritten signature in black ink, appearing to read 'D. Pilkington'.

David Pilkington

Chair

A handwritten signature in black ink, appearing to read 'Mark Cairns'.

Mark Cairns

Chief Executive

Our integrated report

As promised last year, we have surveyed our internal and external stakeholders to identify what matters most to them.

Port of Tauranga last year began the journey towards integrated reporting – a more comprehensive and transparent method of communicating our strategy, governance, performance and prospects. This report outlines how Port of Tauranga creates value for our stakeholders over the short, medium and long term. We define “stakeholders” as anyone who has something to gain, or something to lose, from Port of Tauranga’s activities.

We have made significant progress in the past year in aligning our reporting against the internationally-recognised <IR> Framework of the International Integrated Reporting Council (IIRC: www.integratedreporting.org), consistent with the NZX’s updated Corporate Governance Code.

The framework examines the capitals, resources or inputs that we use or affect, and their interdependencies. We explain how we use six capitals – relationships, people, skills and



knowledge, the environment, assets and infrastructure, and finances – to create value.

As promised last year, we have surveyed our internal and external stakeholders to identify what matters most to them. Our strategies to address these material issues are a work in progress and this is described in the following pages.

We acknowledge the risks that could erode the value created by Port of Tauranga and, throughout this

report, we outline our approach to managing and mitigating these risks.

We have engaged an independent expert and developed a three-year plan to guide the evolution of our reporting. We have expanded our assurance to include carbon emissions (using the CEMARS certification) and will expand assurance to other non financial content to increase our transparency and credibility.

Please join us as we progress our integrated thinking, actions and

reporting in a way that ensures the best possible outcomes for our shareholders, employees, customers, partners and community. This is our future.



David Pilkington

Chair

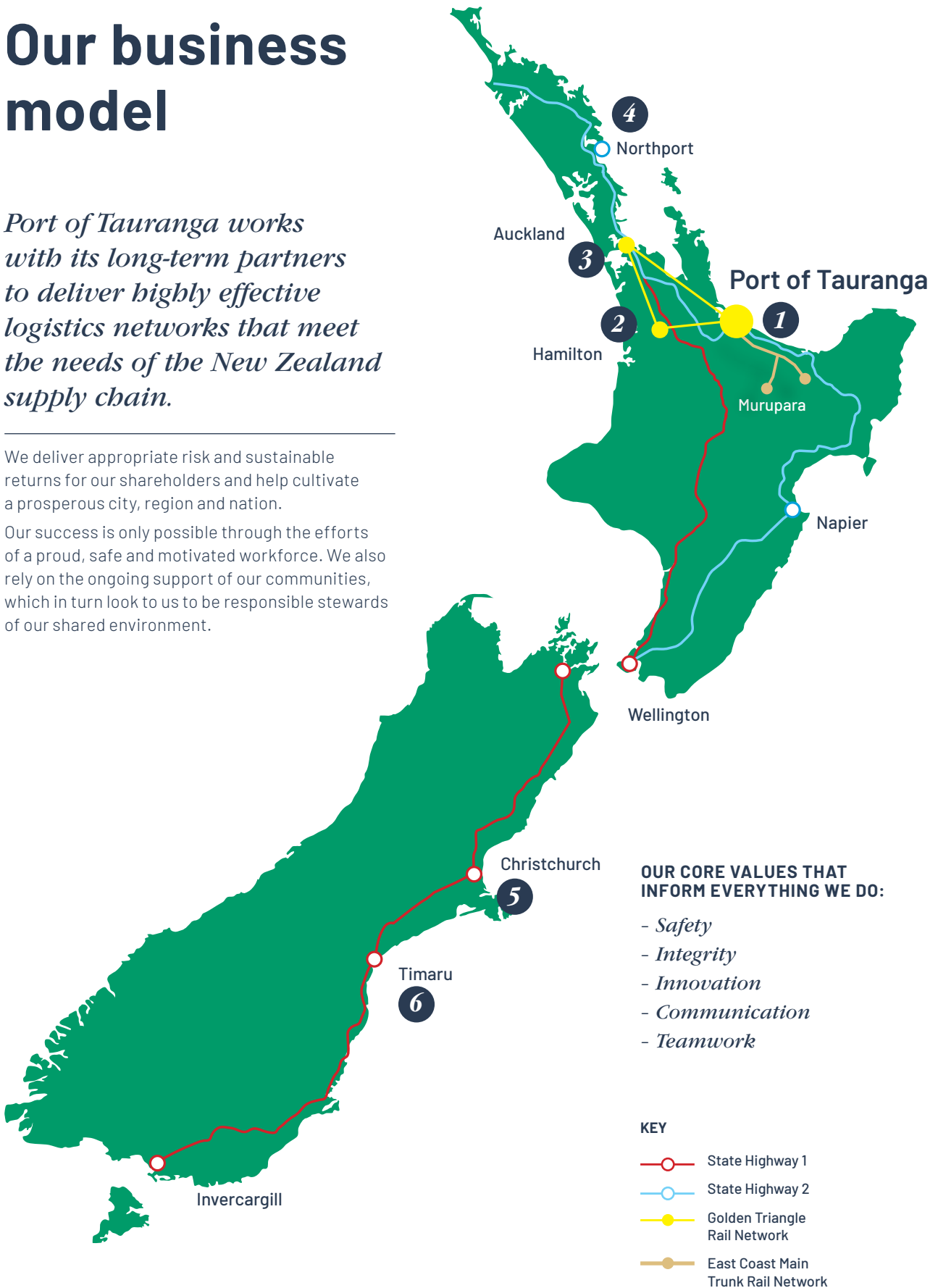


Our business model

Port of Tauranga works with its long-term partners to deliver highly effective logistics networks that meet the needs of the New Zealand supply chain.

We deliver appropriate risk and sustainable returns for our shareholders and help cultivate a prosperous city, region and nation.

Our success is only possible through the efforts of a proud, safe and motivated workforce. We also rely on the ongoing support of our communities, which in turn look to us to be responsible stewards of our shared environment.



OUR CORE VALUES THAT INFORM EVERYTHING WE DO:

- *Safety*
- *Integrity*
- *Innovation*
- *Communication*
- *Teamwork*

KEY

- State Highway 1
- State Highway 2
- Golden Triangle Rail Network
- East Coast Main Trunk Rail Network

Our national network

PORT OF TAURANGA



1

Parent Company

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



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.**



1 2 3 5 6

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**
- **Operates freight hub at Crawford Street, Hamilton.**



4

50% ownership with Marsden Maritime Holdings

- **Deep water commercial port near Whangarei.**

PORTCONNECT

1 3

50% ownership with Ports of Auckland

- **Online cargo management system.**



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

50.1% ownership with Kotahi

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



1 6

100% ownership

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



6

50% ownership with Timaru District Holdings

- **Commercial port in Timaru**
- **Bulk cargoes including major cement handling facility**
- **Developing new oil terminal.**

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)
- Tourism income from visiting cruise ship passengers

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 sustainable returns for our shareholders
- Prosperity for local, regional and national communities

What matters to our stakeholders

We asked a sample of people across the Port and our community, iwi representatives, customers, suppliers and partners to identify issues and prioritise those we should focus on as an organisation. We engaged an independent expert to review our business documents, objectively compile a key issues list, validate the list with senior management and then conduct an email and phone survey.

The results give us a clear picture of the issues with the most potential to impact the way we create or erode value for the Company and our stakeholders – our “material issues”. They include economic, environmental and social issues.

The top 12 material issues for Port of Tauranga can be summarised as:

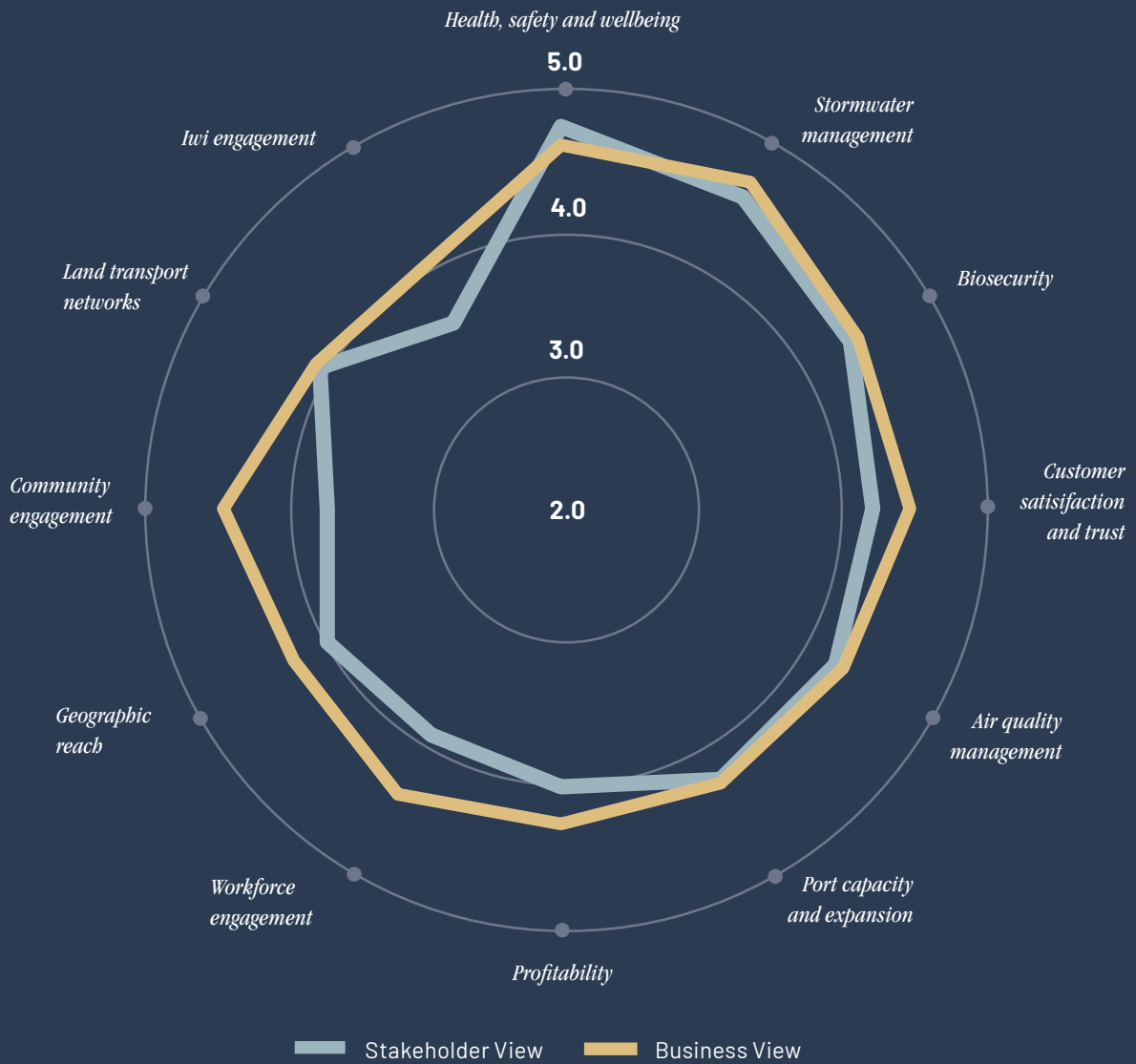
- Health, safety and wellbeing
- Stormwater management
- Biosecurity
- Customer satisfaction and trust
- Air quality management
- Port capacity and expansion
- Profitability
- Workforce engagement
- Geographic reach
- Community engagement
- Land transport networks
- Iwi engagement.

The survey respondents believed that Port of Tauranga is doing a good job in many of these areas. In some, we need to be more proactive or better communicate our actions and progress. The feedback from our stakeholders will help us prioritise our resources to improve our performance. You will see these themes reflected throughout this report and in our future reporting.

The following sections outline our strategies, recent progress, and commentary on how we utilise the resources, or “capitals”, at our disposal.

Reward does not come without risk and Port of Tauranga has extensive programmes in place to identify, manage and mitigate the risks to our staff, our Company, our community and our environment. You can read more on our approach to risk management throughout this report and in detail in our Corporate Governance Statement on our website www.port-tauranga.co.nz.

The results give us a clear picture of the issues with the most potential to impact the way we create or erode value for the Company and our stakeholders – our “material issues”. They include economic, environmental and social issues.



This graph shows the strong alignment between the views of internal stakeholders (our employees and managers) and external stakeholders (the community, iwi, our customers, partners, suppliers, interest groups, government agencies and regulatory authorities). It demonstrates the areas that matter to our stakeholders.

Our strategies for the future

Material issues

Our strategies

Recent progress

Health, safety and wellbeing



- Create a positive health, safety and wellbeing culture, where incidents are prevented and wellbeing is proactively managed
- Prioritise crisis and emergency response preparedness, through thorough planning and regular training exercises.

- Introduced “ShipShape”, a comprehensive wellness programme for staff and quickly achieved bronze accreditation from Toi Te Ora Public Health
- Implemented policies and training about domestic violence, discrimination, bullying and harassment, diversity and inclusion
- Held joint training exercises with Fire and Emergency NZ, NZ Police, Maritime NZ, NZ Defence Force, NZ Customs and other agencies
- Reframed our assessment of critical operating risks and mitigations through the “bow tie” methodology.

Stormwater management



- Protect biodiversity and marine habitats through responsible stewardship of the harbour, including stormwater management to prevent harbour pollution.

- Secured a resource consent for stormwater management at our Mount Maunganui wharves, ensuring all our drainage on both sides of the harbour is fully regulated
- Increased wharf sweeping and installed additional screening chambers on stormwater drains
- Developing a better stormwater monitoring programme to support improvement solutions.

Biosecurity



- Minimise pest incursions to protect native biodiversity and the local economy
- Utilise technology as well as the “eyes and ears” of the wider Port community to increase threat detection.

- Continued to work with border agencies and primary producers through our award-winning Biosecurity Excellence Partnership
- Supported the Tauranga Moana Biosecurity Capital initiative.

Material issues

Our strategies

Recent progress

Customer satisfaction and trust



- Create new and build on existing long-term partnerships with a diverse range of customers, such as shipping lines and exporters
- Foster a positive can-do customer focus across the workforce.

- Secured the renewal of our long-term operating agreement with one of our biggest customers, Oji Fibre Solutions
- Worked with our partners KiwiRail to accommodate vessels diverted from Auckland due to congestion
- Continued to work with large customers (e.g. forestry product exporters) to predict and plan for demand.

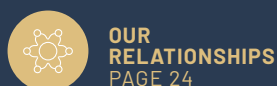
Air quality management



- Monitor fumigation on Port premises to ensure processes and procedures are strictly complied with and workers and the community are protected
- Support forestry industry efforts to reduce methyl bromide fumigant use
- Manage dust through sealed wharf and cargo storage areas, increased sweeping, dust reduction/suppression techniques and technology
- Support move to low sulphur fuel to reduce air pollution from ships.

- Supported industry moves to phase out the use of methyl bromide for log fumigation by incentivising bark removal
- Ensured fumigation was carried out according to regional and national standards
- More closely monitored dusty cargo loading and unloading to prevent pollution
- Improved and refined dust recovery procedures for vacuum sweeper trucks
- Installed water misters on bulk cargo hoppers to suppress dust
- Supported Port Industry CEOs' submission to the Ministry of Transport on low sulphur fuel.

KEY



OUR RELATIONSHIPS
PAGE 24



OUR PEOPLE
PAGE 34



OUR SKILLS & KNOWLEDGE
PAGE 44



OUR ENVIRONMENT
PAGE 52



OUR ASSETS & INFRASTRUCTURE
PAGE 62



OUR FINANCES
PAGE 70

Our strategies for the future

Material issues

Our strategies

Recent progress

Port capacity and expansion



- Keep ahead of demand through targeted commercial investment in shipping and channel widening/deepening, new cargo handling equipment such as cranes, and berth extensions
- Maximise efficiency within current footprint by utilising technology.

- Progressed plans to extend the container terminal wharves to the south, using existing port land
- Ordered our ninth container crane, due for delivery in January 2020
- Ordered new straddle carriers, including three hybrid models
- Acquired additional warehousing to relocate tenants, freeing up additional storage space at the container terminal.

Profitability



- Provide sustainable shareholder returns through revenue growth from diverse income streams, increased trade, new customers/cargoes, operational efficiencies and prudent cost management.

- Achieved an increase in revenue and net profit after tax for financial year 2018-2019
- Increased ordinary dividends and paid special dividends to return capital to shareholders.

Workforce engagement



- Deliver world-leading productivity through the team work of a proud, engaged and satisfied workforce where talent is recruited, nurtured, retained and recognised.

- Enhanced employee share ownership scheme, offering discounted purchase utilising interest-free loans
- Introduced ShipShape wellbeing programme.

Geographic reach



- Grow Port of Tauranga's hinterland beyond the Bay of Plenty
- Provide connectivity for international shipping via road, rail and sea, utilising inland freight hubs in Auckland, Hamilton and Christchurch
- Utilise our network's expertise to eliminate waste from the supply chain and influence sustainable practices.

- Developed a large new cargo handling facility for Coda Group at our MetroPort Christchurch freight hub
- Increased transshipment of containers from other New Zealand ports.

Material issues

Our strategies

Recent progress

Community engagement



- Invest in areas such as community infrastructure, the arts, education, sport, economic growth and the environment
 - Take an active interest in youth development
 - Be a good neighbour by connecting with and listening to community interests and concerns and actively working together on them.
- Sponsored community events and projects such as Tauranga Arts Festival and Mauao walking track maintenance
 - Increased numbers of members of the public hosted on port tours
 - Provided 18 scholarships to tertiary students in two schemes
 - Increased communication and engagement through social media and other channels.

Land transport networks



- Take a collaborative approach to proactive land transport management with KiwiRail, NZ Transport Agency, Tauranga City Council, Bay of Plenty Regional Council and the Ministry of Transport.
- Introduced vehicle booking system at the container terminal and incentivised traffic outside of peak hours
- Continued to lobby for investment in regional infrastructure, including state highway designation for Totara Street, Mount Maunganui
- Participated in the multi-agency Urban Form and Transport Initiative
- Transported increased cargo volumes via rail and coastal shipping where possible.

Iwi engagement



- Create and maintain relationships with the three iwi with mana whenua status in Tauranga Moana to protect cultural and spiritual values and foster education.
- Supported community projects and eight tertiary students through the Ngā Mātarae Charitable Trust, a partnership with local iwi and other Maori organisations
- Awarded ten Turirangi Te Kani Memorial educational scholarships for 2019
- Consulted iwi regarding resource consents for our Mount Maunganui stormwater network and our plans to extend the container terminal wharves.

KEY



OUR RELATIONSHIPS
PAGE 24



OUR PEOPLE
PAGE 34



OUR SKILLS & KNOWLEDGE
PAGE 44



OUR ENVIRONMENT
PAGE 52



OUR ASSETS & INFRASTRUCTURE
PAGE 62



OUR FINANCES
PAGE 70



Capital #

01



OUR RELATIONSHIPS

Port of Tauranga's relationships with customers, communities, employers and business partners tend to be long-term in nature and mutually beneficial in outcomes.


The Company takes pride in its reputation for a can-do attitude and innovative approach to typical business challenges. We seek bold solutions to tricky problems and look for the same qualities in our partners. We have had relationships with some of our suppliers, such as container crane manufacturers Liebherr, for more than 40 years.



more than
2,000
people hosted on port tours




Renewed long-term operating agreement with Oji Fibre Solutions

38.2%
increase in Facebook page followers




18
scholarships

“

In the past few years, Port of Tauranga has been refocussing its sponsorship portfolio towards the provision and protection of infrastructure and equipment that can benefit the community long-term.

Oji chooses Tauranga as its port for the future

Our long-term freight agreements with major exporters give us the certainty to make rational investments in future capacity. In December, we renewed our operating agreement with one of our key customers, Oji Fibre Solutions, New Zealand’s biggest producer of pulp, paper and packaging products. Oji has committed to consolidating the majority of its import and export cargo volumes through Port of Tauranga for the next decade. The agreement reflects the long and productive relationship between the two companies, dating back to the 1950s. Oji has pulp and paper mills in the central North Island and Eastern Bay of Plenty, and leases a purpose-built, 22,000m² warehouse at Port of Tauranga’s container terminal as well as other facilities nearby. The shed was constructed by Port of Tauranga

in 2017 to enable Oji to improve quality and flexibility around product storage, handling and packing.

Customer relationships for the long term

Port of Tauranga has long-term commitments with other key customers. The Company is mid-way through a ten year freight agreement with freight and logistics management company Kotahi, which in turn has a separate long-term agreement with Maersk Line, the world’s largest container shipping company. The commitments were the catalysts for Port of Tauranga’s investment in becoming “big ship capable”. Kotahi is a joint venture between Fonterra and Silver Fern Farms. Port of Tauranga and Kotahi co-own the Timaru Container Terminal and Coda Group – a freight logistics group incorporating Tapper Transport, Dairy Transport Logistics,



One of our first Project Tauranga initiatives was the enhancement of walkways on Mauao, the landmark mountain that stands sentinel to the entrance of Tauranga Harbour and the port.

Priority Logistics and MetroPack. Its aim is to work with KiwiRail, trucking companies, importers and exporters to eliminate waste in the supply chain. Coda operates intermodal freight hubs in Auckland and Hamilton.

The partnership model also applies to Port of Tauranga's agreements with other major exporters. Last year we opened a new purpose-built coolstore at Berth No 1 to handle kiwifruit cargo and better maintain produce quality. Shed 1 is leased to Tauranga Kiwifruit Logistics, which handles exports for Zespri International.

The transitional coolstore is far more efficient than the converted cargo shed it replaced, using less electricity and more environmentally-friendly refrigerant.

We have also worked closely with the major log exporting customers for decades, giving us valuable insight into trends and forecasts.

Port helps build Bay of Plenty communities

In the past few years, Port of Tauranga has been refocusing its sponsorship portfolio towards the provision and protection of infrastructure and equipment that can benefit the community long-term.

Some of the projects funded include the Pilot Bay boardwalk in Mount Maunganui, purchase of the specialist winch on the Bay of Plenty Trustpower TECT rescue helicopter, and the installation of floodlighting at the Bay of Plenty Oval cricket ground adjacent to the port at Blake Park, Mount Maunganui.

Last year, Port of Tauranga also purchased two patrol boats for the Tauranga Yacht and Power Boat Club, to support young sailors learning on the harbour.

In 2018, we formally joined Project Tauranga, a partnership between Tauranga City Council and local businesses to fund community

projects. This membership allows us to better identify suitable future investments that are closely aligned with community priorities.

One of our first Project Tauranga initiatives was the enhancement of walkways on Mauao, the landmark mountain that stands sentinel to the entrance of Tauranga Harbour and the port.

Mauao is visited by people nearly two million times a year and is a popular attraction for cruise ship passengers visiting the port.

Dividends benefit regional ratepayers

Port of Tauranga's main shareholder is Quayside Holdings, the investment arm of the Bay of Plenty Regional Council. Quayside received dividends of \$66.3 million over the past year. Since the company was listed on the New Zealand Stock Exchange in 1992, Quayside has received a total of more than \$800 million in dividends.



Port of Tauranga also provides educational scholarships through the Turirangi Te Kani Memorial scheme, established 29 years ago in honour of a much-respected kaumatua.

In addition, Quayside has used its 54.14% shareholding in Port of Tauranga to establish a \$200 million infrastructure fund to help fund regional assets. It was set up in 2008 through a share issue by Quayside and has been used so far to kickstart large-scale projects throughout the region.

Contributing to good causes

Port of Tauranga is a long-term supporter of community organisations making a difference in the Bay of Plenty.

The Port's annual Gibo's Fun Fishing Tournament for staff, customers and suppliers raised a record \$5,515 for the Waipuna Hospice this year.

We also increased the amount of our Christmas giving. We have a long-standing tradition of making a sizeable donation to the Tauranga Community Foodbank, in lieu of purchasing Christmas gifts for customers.

In 2018, Port of Tauranga gifted \$10,000 to the foodbank, its largest ever donation.

Port of Tauranga staff also nominate another charity to receive a company donation at the end of the year.

The 2018 recipient was the Tauranga branch of the Child Cancer Foundation, which received \$2,500.

Community events

Port of Tauranga supports events that help create vibrant communities.

The Company is a founding sponsor of the biennial Tauranga Arts Festival. In December, the Port was a sponsor of the Mount Monster, New Zealand's most prestigious surf lifesaving endurance race held at Mount Maunganui's main beach, close to the port.

Iwi engagement

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

The Ngā Mātarae Charitable Trust brings together the Port, the three iwi, the Mauao Trust and the Tauranga Moana Iwi Customary Fisheries Trust. It was founded five years ago to balance the impact on the cultural

and spiritual values of local Maori from our harbour capital dredging project and is funded through an annual grant from the Port.

The Trust offers scholarships to tertiary students studying subjects that could benefit Te Awanui Tauranga Harbour and sponsors projects to improve harbour health, such as a pipi relocation project involving local school children and university researchers.

In 2019, scholarships were awarded to three first-year recipients, three second-year recipients and two third-year recipients. The scholars are studying subjects as diverse as commerce, genetics, engineering, biochemistry, political science and Maori studies.

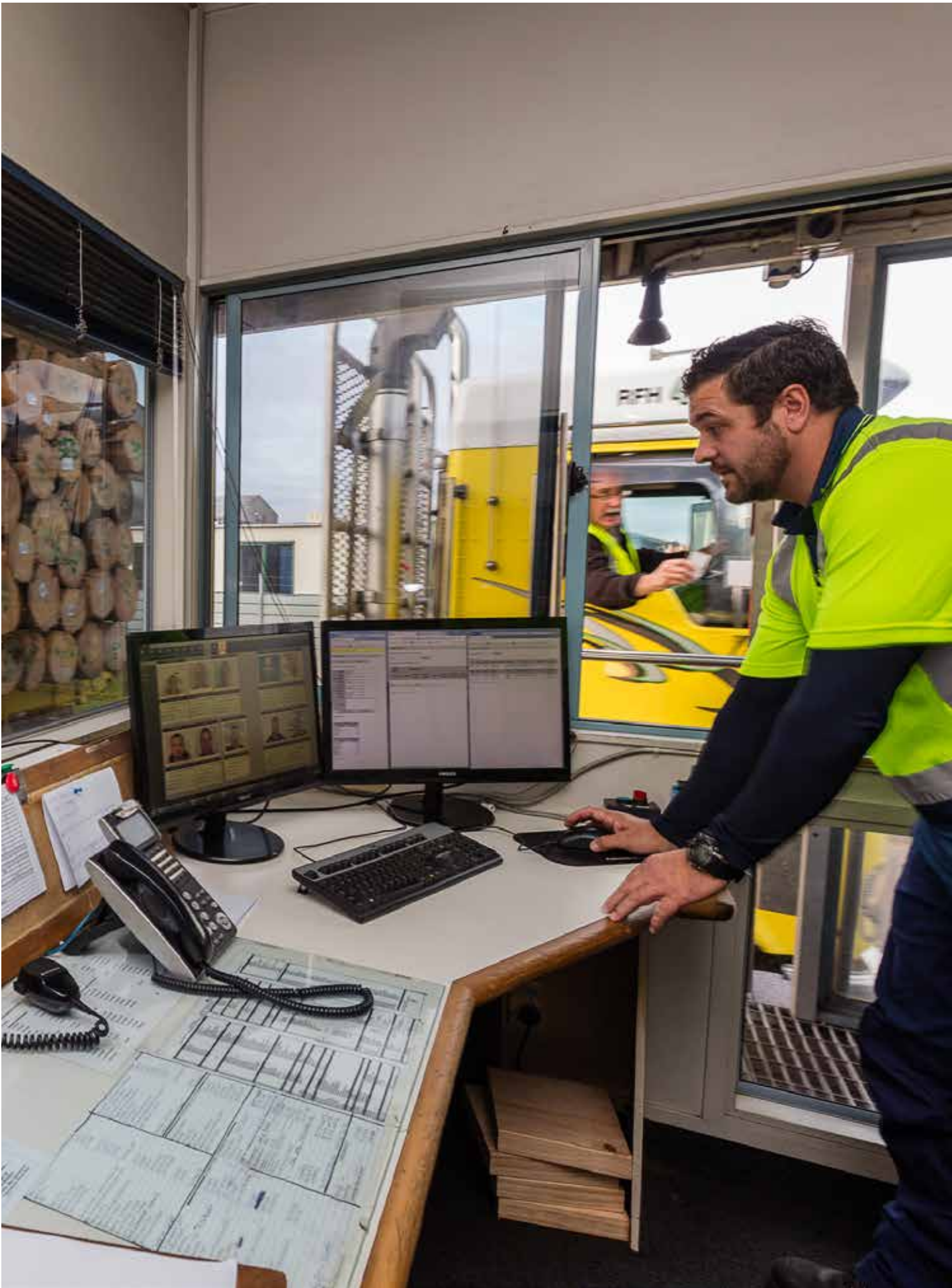
Port of Tauranga also provides educational scholarships through the Turirangi Te Kani Memorial scheme, established 29 years ago in honour of a much-respected kaumatua. In 2019, the Port provided ten scholarships under the scheme.

Other community donations

Port of Tauranga made one-off donations to a wide range of organisations, events and individuals, including: New Zealand water polo representative Ella Pollock, Bay of Plenty Science Fair, Mount Maunganui Primary School golf tournament, New Zealand Blue Light Ventures, Mount Maunganui Tennis Club, New Zealand synchronised swimming representative Isobel Pettit, Evolution Aquatics, Tauranga Boys College golf tournament, Merivale Community Inc, Heart Kids Day Out, Te Puke High School volleyball team, Chamber of Commerce golf tournament, One Base fishing tournament, Katikati Arts Festival, Mount Maunganui College golf tournament, Bethlehem School gala, Merchant Navy, Gumboot Friday Appeal, Autism New Zealand, Global Connections fashion show, Gate Pa Tennis Club, Royal Society event participant Amy Bewsher, Tauranga Volunteer Coastguard, Tauranga Sport Fishing Club.



Port of Tauranga has helped fund walking track maintenance on Mauao, the mountain at the entrance to Tauranga Harbour



Port of Tauranga Security Officer, Paul Bullen

Police and Port work together to detect and prevent border crime

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

New Zealand Police Detective Senior Sergeant Greg Turner leads a team of more than 60 staff investigating and preventing crime across the Western Bay of Plenty.

“We really value the very strong working relationship we have with the Port to reach our common goals,” he says.

Local police officers undergo a Port of Tauranga safety induction so they can quickly respond to any emergencies on site and can patrol the premises at any time. Police can access the Port’s security camera footage to help solve crimes such as attempted drug smuggling.

Port staff are trained to detect fugitives, explosives and contraband and joint training exercises are regularly held with other frontline organisations.

New Zealand Police is one of several government agencies with a regulatory role in border protection at the Port.

Others include New Zealand Customs and the Ministry for Primary Industries. Worksafe, Maritime New Zealand and the Tauranga Harbourmaster also have safety responsibilities.

“It’s important for all of the agencies to work together to prevent harm to the communities of the Western Bay of Plenty and New Zealand,” says Greg.

“The Port has taken some great steps to protect people and its business, as well as assisting other agencies to reduce the opportunity for crime or harm.”

“

“We really value the very strong working relationship we have with the Port to reach our common goals.”

Detective Senior Sergeant Greg Turner, NZ Police



Pacifica Shipping's coastal vessel Spirit of Canterbury, soon to be replaced by the Moana Chief

Pacifica Shipping upgrades coastal vessel

Pacifica Shipping has acquired a larger 1,700 TEU vessel for its New Zealand coastal shipping service as the trend to transshipment continues.

The Moana Chief will commence operations in September 2019 to meet growing domestic and international transshipping demand.

Pacifica was acquired in 2014 by The China Navigation Company, the parent of one of Port of Tauranga's key customers, Swire Shipping. In addition to the New Zealand coastal container service, Swire Shipping's log charter, cement carrier and multipurpose breakbulk vessels call frequently at Port of Tauranga on domestic, trans-Tasman, North Asia and South East Asia services.

Swire New Zealand Country Manager, Brodie Stevens, says there is rising demand to ship domestic cargo as well as international tranship containers through hub ports such as Port of Tauranga.

"We see enormous potential to create efficiencies through coastal shipping, with freight volumes only forecast to increase.

"Coastal shipping is highly complementary to road and rail networks," he says. "It is a lower carbon emissions option for moving large volumes of freight and can take the load off other transport modes, without the need to create additional infrastructure.

"Coastal shipping is flexible and can be scaled up quickly without capital cost."

He says ports must ensure coastal vessels can remain on schedule by offering efficient port calls.

"We need speed, consistency and connections. Port of Tauranga is very good at maintaining schedule integrity, which is vital when you are operating a weekly service. They have a professional, competitive model that integrates seamlessly with the supply chain."

“

"We see enormous potential to create efficiencies through coastal shipping, with freight volumes only forecast to increase."

Brodie Stevens, Swire New Zealand

Our Future

Port of Tauranga needs to maintain its social licence with the local community to continue day-to-day operations as well as secure consent for future expansion. We will create and maintain strong relationships with our neighbours, interest groups and regulatory bodies, such as Bay of Plenty Regional Council. We will also be connected to key central government agencies, such as Maritime New Zealand and WorkSafe.

We will take an active interest in youth development and work with iwi to foster education and support local rangitahi.

Capital #
02



OUR PEOPLE

Port of Tauranga aspires to be a national employer of choice, with an inclusive and equitable workplace of highly engaged employees.

More than 42% of our people have worked with us for more than 10 years, and more than 22% have been employed for 20 plus years. At the end of the financial year, we had four employees who had been with us for four decades or more and three more will celebrate their 40th anniversary soon.

Port of Tauranga employs 230 permanent team members and more than 30 casuals.



12 M
8
6
4
2
11 M
8
6
4
2
10 M
8
6
4
2
9 M
8
6
4
2
8 M
8
6
4
2
7 M
8
6
4
2
6 M
8





75%
of staff departures
were retirements

Staff turnover
increased to
7%

230
permanent
employees



70%
employee satisfaction



Staff share ownership
estimated at
95%



55%
reduction in Total
Recordable Injury
Frequency Rate



♀♂
No pay equity disparity

“

We are pleased that near miss reporting increased 11.5% and safety observations increased 12.5%, reflecting the proactivity we encourage.

Older workers share experience

In May, Port of Tauranga participated in a government-funded Massey University research project on workforce participation by older New Zealanders. Two researchers interviewed 30 employees over four days to help understand successful strategies to support older workers in light of the growing trend for prolonged working lives. Five other organisations across New Zealand also participated and the findings are due at the end of the year.

Fewer injuries across port community

Safety is one of our core values and we expect the same proactive

stance from all of the companies that operate on the port. Our approach involves identifying, understanding and minimising hazards, as well as recording, analysing and responding to near misses and incidents.

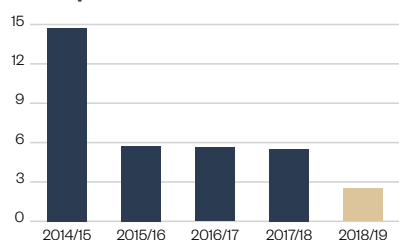
Our Total Recordable Injury Frequency Rate (TRIFR) reduced to 2.5 per million hours worked, a 55% improvement. We had one lost-time injury (blistered feet) and two first aid incidents (a cut and a strained neck muscle), neither of which required medical attention.

Our contractors also improved their safety performance, reducing their collective TRIFR to 7.7 per million hours worked, a 22% improvement. Port of Tauranga and contractors combined

“

Our Total Recordable Injury Frequency Rate (TRIFR) reduced to 2.5 per million hours worked, a 55% improvement. We had one lost-time injury (blistered feet) and two first aid incidents (a cut and a strained neck muscle), neither of which required medical attention.

TRIFR per Million Person Hours



achieved a 29% improvement to 6 per million hours worked.

We are also pleased that near miss reporting increased 11.5% and safety observations increased 12.5%, reflecting the proactivity we encourage.

However, we missed our targets for health and safety training, and inspections, and will be addressing this in the comprehensive training and development programme currently being designed.

We have been reframing our assessment of critical operating risks (the activities that could seriously injure or kill a person) through the “bow tie” methodology endorsed by the Business Leaders’ Health and Safety Forum. The

practice details all the risk controls needed for a particular activity to ensure workers have the highest protection level possible.

Staff satisfaction monitored

Our most recent staff engagement survey found employee satisfaction was 70%. Staff work groups developed action plans to address the issues raised, and the next survey will be undertaken in February 2020.

Training framework to develop staff skills

Port of Tauranga is developing a comprehensive training and development framework to ensure our employees have a personalised plan to improve and expand their skills.

Avoiding fatigue

Port of Tauranga is a 24 hour/seven days a week operation and many of our staff are required to do shift work. We have engaged fatigue management experts to help us make any necessary changes to work patterns and rosters to manage the risk of fatigue. This work has been

staff-led and will continue in the coming year.

Promoting inclusivity at the Port

Port of Tauranga provides a workplace that recognises and values different skills, abilities, genders, ages, ethnicities and experiences.

In 2019 we updated and extended our Diversity and Inclusion Policy to better reflect our commitment to building a culture that promotes diversity and inclusiveness within a meritocracy. The Board of Directors, management and all employees have more clearly defined roles and objectives.

The Board has set a gender balance target of at least 40% women and 40% men to hold director, executive and manager level positions by 2025.

Director, executive and manager positions currently sit at 22% female. Overall, 16.5% of our employees are female. We do not believe that we have any pay disparity between male and female employees in comparable roles and with similar experience.



In 2019, we updated and extended our Diversity and Inclusion Policy to better reflect our commitment to building a culture that promotes diversity and inclusiveness within a meritocracy.

Protecting our people from discrimination

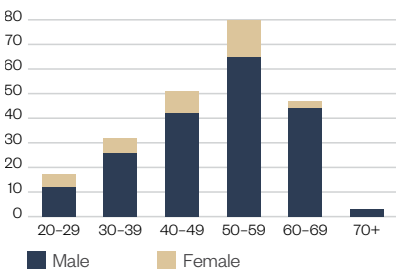
In addition to our Diversity and inclusion Policy, we have developed a Discrimination, Bullying and Harassment Policy to guide the identification and management of any unlawful or unacceptable behaviours.

The policy outlines the standards expected of our employees, forms of discrimination and harassment, and the complaints process.

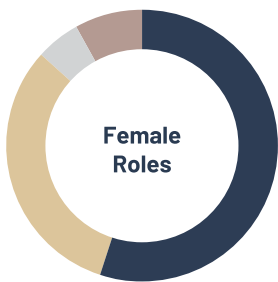
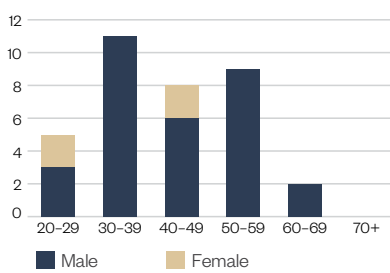
We have also implemented a Domestic Violence Leave Policy to allow affected employees to take leave or use flexible working arrangements to deal with a situation. Port of Tauranga has

appointed and trained First Responders to support staff and provide appropriate services. We hope that these two new policies will contribute to Port of Tauranga employees feeling safe and supported in their workplace. Port of Tauranga offers an independent, confidential counselling service to all employees.

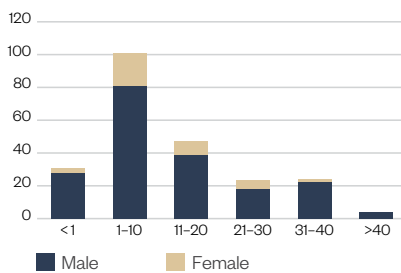
Age and Gender Profile



Age Profile of permanent employees recruited in the last 12 months



Diversity vs Length of Service (Years)



	Male	Female
Permanent Employees	192.0	38.0
Average Age	52.9	46.9
Average Length of Service	12.3	10.1
Executive Team	80%	20%
Directors	72%	28%





Port of Tauranga Cargo Services Manager, Mark Whitworth, at the Mount Maunganui wharves

Keeping our people shipshape for life

The first year of Port of Tauranga's employee wellbeing programme has tackled a wide range of common challenges to health and happiness.

"ShipShape" brings together existing and new wellbeing initiatives and, 12 months after launch, has received bronze accreditation under the WorkWell framework of Toi Te Ora Public Health.

The programme was launched in June 2018 with lunch bags and drink bottles for all team members.

They were invited to take part in the Tough Guy and Gal extreme off-road running event in Rotorua in August, with the 22-strong team winning the corporate team category.

Since then, staff have jumped into the harbour for Prostate Cancer Awareness Month and signed up for free blood pressure checks. New Zealander of the Year Mike King

delivered a series of seminars on mental health to Port of Tauranga staff, their families and friends, as part of his Key to Life tour in aid of suicide awareness and prevention.

Employees have also been transported to blood donation locations, received information about smoking cessation, and been offered a free *Healthy Food Guide* magazine subscription.

ShipShape has been an umbrella for staff fundraising drives for health causes including Mental Health Awareness Week, Breast Cancer Awareness Week, Movember for men's health, and Gumboot Friday for suicide awareness.

ShipShape initiatives are selected by a committee of representatives from across the business.

Port of Tauranga staff can access free annual health assessments (including skin checks), subsidised health insurance and free flu vaccinations.

“

ShipShape has been an umbrella for staff fundraising drives for health causes including Mental Health Awareness Week, Breast Cancer Awareness Week, Movember for men's health, and Gumboot Friday for suicide awareness.



Port of Tauranga Personnel Advisor, Rachael Nunn

Attracting younger workers into port careers

Port of Tauranga, our service providers and other organisations in the supply chain are facing the challenge of trying to attract younger workers into port-related careers.

Port of Tauranga has cadetship, apprenticeship, internship, scholarship and casual job opportunities to help attract younger workers. Some participants are lucky enough to secure permanent roles, such as recent Victoria University Bachelor of Commerce graduate, 21-year-old Rachael Nunn.

Rachael spent the summer of 2018 working on a project to scope Port of Tauranga's training needs and is now the Port's Personnel Advisor.

"The work experience at Port of Tauranga completely changed my perspective and gave me real world experience as I went into my final year of study," says Rachael, who went on to win top student awards in human resources and industrial relations, and marketing.

"There are so many different roles in this industry and it is a constantly changing environment. I have spent time with each business unit and I've learned a huge amount in a short time," she says. "There are some great opportunities for young people in this industry and it's such an exciting time to join it.

"I've been given the opportunity to take the lead in some big initiatives and have great role models and mentors to support me."

“

"The work experience at Port of Tauranga completely changed my perspective and gave me real world experience as I went into my final year of study."

Port of Tauranga Personnel Advisor, Rachael Nunn

Our Future

Port of Tauranga will continue to create a positive health, safety and wellbeing culture, where risks are proactively managed. Our thorough planning, preparation and practice will help us deal with any emergencies or crises.

One of our core values is teamwork, through which we deliver world-leading productivity. We will recruit, nurture, retain and recognise our team members to foster a proud, engaged and satisfied workforce.





Capital #

03



OUR SKILLS & KNOWLEDGE

We nurture a culture of innovation and foresight to deliver our customers creative business solutions and world-leading productivity.

Our integrated view of the supply chain has seen us invest in other ports, inland freight hubs, cargo handling specialists, transport operations and logistics services.

We are currently examining areas as diverse as the future of work, maximising productivity through technology and harbour health.

We share our particular expertise with the wider industry and government agencies, taking a leadership role in national forums where appropriate.



4.3%
increase in containers transferred by rail to and from MetroPort

Rail share of land movements⁶
42.2%
of imports
—
48.4%
of exports



Ship rate
84.3
moves per hour
(NZ average 72.3)

33.6
moves per hour
average crane rate
(NZ average 31.7)

Removing inefficiencies from the supply chain

Our partner KiwiRail works with us to simplify the supply chain. Dedicated trains run 12 times a day between Tauranga and our inland freight hub, MetroPort Auckland. Imported containers are transferred to Auckland.

Trains are then filled with emptied containers to be shifted to Hamilton, where Fonterra can refill them with exports. The train is reloaded with cargo bound for export from Tauranga. This avoids the need to constantly relocate empty containers via road and sea, reducing lead times and costs for shippers, optimising train capacity and avoiding carbon emissions.

Extending our cargo hinterland

We replicated the model of our successful MetroPort Auckland inland freight hub by establishing MetroPort Christchurch at Rolleston. MetroPort Christchurch is linked to our Timaru Container Terminal and the rest of the South Island by rail, giving importers access to a major metropolitan area and exporters access to our fast international services.

We have recently built a new 19,000m² warehouse at MetroPort Christchurch for Coda Group. It will use the facility to handle Westland Milk’s dairy product exports.

Coda Group, a 50/50 joint venture with Kotahi Logistics, gives us the platform to integrate port operations with other parts of the supply chain and remove cost, empty capacity and delays from the cargo network.

Subsequent to the end of the financial year, we announced a new partnership with Tainui Group Holdings to support the development of the Ruakura Inland Port in Hamilton.

Sharing our experience and expertise

Port of Tauranga participates in multiple local and national forums to address the issues faced by our industry, our communities and the country as a whole.

We take an active role in business organisations such as the Employers and Manufacturers’ Association, Business New Zealand, Export NZ (Bay of Plenty), the Tauranga Chamber of Commerce and Priority One, the Bay of Plenty economic development agency.

We are members of the Port Industry Association, Port Chief Executives’ Forum and the Business Leaders’ Health and Safety Forum. We also have strong relationships with industry regulators Maritime New Zealand and WorkSafe, and support their efforts to improve safety in under-performing areas of the port sector.

Understanding harbour health

Port of Tauranga supports the University of Waikato Coastal Marine Field Station based in Tauranga. The station’s work contributes to Tauranga Harbour’s reputation as one of the most researched and best understood harbours in Australasia.

Researchers have recently examined the impacts of dredging, the health of kaimoana/seafood and the potential effects of future development.

66

Tauranga remained the country's most efficient port measured by ship rate, with an average of 84.3 moves per hour in 2018. This compared with the national average of 72.3 moves per hour.

New Zealand's most efficient container port

The Ministry of Transport monitors the productivity of New Zealand's six container ports⁷. In 2018, Port of Tauranga handled 44.3% more containers than the next largest port. Our container handling productivity decreased slightly, primarily because of accommodating unexpected cargo volumes diverted to Tauranga due to congestion in Auckland. Port of Tauranga's average crane rate (containers per hour per crane) in calendar year 2018 was 33.6 moves per hour, down from 36.2 moves per

hour in 2017 but still well ahead of the national average of 31.7 moves per hour.

Tauranga remained the country's most efficient port measured by ship rate, with an average of 84.3 moves per hour in 2018. This compared with the national average of 72.3 moves per hour.

In Australia, the top five container ports had an average crane rate of 28.1 moves per hour in the six months from July to December 2017⁸ (the most recent figures available), and an average ship rate of 54.9 moves per hour.



6. Source Ministry of Transport

7. <https://www.transport.govt.nz/mot-resources/freight-resources/figs/port-container-handling/>

8. https://www.bitre.gov.au/publications/2018/water_062.aspx



Fire and Emergency NZ rescuers in training at Port of Tauranga

Preparing for emergencies

The Port of Tauranga team and local emergency services prepare for potential crises by undertaking joint training programmes.

Fire and Emergency NZ crews recently practiced rescuing a driver from a container crane cab, a confined space high above Tauranga Harbour.

Crews also practiced emergency evacuations with staff from Port of Tauranga and some of the other companies that have operations on the port, including cold store operators.

Our mechanical and electrical team's emergency preparedness was put to the test when a devastating fire broke out at its workshop in August.

Fire investigators found the cause to be a rechargeable battery.

Manager Mechanical and Electrical Services, Laurie Johnson, says it was a relief that no one was injured after the fire quickly took hold.

"The fire was a huge blow for all the fitters and sparkies who lost personal tools and belongings. It was also difficult for everyone to see years of work disappear so quickly," says Laurie.

The team has relocated to Port-owned premises just outside the container terminal gate in Mirrielees Road. The Company has received full compensation from its insurers and discussions are under way about future plans for the workshop.

“

Fire and Emergency NZ crews recently practiced rescuing a driver from a container crane cab, a confined space high above Tauranga Harbour.



Caldwell Partners Managing Partner, Simon Monks, and Port of Tauranga Chief Executive, Mark Cairns

Port chief wins prestigious award

Port of Tauranga's outstanding returns to shareholders were highlighted when Chief Executive Mark Cairns received a prestigious award.

Mark received the Caldwell Partners Leadership Award at the 2019 INFINZ (Institute of Finance Professionals) Awards. They recognise innovation and excellence in the financial and capital markets sector.

The expert judging panel noted Port of Tauranga's excellent productivity rates, industry-leading safety record, increasing cargo volumes and shareholder returns that have compounded by an average 20.4% since Mark took the helm in 2005.

Mark says he was humbled by the accolade, which was to be shared by the entire Port of Tauranga team.

"This award recognises the extraordinary efforts of a fantastic bunch of people working here. I am proud and privileged to lead a company that has achieved so much."

Meanwhile, Port of Tauranga staff won plaudits at the annual awards of the Chartered Institute of Logistics and Transport.

Mike Lambert and Les Fleming graduated from the Leaders for the Future programme, while Elizabeth Anderson won the prestigious Ministry of Transport Award for outstanding achievement at Masters level - the Institute's premier award for research.

“

"This award recognises the extraordinary efforts of a fantastic bunch of people working here. I am proud and privileged to lead a company that has achieved so much."

Port of Tauranga Chief Executive, Mark Cairns

Our Future

Port of Tauranga will continue to work with partners, including KiwiRail and coastal shippers, to extend our network to better serve New Zealand importers and exporters. This will include developing inland freight hubs with complementary services, and utilising our expertise to eliminate waste from the supply chain.

We will work with local, regional and national agencies to ensure land transport networks meet the needs of the Port, other businesses and the residents of our communities.



Capital #

04



OUR ENVIRONMENT

Port of Tauranga sets, monitors and continuously improves operational standards to ensure our actions are environmentally sustainable.

All port users are required to meet these standards to improve environmental protection and prevent pollution.

We manage adverse effects and risks, share best practice with all port users and audit their performance.

We also recognise the aspirations of local hapu and iwi for the moana and its surrounds.



532,089
truck trips avoided
by rail use⁹



31%
fewer carbon emissions
from big ship services
(per TEU)

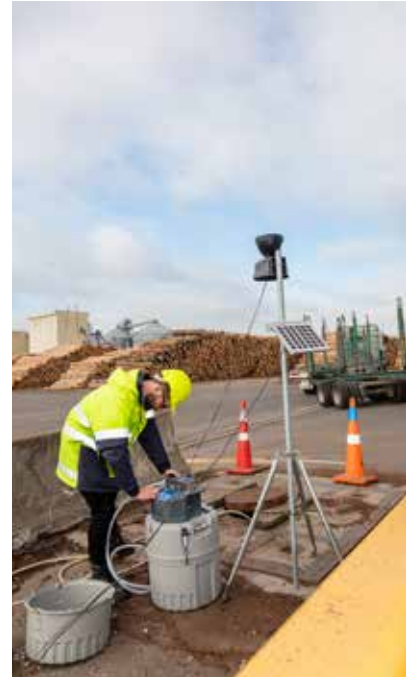
Replacing vehicles with electric/hybrid models



5%
target reduction
in Scope 1 carbon
emissions



85,123
tonnes of carbon
emission avoided
via rail use⁹



Investing in energy-efficient equipment such as LED lighting

“

We favour rail transport over road because of the lower emissions and are working with our rail partners KiwiRail to reduce emissions through efficiency and technology.

Keeping the water clean

Port of Tauranga has obtained resource consent for stormwater discharges from our Mount Maunganui wharves area after lengthy negotiations with iwi, Tauranga City Council and Bay of Plenty Regional Council.

The consent means that all of our stormwater system and discharges on both sides of the harbour are now

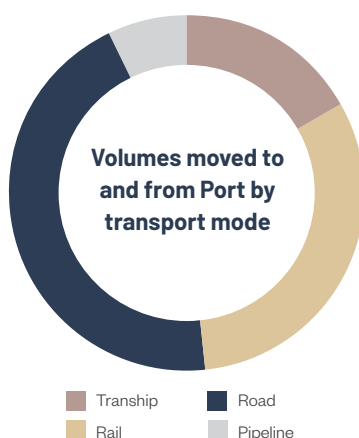
covered by management plans to avoid harbour pollution.

In recent years, the Port has focussed on improved housekeeping to prevent dust and debris from entering the harbour. A third sweeper truck has recently been introduced to further tidy the log wharves and surrounding areas, and log and dusty cargo stevedoring contractors are also required to continuously clean their work sites.

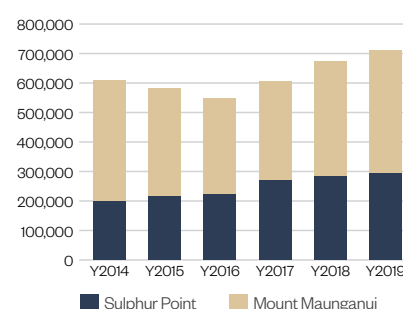
9. Source KiwiRail

“

Port of Tauranga spent \$120,000 to automate stormwater pipe valves so they can be shut with the touch of a button, allowing a rapid response to any emergency.



Truck movements to and from the Port



All cargo storage, handling areas and rail sidings within the Port boundaries are sealed to avoid dust from vehicle operations.

Seventeen screening chambers have been installed on stormwater drains at the Mount Maunganui wharves to capture contaminants. Steel fenders and rope bunds at the wharf face catch incidental product losses so they cannot enter the harbour.

At Tauranga’s container terminal, isolation valves have been automated to allow faster safety responses in the case of an accidental fuel or chemical spill.

The three valves attached to the stormwater pipe network can be quickly sealed to avoid any contaminants entering the harbour in the event of an oil, diesel or chemical spill. Until recently, the valves were manually controlled and had to be shut by hand.

Port of Tauranga spent \$120,000 to automate the valves so they can be shut with the touch of a button, allowing a rapid response to any emergency.

Reducing shipping pollution

We support New Zealand’s accession to Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL), being considered by the Ministry of Transport. Annex VI aims to reduce carbon emissions and improve air quality around ports by requiring ships to either switch to low sulphur fuel or be fitted with compliant exhaust gas cleaning systems.

Many of the cruise lines visiting New Zealand have already pledged to comply with the convention.

The Port Company CEOs’ forum, of which Port of Tauranga is a member, has made a submission in support of accession to Annex VI.

Ensuring high environmental standards across the port

Port of Tauranga monitors port users to ensure compliance with our environmental standards.

The monthly Port Users’ Health, Safety and Environment Forum, which brings together key operators working on the port, has expanded its focus to include

environmental issues. It is proving a useful platform for delivering training and education on environmental threats and mitigations.

The forum is helping Port of Tauranga address the risks outlined in its comprehensive environmental improvement plan, which incorporates air quality, stormwater management, fumigation of imports and exports, noise, spill prevention, energy consumption, waste and asbestos.

Fumigation controls tightened

Many imported and exported cargoes are fumigated to kill any bugs trying to enter or leave New Zealand. A common fumigant is methyl bromide, an odourless gas that is toxic to humans and damaging to the environment. The biggest users of methyl bromide in New Zealand are log exporters, whose major markets demand its use.

At Port of Tauranga, fumigation is carried out by highly experienced operators Genera, according to codes of practice outlined by the Environmental Protection Agency



Port of Tauranga Environmental Manager, Joey McKenzie, samples stormwater

and the Bay of Plenty Regional Council, as well as our own protocols. They require Genera to recapture methyl bromide used in fumigation and adhere to rules regarding exclusion zones and notifications. Genera currently undertakes methyl bromide recapture on around 80% of log fumigations and 100% of container fumigations.

Forestry exporters are working to reduce the amount of methyl bromide required. In May, Timberlands Limited opened a multi-million dollar facility at its Murupara rail exchange to remove bark from logs.

De-barked logs destined for China, New Zealand’s biggest log market, are not required to be fumigated because insects are removed along with the bark.

Stopping pests from hitchhiking on cargo

A multi-disciplinary approach has proved valuable in keeping the brown marmorated stink bug and other pests out of New Zealand.

Importers, Port of Tauranga, the Ministry for Primary Industries and

fumigation contractors Genera work together to screen, fumigate and process cargo.

Increased vigilance during the stink bug high-risk season caused delays in processing some cargo at the container terminal. The Port provided additional wharf space for fumigation and encouraged off-site fumigation to minimise delays.

Raising biosecurity awareness across the port

Port of Tauranga is part of an award-winning biosecurity excellence partnership with the Ministry for Primary Industries (MPI), Kiwifruit Vine Health, primary produce organisations, scientists and local government. It aims to build a port community prepared to prevent any pest incursions through the port.

The partnership runs an annual Biosecurity Week to raise awareness among the port community. Other promotional tools include calendars and playing cards starring the pests to look out for.

We are conducting regular surveys of port users to ensure awareness is increasing.

Port of Tauranga supports the Tauranga Moana Biosecurity Capital initiative, which seeks to raise biosecurity awareness throughout the western Bay of Plenty. The collaboration involves iwi, interest groups, industry, government agencies, educators and scientists.

The need for heightened awareness was illustrated in December 2018 when a lone male brown marmorated stink bug was found in a Mount Maunganui home. MPI laid special traps throughout the area and a detector dog did regular patrols but no other stink bugs were found.

Protecting habitats and biodiversity in Tauranga Harbour

Tauranga Harbour is home to an abundance of wildlife and is an important kaimoana or seafood gathering place for local residents.

Port of Tauranga, with local iwi, has sponsored pipi bed monitoring and seeding work in the sand banks of the inner harbour.



Port of Tauranga is part of an award-winning biosecurity excellence partnership with the Ministry for Primary Industries (MPI), Kiwifruit Vine Health, primary produce organisations, scientists and local government. It aims to build a port community prepared to prevent any pest incursions through the port.

The port's sand pile, where material from maintenance dredging is dumped before being recycled for roading works and beach replenishment, is often used as a temporary home by shore birds and migratory sea birds. The Port has also offered sand to establish bird roosting sites in other parts of the region. We have engaged a bird expert to help us better understand the avian population in and around the port.

Dealing with waste

The Port has identified waste as an area needing more attention. Although a large volume of excess bark from log operations is recycled into compost, there is still a significant amount of sweepings and other waste being sent to landfill. Our improved housekeeping efforts in the past two years have resulted in a larger amount of waste, which has in turn increased our carbon emissions and disposal costs.

We believe there is the opportunity to recycle more waste. We are undertaking work to identify waste sources and composition that will allow us to determine recycling and reuse options.

Spill prevention measures

Port of Tauranga takes spills very seriously and all companies operating on the port must have environmental management plans that outline how they will manage risks. They must have their own protective equipment, and additional equipment including booms is held on site by Port of Tauranga, the Bay of Plenty Regional Council and Maritime New Zealand. Our tanker berth is a specially-designed sealed and bunded area to ensure spills in that area can be contained.

Port of Tauranga does extensive education and training with other port users around spill minimisation and response. All environmental incidents reported to the Port are investigated, and any subsequent improvements are implemented and shared through our monthly Port Users' Health, Safety and Environment Forum.



Refrigerated containers awaiting export at the Tauranga Container Terminal

Measuring and reducing our carbon emissions

Port of Tauranga is now certified under CEMARS (the Certified Emissions Measurement and Reduction Scheme). Our carbon emission sources are mainly diesel and electricity use, rail freight and waste to landfill.

Our emissions for the 2018-2019 financial year are currently being audited by our accreditors, Enviro-Mark Solutions.

We have developed a carbon reduction and management plan and have set an initial short-term target of a 5% reduction in emissions per cargo tonne. We are targeting net-zero emissions by 2050.

Part of our response is to "inset" carbon offsets by investing the money into sustainability initiatives within our business. To date, this fund sits at just under \$1 million, which we are using to purchase hybrid straddle carriers for our container terminal.

We are replacing other vehicles with electric or hybrid models where available, installing LED lighting, and using biodiesel. We favour power suppliers that use renewable energy sources.

Our emissions from waste to landfill have grown due to increased sweeping of our wharves to prevent dust and debris entering the harbour. A large proportion of bark from the log wharves is already recycled into compost, and we are looking at ways we can recycle more waste.

We favour rail transport over road because of the lower emissions and are working with our rail partners KiwiRail to reduce train-related emissions through efficiency and technology.

“

We have developed a carbon reduction and management plan and have set an initial short-term target of a 5% reduction in emissions per cargo tonne.



Port of Tauranga Bulk Cargo Coordinator, James Oldehaver, at the Mount Maunganui wharves

Housekeeping for better harbour health

Stricter housekeeping rules and monitoring are helping to ensure dust and debris does not end up in Tauranga Harbour.

Updated bulk cargo handling guidelines have been developed in consultation with importers and exporters.

Port of Tauranga's James Oldehaver was appointed in October 2018 as the Port's first Bulk Cargo Coordinator.

He monitors log export operations and other bulk cargo imports and exports to ensure all dust and debris is contained and collected. There are three sweepers, a plough and a bucket loader operating under his direction, and he can often be found on the end of a broom.

"By following the rules, we can avoid any impact on the environment from dust pollution or debris being washed into the harbour," says James.

Much of the bark collected from log storage areas is recycled into landscape supplies such as compost and mulch by long-time operator Daltons.

Port of Tauranga's Mount Maunganui wharves are also used by cruise ships and bulk vessels carrying fertiliser, stock feed supplements, cars and other cargoes.

Bulk cargo handlers are expected to comply with wind limits for discharging dusty cargoes and must continuously clean work areas.

“

By following the rules, we can avoid any impact on the environment from dust pollution or debris being washed into the harbour.”

Port of Tauranga's James Oldehaver

Our Future

Port of Tauranga will protect the biodiversity of Tauranga Moana through responsible stewardship of the environment. We will prevent air and water pollution through dust suppression, stormwater management and reducing carbon emissions, including supporting the switch to low sulphur fuel for ships.

We will support industry efforts to reduce fumigation, whilst ensuring the port community is well equipped to detect and destroy pests, pathogens and other biosecurity threats.



Capital #
05

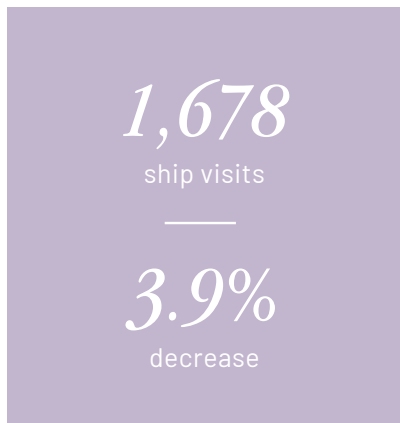
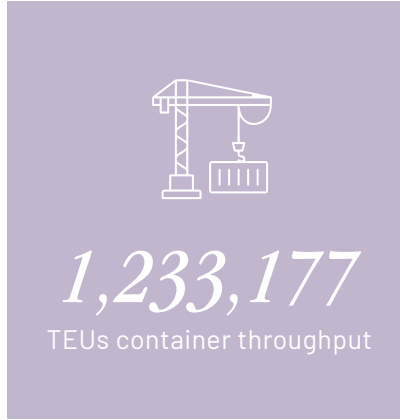


OUR ASSETS AND INFRASTRUCTURE

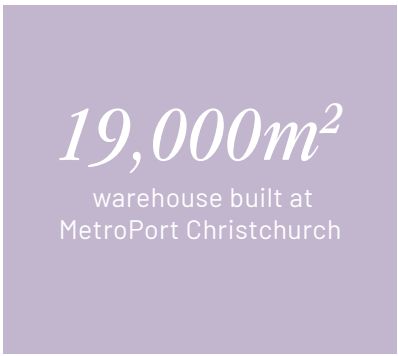
Port of Tauranga's investment in capacity to accommodate bigger ships has proven a successful strategy for growth. We spent more than \$350 million over six years to prepare for larger vessels, which started calling in late 2016.

The investment included dredging to widen and deepen shipping lanes, extending the container terminal wharves by a third, and purchasing new ship-to-shore cranes and cargo handling equipment.

We are now planning for future cargo growth.



Building capacity for the future
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 through land reconfiguration, stacking cranes and other technology.



We have engaged port capacity planning expertise to help us shape the port for future cargo growth. The next significant capital expenditure will be extending the container terminal quay length to the south. Port-owned land adjacent to the existing berths will be converted from cargo storage to a fourth container

vessel berth, adding up to 385 metres to the overall quay length. We are consulting with iwi, undertaking ecological assessments and hope to lodge a resource consent application by the end of the year. We are also looking at how we can maximise the tidal windows for large vessels.



A new vehicle booking system is improving traffic flows into the container terminal. The system incentivises truck visits outside peak hours, to ease cargo delivery and pick up within the port gates and avoid congestion on roads surrounding the port.

Our ninth container crane will be delivered in January for assembly on site. We have also ordered seven new straddle carriers, including three hybrid models. We already have diesel electric straddles, but the new models will be even more fuel efficient and help reduce our carbon footprint.

Later this year, we will remove a warehouse on site to free up space for assembling our new crane. Following its commissioning, the land will become available for container storage.

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

Protecting information and systems

International shipping has not been immune to cyber attack and we have robust protections in place to secure

our administrative and specialist computer systems, as well as manual backup plans where necessary.

We have contingency plans in place to deal with infrastructure damage or failure, such as a blockage of shipping channels, problems with the rail or road networks connecting the port to our customers, or wharf structural problems.

Smoothing traffic flows at the port and beyond

A new vehicle booking system is improving traffic flows into the container terminal. The system incentivises truck visits outside peak hours, to ease cargo delivery and pick up within the port gates and avoid congestion on roads surrounding the port.

Much of the increase in cargo volume in recent years has been able to be absorbed without adding significantly to truck movements

on local highways. The increase in transshipment, where containers are transferred between ships at Tauranga, and the utilisation of rail, has prevented a big increase in truck traffic. Over the past five years, the compound annual growth rate in truck volumes to and from the Port was 3.2%.

However, traffic congestion remains a big problem for residents and industry alike.

We have renewed our support of state highway designation for Totara Street, which serves our Mount Maunganui wharves. It is a busy thoroughfare through the industrial area adjacent to the port and is a vital route for commuters.

The road meets the criteria for truck movements, city population and port freight. A state highway designation would help fast-track safety improvements, additional capacity and intersection upgrades.



Another strategic asset with potential as a freight hub is the 126 hectares owned by our major shareholder, Quayside, at the Rangiuuru Business Park near Te Puke, approximately 35 kilometres southeast of the port.

Utilising land transport networks

Just under half of cargo volumes arrive at or leave the port via road, with the majority being transhipped, transported by rail or delivered by pipeline. Nearly 45% of all forestry exports arrive by rail.

Up to 86 trains run between Tauranga and Auckland, carrying up to 9,200 TEUs per week. The line has capacity for up to 24 trains each day, or 17,800 TEUs per week.

Rail costs are a significant component of our costs, with capital and operational spending exceeding \$300 million since MetroPort Auckland opened nearly 20 years ago.

Recycling byproducts into community assets

Port of Tauranga recycles two major byproducts of its operations.

Sand that is collected from the harbour and shipping channels during annual maintenance dredging is used to replenish beaches and construct roading projects.

In the past year, more than 4,000 cubic metres of sand was provided to create a new beach at Kulim Park. Another 24,000 cubic metres was deposited at Maxwells Road Reserve,

Memorial Park, the Matua Peninsula and Fergusson Park.

Pilot Bay at Mount Maunganui also gets an annual top up from the stockpile. Last year, the beach adjacent to Whareroa Marae near the airport was renourished.

Another by-product that is recycled is bark debris gathered from the Port's log storage and handling areas. Landscape supplies manufacturer Daltons clears the Mount Maunganui wharves of bark waste in an arrangement dating back around 40 years.

Daltons turns the raw material into high-quality horticultural mixes, some of which pass back over the wharf in bags for export to Asia and beyond.

Inland freight hubs

In addition to 190 hectares of strategic land holdings around Tauranga Harbour, Port of Tauranga owns and operates inland freight hubs in Auckland and Christchurch.

The MetroPort Auckland complex comprises nearly 33 hectares and is home to the inland freight hub operated by Port of Tauranga and KiwiRail, as well as Coda Group and other logistics industry tenants.

Port of Tauranga also owns 15 hectares at Rolleston for the MetroPort Christchurch facility, which is linked by rail to our container terminal at Timaru. We have recently constructed a large warehouse at Rolleston for Coda Group to handle Westland Milk's exports.

Coda Group also operates inland freight hubs in Hamilton and at Savill Drive in Otahuhu, New Zealand's largest intermodal hub.

Another strategic asset with potential as a freight hub is the 126 hectares owned by our major shareholder, Quayside, at the Rangiuuru Business Park near Te Puke, approximately 35 kilometres southeast of the port.

After the financial year end, we announced a partnership with Tainui Group Holdings to support the development of the Ruakura Inland Port. The 480 hectare Ruakura estate has 192 hectares earmarked for logistics and industrial uses, including 30 hectares for the inland port.



14.5m

shipping channel depth



2.8km

total key length with 14 berths



190ha

of land in owned in Tauranga



8

cranes



6,343

TEU total ground slots



45ha

of land in Auckland



46

straddle carriers



2,634

dedicated reefer connection



15ha

of land owned in Rolleston
near Christchurch



KiwiRail's new locomotives depart Port of Tauranga

Partnership with KiwiRail has benefits for customers and communities

Rail is an integral component of Port of Tauranga's land transport networks. It is the most efficient method for moving large volumes of freight to and from key cargo catchment areas, keeps trucks off busy local roads and state highways, and creates fewer carbon emissions.

Rail use avoided the equivalent of 532,000 truck journeys in the 2018-2019 financial year, according to KiwiRail's figures.

KiwiRail says rail transport emits approximately 66% less greenhouse gas than heavy trucks. By utilising rail over road where possible, around 31.3 million litres of fuel use and 85,123 tonnes of carbon emission have been avoided in the past year.

Port of Tauranga has partnered with KiwiRail to ensure maximum utilisation of train capacity, including

balancing import (northbound) and export (southbound) containerised cargo transferred by rail between Tauranga and MetroPort Auckland inland port.

KiwiRail CEO Greg Miller says the collaboration between Port of Tauranga and KiwiRail allows the supply chain to custom design and deliver the most efficient infrastructure.

"We connect New Zealand businesses to the world through our strong and strategic partnerships with customers in the Upper North Island," he says.

The "golden triangle" of cargo and population, encompassing Auckland, Hamilton and Tauranga, already accounts for around half of all freight volumes in New Zealand.

In October, Port of Tauranga was the delivery port for 15 new locomotives for KiwiRail. Some of them are now back at the Port hauling cargo.

“

"We connect New Zealand businesses to the world through our strong and strategic partnerships with customers in the Upper North Island."

KiwiRail CEO, Greg Miller

Our Future

Port of Tauranga will continue to grow its hinterland beyond the Bay of Plenty to ensure New Zealand importers and exporters have easy and cost-efficient access to international shipping networks. We will utilise road, rail and sea connections, as well as inland freight hubs as cargo consolidation points.

We will prepare for the future by maximising our current footprint through technology and supply chain expertise, as well as expanding our facilities in a way that is sustainable.

Capital #
06



OUR FINANCES

Port of Tauranga issued shares to the public in 1992 at \$1.05 each, with a total market capitalisation of \$79 million. Today's market capitalisation is well above \$4 billion.

Bay of Plenty Regional Council owns 54.14% of the Company and has received dividends and capital repayments in excess of \$800 million since listing. Port of Tauranga is also the city's largest ratepayer.

Soon after listing, Port of Tauranga's container terminal at Sulphur Point was opened and has since made increasingly significant contributions to our income, alongside New Zealand's largest bulk cargo operation at our Mount Maunganui wharves.





15.0 cents
earnings per share,
a 7.1% increase

\$313.3 million
revenue

\$100.6 million
Group NPAT



13.3 cents
per share
ordinary dividends



Earnings from
Associates and
Subsidiaries down
27.5%



\$168.6 million
Parent EBITDA



\$122.4 million
total dividends,
a 6.5% increase

Strong results from increased cargo volumes

Despite international economic worries caused by political uncertainty and trade protectionism, Port of Tauranga has seen increased trade volumes and revenue. The results have been bolstered by buoyant domestic GDP, population growth, strong prices for key commodities such as dairy exports, international demand for forestry products and recovery in kiwifruit volumes.

Healthy balance sheet

Net debt to net debt+equity remains strong at 29.5%. Net debt now totals \$460 million.

New dividend policy announced

Ordinary and special dividends for 2019 total \$122.4 million, a 6.5% increase on the previous year.

In 2016, Port of Tauranga reviewed its capital structure and resolved to return up to \$140 million to shareholders over four years.

The last of those special dividends, at 5.0 cents per share, is due to be paid this September.

The aim was to return excess capital to shareholders in a tax efficient manner, optimising shareholder returns while retaining a conservative debt level and strong balance sheet.

We have reviewed our dividend policy and plans for capital expenditure over the next few years and have decided to continue paying a special dividend of 2.5 cents per share per annum, subject to certain conditions.

66

Capital expenditure for the 2018-2019 financial year was \$45 million, less than forecast. Port of Tauranga has capital expenditure of \$310 million in the pipeline, in five stages aligned with cargo volume growth.

Investing in future capacity

Capital expenditure for the 2018-2019 financial year was \$45 million, less than forecast. Port of Tauranga has capital expenditure of \$310 million in the pipeline, in five stages aligned with cargo volume growth.

The programme includes extending the container terminal quay length to create a fourth berth. Container cranes and straddle carriers to service the new berth will be purchased, and additional container storage space developed.

Stage one of the programme is the delivery of the ninth gantry crane in early 2020 and removal of buildings to create more container storage, estimated to cost around \$20 million.

Keeping costs down and maximising returns

Currency fluctuations and oil price volatility can affect costs for Port of Tauranga, our service providers and our customers.

There is considerable variation in other port companies' approach to valuations, making it difficult to

see if capital expenditure is a good use of shareholders' funds. Port of Tauranga uses fair value, based on the expected cash flows to be generated. We seek a minimum return of 8.5% after tax.

Bay of Plenty a popular cruise destination

It was a bumper cruise ship season for the Bay of Plenty, with 116 cruise ships calling at Port of Tauranga in the 2018-2019 season, up from 83 the previous year. An estimated 227,000 passengers and 89,000 crew members were on board.

So far, 112 cruise ships are booked to visit Tauranga in the 2019-2020 season, which begins on 6 October with a call that day by regular visitor *Maasdam*.

Cruise ship passengers are an important source of revenue for the Bay of Plenty and Waikato tourism industries.

Cruise ship expenditure was an estimated \$90.3 million in the Bay of Plenty in the 2019 season¹⁰, an increase of 34.8% on the previous

year. This total, which includes both vessel and visitor spending, was close to 16% of the expenditure nationally and second only to Auckland. Tauranga recorded the country's largest increase in passenger numbers, up 49% on the previous year.

Regional economy grows

Economic growth in the Bay of Plenty in 2018 was 4.9%, compared with the New Zealand average of 3.2%. In the last ten years, the Bay of Plenty economy has grown 3.1%, 1% ahead of New Zealand as a whole¹¹.

Employment in 2018 grew 5% in the Bay of Plenty, compared to national employment growth of 3%.

10. Statistics New Zealand: <https://www.stats.govt.nz/news/cruise-ship-numbers-and-spend-swell>

11. Priority One economic development agency: <https://www.priorityone.co.nz/our-economy>



View of the Tauranga Harbour from Mauao

Regional ratepayers benefit from Port's success

Bay of Plenty Regional Council highlighted the substantial benefits of Port of Tauranga's current operating and governance arrangements to the local, regional and national economy at a meeting in June 2019.

The Council told the Government-appointed working group studying the Upper North Island Supply Chain that there was significant growth expected in the region due to new developments in aquaculture, horticulture and other industries.

"The outcomes of any (supply chain) review must ensure the continuation of the successful business model operated by Port of Tauranga, New Zealand's best-performing port,"

said Deputy Chair, Jane Nees. "Port of Tauranga is a key connection between the upper North Island and international markets."

Ratepayers across the region benefit from the Port's dividends, as well as the \$200 million worth of regional projects and assets funded by the Council through its 54.14% ownership of the Port.

She said the money had been spent on regionally-important infrastructure, such as \$20 million towards the Opotiki Harbour Transformation, \$15 million to the Tauranga Tertiary Campus, \$5 million towards the Tauranga Marine Precinct and \$2.5 million for the Scion Innovation Hub.

Port of Tauranga is also the city's largest ratepayer, having paid more than \$1.6 million in rates to the Tauranga City Council in the past year.

“

Ratepayers across the region benefit from the Port's dividends, as well as the \$200 million worth of regional projects and assets funded by the Council through its 54.14% ownership of the Port.”

Bay of Plenty Regional Council's Jane Nees



Timaru Container Terminal

PrimePort partnership supports “hub and spoke” network

Port of Tauranga’s investment in the South Island has transformed the potential future of PrimePort Timaru.

And there’s none happier than Mayor of Timaru, Damon Odey, who also sits on the PrimePort Timaru Board of Directors.

“Partnering with New Zealand’s biggest and most progressive port has put us on a different level. We can draw on their expertise and forge relationships more quickly than we could have by ourselves,” he says.

The strategic alliance allows Timaru to be used as a marshalling point for South Island cargo going to or from the international hub port at Tauranga. The Timaru operations are complemented by Port of Tauranga’s inland freight hub, MetroPort Christchurch, which is connected to PrimePort by rail.

“The hub and spoke model uses our under-utilised rail and coastal shipping networks. It’s a strategic approach that has multiple benefits, including taking trucks off roads and creating efficiencies for importers and exporters,” says Damon.

Port of Tauranga formed its partnership with PrimePort in early 2015. It acquired a 50% shareholding in PrimePort and a 35 year lease on its container terminal. Port of Tauranga operates Timaru Container Terminal Limited in a joint venture with major exporter Kotahi Logistics.

PrimePort is undertaking an infrastructure renewal programme and has plans for a new multipurpose berth.

“We’re not trying to create another mega port here but we are a vital part of the national network. Port of Tauranga has the vision and the strategy and it’s really going to be exciting as we embark on our expansion,” says Damon.

“

“Partnering with New Zealand’s biggest and most progressive port has put us on a different level.”

Mayor of Timaru, Damon Odey

Our Future

Port of Tauranga provides sustainable shareholder returns through revenue growth from diverse income streams and increased trade. We also actively seek new customers and cargoes.

We will continue to seek operational efficiencies in all areas of our business and ensure prudent cost management in all areas of activity. Through our cornerstone shareholder, Quayside Holdings, the residents and ratepayers of the wider Bay of Plenty will receive the financial benefits of their investment today and well into the future.

Senior Management Team

From left:

Leonard Sampson – *Commercial Manager*

Dan Kneebone – *Property & Infrastructure Manager*

Sara Lunam – *Corporate Services Manager*

Steven Gray – *Chief Financial Officer*

Mark Cairns – *Chief Executive*



Port of Tauranga's senior management team at Pilot Bay in Mount Maunganui, where the Company sponsored the construction of a beach boardwalk



Board of Directors



D A PILKINGTON

BSc, BE, GradDip Dairy Science & Technology, CFIInstD, Chair

Independent Director

David Pilkington was a member of Fonterra's senior executive team. He holds directorships in Port of Tauranga Trustee Company Limited and PrimePort Timaru Limited and chairs Douglas Pharmaceuticals Limited, Northport 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 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.



K R ELLIS

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

Independent Director

Kim Ellis is Chair of Metlifecare Limited, NZ Social Infrastructure Fund Limited and Sleepyhead Group 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 Watercare Services Limited and her other directorships include: Director, Auckland International Airport Limited, AWF Madison Group Limited, New Zealand Post Limited, and The a2 Milk Company (New Zealand) Limited (subsidiary of The a2 Milk Company Limited), and Member of Auckland Committee, Institute of Directors, Advisory Panel to External Reporting Board and the Institute of Directors Council. Julia chairs the Audit Committee and joined the Board in August 2015.



A R LAWRENCE

BCA (Business Admin)

Independent Director

Alastair Lawrence is a very experienced corporate advisor, specialising in commercial evaluation and strategy development. 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.



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

Sir Rob McLeod joined the Board of Quayside Holdings Limited in November 2016 and is Chair. Rob is currently on the Board of NZX listed Sanford Group and has been past Board Member at ANZ National Bank, Tainui Group Holdings, Sky City Entertainment Group and Telecom. Sir Rob 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. Sir Rob joined the Board in October 2017.