

Statement of Intent

An Efficient, Prosperous and Sustainable Port

For the year ending 30 June 2020



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Introduction

The Statement of Intent (SOI) specifies for Lyttelton Port Company Ltd (LPC) and its subsidiaries the objectives, nature and scope of the activities to be undertaken. It also specifies performance targets and other measures by which the performance of LPC may be judged in relation to its objectives and other requirements.

The process of negotiation and determination of an acceptable SOI is a public expression of the accountability relationship between the Company and its Shareholder.

This draft SOI covers the three-year period from 1 July 2019 to 30 June 2022.

LPC is a Port Company governed by the Port Companies Act 1988. This SOI is prepared in accordance with LPC's obligations under the Act. LPC incorporates Lyttelton Port, as well as two Inland Ports: CityDepot in Woolston and MidlandPort at Rolleston.

Our Purpose

Our purpose is simple: we exist to facilitate trade in Canterbury and the South Island.

LPC is the South Island’s biggest international trade gateway, facilitating the movement of \$5 billion of exports and \$5 billion of imports every year. We are New Zealand’s second largest export hub, taking the South Island’s goods to the world.

That’s why we take our role in the economic sustainability of Christchurch, Canterbury and the wider South Island so seriously. We are committed to making sure we develop the Port to ensure that it is able to handle strong projected growth in volumes and is sustainable in the long-term.

This requires us to operate efficiently, safely and sustainably. Our services are critical to the success of a diverse range of exporters and importers, and consequently the lifestyle and prosperity of all people living in the South Island.

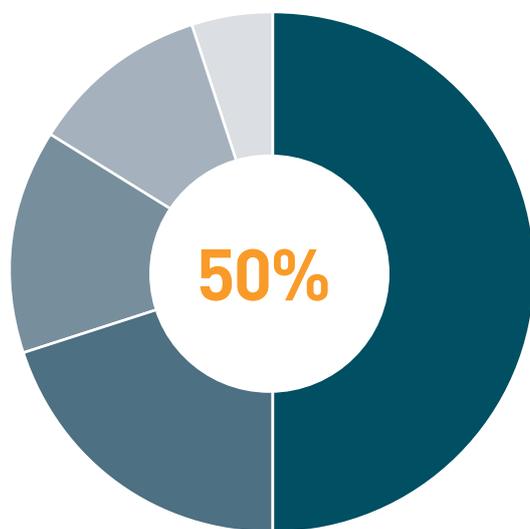
The Port supports thousands of jobs, and the creation of billions of dollars of wealth.

We do all this while continuing to maintain our strong focus on health and safety, the wellbeing of our workforce and protecting the natural environment in which we operate.

The critical role we play in the region’s economic prosperity means we must be focused on meeting the growing needs of exporters and importers, and manage growth to ensure we can meet this demand in an efficient way, balance community interests and the protection of our natural environment.

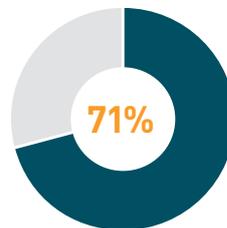
Here’s a snapshot of our impact on the region and New Zealand:

Total South Island Market Share – Containers

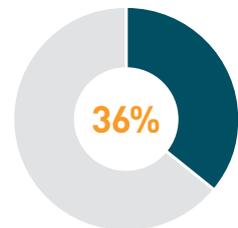


- Lyttelton 50%
- Otago 22%
- Nelson 14%
- Timaru 10%
- Southport 5%

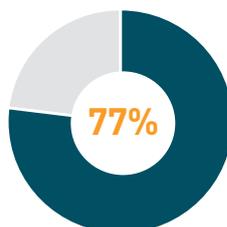
Imports



Exports

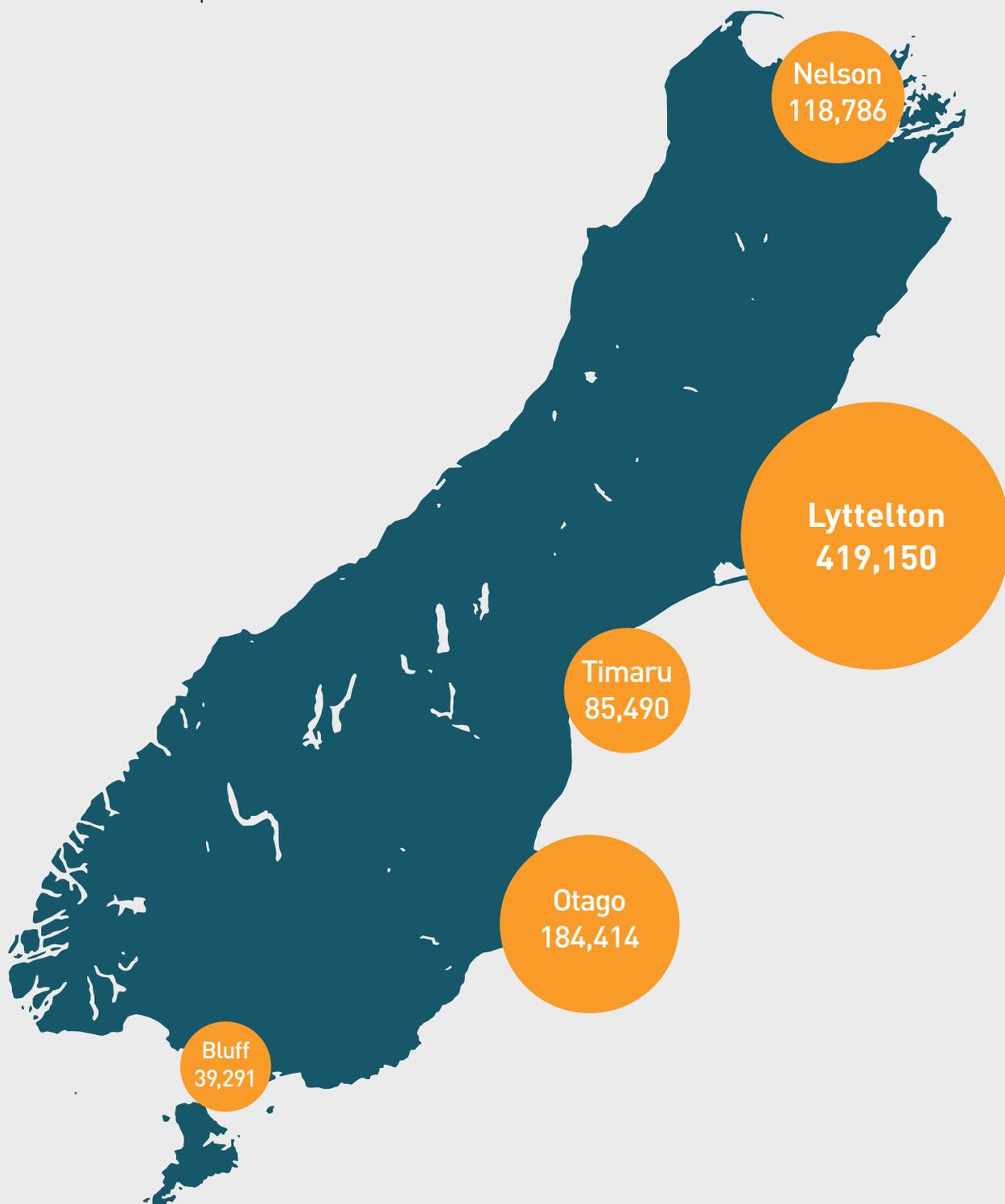


Domestic



South Island Port TEU volumes

TEU October 2017 – September 2018



Key Facts

We service services from the fishing industry, fertiliser, gypsum, cement, non-containerised cargo and imported vehicles



We manage more than half the South Island's container volume including 70% of imports



We have over **550** staff

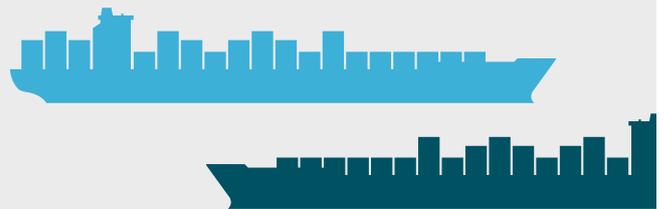
Resilient and committed
24/7

We have two Inland Ports – MidlandPort (Rolleston) and CityDepot (Woolston) which enable a growing use of rail



We keep businesses running with supply of aviation fuel, diesel and other petroleum products

We service ships from 94 international ports, 39 countries and are connected to 13 container shipping lines and 8 shipping services



We are New Zealand's largest coal facility



We load and unload more than **400,000** TEUs of container cargo each year

We are in the process of constructing a dedicated Cruise Berth which will significantly increase our ability to service Cruise vessels



Delivering our Future Port – The Last Five Years

The last five years has been a period of investment and development at Lyttelton Port, with the delivery of vital projects to both help the recovery of Christchurch and prepare the Port for the future.

As well as the rebuild of vital infrastructure, we've seen the framework put in place for the Port's future through the Port Lyttelton Recovery Plan, and the start of the project to protect and ensure the long-term health of the harbour as part of Whaka-Ora, the Whakaraupō/Lyttelton Harbour Catchment Management Plan.

The development programme has not only resulted in a re-built Port, but also in new facilities and Terminal space to handle the projected growth of the South Island economy.

So far, we've delivered:

- 230 metres of new Container berth, serving the \$10 billion of two-way trade that flows through Lyttelton Port. The new facility is built to the highest global earthquake design standards.
- We've reclaimed 10 hectares of new land for Terminal space, using fill from Christchurch's central city demolitions. This has resulted in massive cost savings for the region, and given us the space to handle the continued growth in Canterbury's exports and imports.
- We've received consent and begun work on a further 24 hectares of reclamation, which by 2026 will provide us with space to construct an extra 350 metres of Container berth.
- We've completed and opened the MidlandPort at Rolleston, which is transforming logistics in Canterbury, getting freight off trucks and on to trains, and reducing pressure on the Brougham corridor.
- LPC has deepened and widened our shipping channel, a process that has included installing a new, award-winning navigation system. The new channel allows for much larger container vessels to call, further cementing Lyttelton's role as the South Island's premier export/import Port.
- We've started work on a \$67m Cruise Berth, New Zealand's only purpose-built berthing facility for Cruise vessels. The Berth will allow Christchurch to share in the growing cruise economy, and is setting

the standard for environmental management with an innovative design and comprehensive marine mammal management plan.

- The new Waterfront House/Te Whare Matai Moana has been completed. For the first time, all of LPC corporate and container terminal staff are located in the same building.
- Te Ana Marina has been opened, and over 90% of the berths are occupied. Te Ana, Canterbury's only walk-on floating marina, has breathed life back into Lyttelton's west side waterfront and provided a vibrant community-focused piece of public access to the inner harbour.

It hasn't just been a period of infrastructure development. LPC has also invested in new assets to ensure that the Port is both able to handle the region's ever increasing trade demands and remain economically efficient and environmentally responsible.

Since 2014, we've invested in:

- Two new container cranes, enhancing our safe, reliable service.
- Eight new straddle cranes, all of which are diesel-electric hybrids and able to be automated. This makes our operations both more sustainable and more able to adapt to future developments. Eight more will be delivered over the next two years.
- A new pilot vessel, *Awaroa*, to provide an enhanced level of pilot safety.
- A new tug, *Piaka*, to provide more efficient operations and the power to handle the larger vessels now able to use Lyttelton Port as a result of the new channel.

These developments and investments over the last five years have put Lyttelton Port in a strong position, able to handle the future cargo needs of the South Island and play our part in a sustainable Canterbury economy. LPC remains committed to maintaining a Port that is able to deliver the economic connections Cantabrians expect in a responsible and sustainable way.

An Efficient, Prosperous and Sustainable Port

A commitment to a sustainable operation has to be at the centre of any Port’s DNA. LPC focuses on delivering economic prosperity to our region, looking after our people and communities through our commitments as an employer and as a corporate citizen, and ensuring we protect and enhance our natural environment.

We work hard to ensure that we deliver on what we consider to be the core purposes of our business, and will continue to strengthen these efforts over the SOI period.

At the heart of our sustainability commitment is creating and maintaining an efficient, economically viable business that supports the region’s economy and community. We will therefore be focused on growing connectivity, delivering operational excellence and making sure we remain profitable and financially sustainable.

The importance of our people means we are committed to creating quality employment opportunities, attracting and developing talented people, and maintaining the health and well-being of everyone in our workplace. As part of the role we play as a citizen of Lyttelton Harbour, we work hard to be a responsible and supportive part of the community.

We are also committed to the protection and enhancement of our natural environment and to playing our part in wider global issues. As a Port, LPC has a special responsibility for the Harbour environment, and we are proud to be a part of Whaka-Ora, the Whakaraupō/Lyttelton Harbour Catchment Management Plan.

Our shareholder has set themselves a goal of being carbon neutral by 2030.

We are developing our sustainability strategy which we expect to sign off by 30 June 2019. This document will address our response to the Government’s overarching goal of net zero carbon emissions by 2050.

This year, we will continue to strengthen the delivery of these objectives through our sustainability strategy and aim to increase our non-financial reporting in line with recognised standards of Global Reporting Initiative (GRI) and Integrated Reporting.



A Sustainable Port

Economic Prosperity Through Trade

Competitive Business

- Great connectivity to the South Island and global markets
- Deliver operational excellence
- Profitable and financially sustainable

Infrastructure to Meet Demand

- Optimise the use of land and LPC's infrastructure assets
- Deliver infrastructure to meet capacity needs in a timely way

People and Communities

Effective Workforce

- Ensure workers get home safe every day
- Attract and maintain a talented and productive work force
- Provide an attractive work environment

Being a Good Neighbour

- Ensure we proactively consider implications for community in planning, operations and future development of the Port

Iwi Relationships

- Value and respect manawhenua / manamoana
- Partner in Whaka Ora Healthy Harbour initiatives

Support our Communities

- Invest in local communities through sponsorships
- Continue our plan to move Port operations East away from the residential area to create improved access to Lyttelton Harbour / Whakaraupō

Healthy Environment

Our Footprint

- Continue to measure and minimise our environmental footprint
- Influence our supply chain toward sustainability

Climate Action

- Protect against impacts of climate change
- Ensure energy efficiency in all aspects of Port operations and development
- Focus on carbon emissions reduction

Environmental Management

- Develop and implement comprehensive Environmental Management Systems that support continuous improvement in operational performance and future development
- Actively support partnerships, research and monitoring focused on improving environmental outcomes

Delivering an Efficient, Prosperous and Sustainable Port

1. Economic Prosperity Through Trade

Our purpose is to facilitate trade in Canterbury and the South Island. In order to do this we need to continue to be the South Island's major international trade gateway. This will ensure the economic prosperity of the region, the South Island and New Zealand.

We need to provide the infrastructure, services and connectivity that our customers require in order to maximise shareholder returns.

For LPC, the most important aspect of sustainability is ensuring the business is efficient and economically viable.

Competitive Business

Great connectivity to the South Island and global markets

- LPC continues to invest in new state-of-the-art equipment, technology and infrastructure to meet the continually evolving needs of our customers. As international shipping lines continue to invest in larger vessels which carry more cargo, we need to ensure the Port is capable of servicing them.
- LPC owns two Inland Ports which give importers and exporters a range of options for transporting cargo within the region. We are focusing on increasing volumes through our Inland Ports.

Deliver operational excellence

- Our customers care about their cargo moving through our Port and Inland Ports in an efficient way. We are focused on constantly improving the performance of our operations while ensuring:
 - all operations are focused on meeting customer needs,
 - we use our labour as efficiently as possible, and
 - we utilise technology where appropriate.

Profitable and financially sustainable

- LPC has a number of initiatives underway and planned to increase our profitability.
- In order to build the infrastructure our customers demand, we plan to spend more than \$150 million on LPC's capital projects over the SOI period. Significant projects include a new international Cruise Berth, the establishment of additional land for a new Container Terminal, and repairing our Oil Berth.
- We have a credit facility of \$230M in place to fund our capital investment. LPC Management is focused on ensuring that debt levels and costs are well-managed to ensure the Port's finances are sustainable. This means active management of our Interest Cover and Debt to Equity ratios to ensure there is sufficient forecast headroom. In the longer term we will need additional credit facilities to fund our capital requirements.
- We will invest our profits back into the business and return as much as possible to shareholders while keeping our debt at a manageable level.
- We will increase our non-financial reporting in line with recognised standards of Global Reporting Initiative (GRI) or Integrated Reporting.

Infrastructure to Meet Demand

Optimise the use of land and infrastructure assets

- LPC has significant land holdings at Lyttelton Port and at our two Inland Ports: CityDepot in Woolston and MidlandPort in Rolleston.
- MidlandPort will be expanded to meet increased demand. Stage three of the project involves expansion of the container yard and will be completed by 2022.
- We have resource consent to extensively reclaim additional land over the next 30 years. Our intention is to turn this area into our primary Container Terminal facility.
- When two container vessels are berthed at the same time, we use all four electric ship-to-shore cranes to service them. Our customers are increasingly demanding four crane shifts and we have the cranes and labour available to service their needs.
- We have an asset maintenance and replacement programme to ensure the Port has suitable plant to support growing volumes.

Deliver infrastructure to meet capacity needs in a timely way

- Given the projected growth of the Canterbury economy, the volumes at the Port are forecast to grow to well beyond its current capacity. This growth will be particularly significant in the Lyttelton Container Terminal and MidlandPort.
- In order to meet this demand we will need to create more land and build or expand wharves. In 2018 we dredged our channel to ensure larger shipping containers and cruise vessels can access the Port.
- Over 2016 and 2017, LPC engaged Hamburg Port Consultants to assist us in developing a 30-year plan for the Port. The objectives of the plan are:

1. To support an increase in storage capacity to meet the future freight demand in Canterbury and the South Island.
2. To ensure LPC's facilities are compatible with the demands of international shipping lines to continue serving the exporters and importers of Canterbury.

This has resulted in the development of a three stage plan:

Enhance current Container Terminal capacity

- There are many opportunities to make changes to the current Container Terminal that will improve the Port's capacity in order to meet the forecast growth in container trade. Future projects include construction of four reefer towers, a second rail siding and reconfiguration of the Container Terminal.
- All projects to enhance the Container Terminal's current capacity will complement the strategic long-term options being implemented.
- Many of these changes are the first steps to achieving the Port's long-term storage capacity requirements, and in most cases, the required changes can be made with a small to medium sized capital investment.

Ensure long-term development: Stage 1

- The long-term future for container operations at the Port is focused on the development of a Container Terminal in Te Awaparahi Bay. Stage 1 of this development includes the development of a new 350 metre wharf, and associated landside infrastructure.

Ensure long-term development: Stage 2

- This is the development of a second berth with supporting land and infrastructure at Te Awaparahi Bay.

Case Study / Cruise Berth



The cruise ship industry is the fastest growing sector in tourism. The new Cruise Terminal in Lyttelton will ensure that the Canterbury region reaps the economic benefits from the increases in this sector.

New Zealand's only custom built Cruise Berth will measure 148 metres long by 10 metres wide and will be able to accommodate all sizes of liners, including the world's largest cruise ship which is 362 metres long. Bookings are in line with expectations for the 2020/21 cruise season.

The Cruise Berth design is a compromise between functionality, cost and minimising the impact to the environment. Steps taken to manage the adverse effects on the environment from Cruise Berth construction and the finished Cruise Berth include:

- Alterations to the original design, the new Cruise Berth design is significantly smaller. This significantly reduces the amount and duration of underwater noise and vibrations during piling, resulting in less impact on marine mammals, particularly Hector's Dolphins.
- We have collaborated with experts to develop our Marine Mammal Management Plan (MMMP). This plan sets out how LPC will manage potential noise effects on marine mammals and outlines monitoring and reporting requirements.

LPC has developed Harbourwatch (www.lpcharbourwatch.co.nz), a website with the latest up-to-date information on the Cruise Berth project. The website provides daily up-to-date information on piling activities in the harbour. Our MMMP is also published on the website.

Key facts

Location

Between Cashin Quay and the entrance to the Inner Harbour.

Capacity

Accommodate the world's largest cruise liner which is 362m.

Completion date

2020/21 summer cruise season.

Milestones/Timeline

May 2017

Design, resource consent and Marine Mammal Management Plan (MMMP)

August 2018

Enabling works

February 2019

Main wharf piling

January 2020

Deckwork and landside works

November 2020

Available for berthing

2. People and Communities

Our people and the community we are part of are a key component of LPC’s sustainability focus. We are committed to playing our role as a responsible employer, and being a supportive and collaborative member of the community we operate in.

We understand that the Port’s operations and our business activities throughout the region can have a long-lasting impact, and people rely on us to act with a high level of care, responsibility and accountability at all times. That’s why LPC is focused on attracting and developing talented people, ensuring we operate safely and support the well-being of our staff, and behaving as a responsible and caring corporate citizen.

As we outlined in the Port Lyttelton Plan, we are committed to moving the Port’s operations East over the long term, to free up land and provide increased public access to the waterfront. A great example of this objective becoming a reality is the establishment of Te Ana Marina, Canterbury’s first walk-on floating marina which provides public access to the waterfront.

Our People

Effective Workforce

LPC is focused on attracting a diverse and inclusive workforce with the skills, competencies and experience we need. Over the period of the SOI, we intend to focus on developing strategies and programmes in order to:

- Continue to attract and develop a high performing workforce.
- Enhance our work environment and continue to inspire and motivate staff and increase engagement levels.
- Continue to provide employment and income through sustainable, well-remunerated employment.

Health, Safety and Wellbeing

Engaging our people is at the heart of Health, Safety and Wellbeing (HSW) at LPC. Our new HSW Policy has been developed with our staff at the centre of the process. Our priorities are directed by the three key areas of people, systems and workplace.

1. People

- LPC recognises that our people are our most important asset.
- We have moved to a more consultative approach to HSW. Working with our people on the front line is a priority; we value their feedback and use this to make meaningful changes to systems and procedures. One example of this is how we address critical safety risks through a consultative and inclusive bowtie methodology.
- Enhancing the wellbeing of our employees is a strategic driver. Various initiatives support this, including the Pain and Discomfort Programme that enables people to get treatment for non-injury pain and discomfort that keeps them fit for work.
- Development of our fatigue management programme is well underway.
- We identify and develop LPC talent for HSW opportunities.

2. Systems

- We take a risk based approach to managing HSW.
- New processes have been developed for managing contractors and PCBU’s working at the Port.
- Our HSW System has been benchmarked against internationally recognised standards.
- We have analysed our critical risks to ensure the controls for high risk activities are effective.



Falling Objects



Man vs Machine



Uncontrolled Energy Release



Working at Height



Working on or Near Water

3. Workplace

- Safe equipment and work environments are key to managing risk. We constantly review our equipment and workplace to identify safer alternatives, for example we are aiming to use the reefer towers to reduce man vs machine interface and working at heights risks.



Our Health & Safety Policy

WE CARE

About the health, safety and wellbeing of our people and all Port Users

OUR COMMITMENT

- We engage with people and provide them with what they need to be safe
- We prioritise critical risks and prevent harm through continuous recognition and active management
- We take ownership of our actions and decisions
- We keep the conversation about risk alive, even when everything appears safe
- We create opportunities for learning
- We challenge ourselves to be better everyday; meeting our legal requirements is a minimum

OUR ACTIONS



Peter Davie
Chief Executive

Margaret Devlin
Board Chair



Our Community

We're committed to being a good neighbour and we value and invest in relationships that support a strong social licence. We also have a clear focus on ensuring stakeholders are well-informed and have the opportunity to provide feedback about major development plans and projects.

- **Cruise Berth** - LPC is committed to building a Cruise Berth as part of its development programme. Having a berth that can accommodate major international cruise ships provides Christchurch with a unique opportunity to share in the benefits of an estimated \$700 million industry.
- **Christchurch Antarctic Gateway Strategy** - LPC continues to support the Christchurch Antarctic Gateway Strategy with particular focus on two of the four priorities of the strategy. We provide world class logistics for Antarctic vessels and have a clear focus on sustainability as demonstrated in this SOI.
- **Te Ana Marina** - Public feedback gained during consultation for the Port Lyttelton Plan indicated a strong desire for a more attractive and accessible waterfront. Te Ana Marina is LPC's first step toward regenerating the Inner Harbour as a vibrant community-focused destination, with direct connections to the Lyttelton township. The marina development was finished in 2018, and over the SOI period we will see hospitality developments in the existing Woolstore Building, and potential new property developments on the marina site.
- **Opportunities for regular engagement** - LPC aims to be a good neighbour and the Port Liaison Committee supports this view by regularly meeting to discuss community issues. The Port Liaison Committee includes representatives from the local community, Port users, Environment Canterbury and Christchurch City Council. We're committed to ensuring this group is a constructive and transparent forum for working together on issues relating to the Port and building stronger relationships with the community.
- **Monthly Port Tours by boat** - Our monthly boat tours of the Port, continue to be a big hit with Lyttelton and Christchurch residents. The opportunity for the community to participate in a commented 90-minute behind-the-scenes tour of the Port is an essential part of our plan to maintain direct interface with the community and maintain our presence in Lyttelton.
- **Port Talk** - LPC's community information hub 'Port Talk' is open on Fridays every week for locals to drop in and ask questions, obtain information or give feedback. It's an informal way for people to get information and let us know what they think about the Port and our various development projects. Aside from hosting our weekly Port Talk events, the cabin serves as an offsite meeting room for LPC staff.
- **Relationships with Iwi** - The Manawhenua Advisory Group (MAG) has been an important engagement forum for LPC and Te Hapu o Ngati Wheke since 2014. The purpose of MAG is to provide a regular forum for conversations between LPC and Te Hapu o Ngati Wheke, to recognise and provide the shared vision for Lyttelton Harbour / Whakaraupō.
- **LPC publications and information** - We publish a quarterly community newsletter called LPC Update. It is delivered to 10,000 homes in the local area and published online. Our website is a valuable public resource which features the latest news and information about our various Port-wide development projects. It also provides detailed reports on the archaeological significance and heritage of structures at the Port.
- **Port Noise Acoustic Treatment Programme** for the remaining eligible Lyttelton properties.
- **LPC's sponsorship programme** was established as a means to engage with, and support the Harbour Basin and Rolleston communities in which the Company operates, and wider Canterbury region. Every six months LPC reviews sponsorship applications and provides funding for local organisations and initiatives that deliver ongoing benefits to the region. Our sponsorships range from one-off donations to ongoing partnerships with leading organisations, such as the Maia Health Foundation. We are very proud to be the Foundation's newest Founding Business Partner. The Maia Health Foundation is one of LPC's largest sponsorships. We currently support more than 20 local sporting clubs, community groups, projects and other local organisations.

Case Study / Te Ana Marina



As a key part of the Port Lyttelton Plan, Te Ana Marina is breathing life back into Lyttelton’s west side waterfront. Set between two traditional sites, Ohinehou and Te Ana o Huikai, Te Ana Marina is Canterbury’s only walk-on floating marina. There are 170 floating berths with lengths of 10m-36m to provide shelter for yachts and powerboats. All berths are supplied with water and power services and supported landside with carparks, electric vehicle charging, lighting, security, a new marina office and washroom facilities.

Te Ana Marina is Lyttelton Port Company’s first step toward regenerating the inner harbour as a vibrant community-focused destination with connections to the Lyttelton township. The community has already embraced the facility, with large numbers visiting and enjoying the public space on the waterfront and more than 85% of the berths being occupied.

As part of Stage 1 of the commercial development, the existing Woolstore adjacent to the waterfront has been strengthened and upgraded as part of the marina’s development and many of the unique characteristics of the original building have been retained. The building is now called The Woolstore.

The Woolstore includes 720 square metres of ground floor space in a range of flexible tenancy sizes and up to a maximum of 400 square metres in any one tenancy. Every ground floor tenant will have expansive views over the marina and will benefit from a captive audience of marina users, as well as a pedestrian link connecting Te Ana Marina to Lyttelton.

Key facts

Location
Dampier Bay.

Capacity
170 berths.

Completed date
May 2018.

Milestones/Timeline

Consented
September 2017

First Pier complete
December 2017

Second pier complete
February 2018

Final pier completed
May 2018

Official opening
16 October 2018

3. Healthy Environment

We believe Lyttelton Harbour / Whakaraupō can sustain a thriving Port and a healthy harbour environment that is culturally significant and diverse. We are committed to playing our part by operating and developing in a way that supports a healthy harbour environment while valuing Maori knowledge and heritage. Our ability to achieve this is a crucial measure of our success in preserving the Harbour and Port for future generations.

We invest in robust science and technology to monitor air quality, marine ecology, water quality, stormwater and archaeology. We are currently undertaking comprehensive environmental investigations such as our coastal baseline water quality programme and study of piling-related noise on the endangered Hector's dolphin.

Within the next three years we'll be focusing on the following:

- Ongoing implementation of the Whaka Ora / Healthy Harbour Plan aimed at restoration of the ecological and cultural health of Lyttelton Harbour / Whakaraupō. This initiative will see the partner organisations collaborate and work with the community and other stakeholders on actions that address erosion and sedimentation, pollution and biodiversity.
- We've completed a baseline assessment of our energy, waste and water use for FY18 and can now use this to drive efficiencies, and track our progress over time. Given the importance of minimising carbon emissions, we're also developing carbon emission reduction plans that align with the Government's overarching goal of net zero carbon by 2050.
- Updating and formalising LPC's Environmental Management System to support continued improvement in environmental performance.
- Expand our environmental auditing programme to cover operational areas and use this to drive sustainable business practices.
- Implementing our sustainability strategy which outlines our strategic goals, reflects LPC's major sustainability challenges and opportunities, and describes our vision for long-term success.
- Update our Environmental Policy.
- Continue ecological enhancement of the Port Saddle Restoration Project by restoring native vegetation, enabling recreational and environmental education opportunities building a trail network at the 17 hectare site.
- Ensure energy efficient operations by transitioning our straddle fleet to hybrid (electric/diesel) machines, implementing a vehicle/truck booking system and maximising container freight movements by rail.
- Focus on effective waste management across the business aimed at minimising waste to landfill.
- Increase communications internally and externally to raise awareness of our environmental initiatives, research projects and to provide transparency and build trust for LPC's environmental stewardship.
- Continuing to be active members of the Sustainable Business Council in New Zealand which allows us to collaborate with other organisations, learn from industry leaders and share our expertise regarding sustainability.
- Continue to invest in leading scientific research and monitoring programmes to better understand the Harbour's environmental state, and how best to manage environmental effects, particularly in the areas of water quality, air quality, marine ecology and marine mammals.

Performance Measures and Targets

Objectives	Key Performance Measures	Final Targets		
		2020	2021	2022
Health, Safety and Wellbeing	Critical Risk: Performing monitoring activities	100%	100%	100%
	Significant Incidents frequency rate (per 200,000 hours)	6.4	5.6	4.5
Operational	Gross Crane Rate (as measured by Ministry of Transport)	27	27	27
	Ship Rate (as measured by Ministry of Transport)	65.0	65.0	65.0
	Coal load out rate (tonnes per day)	25,000	25,000	25,000
Financial	Revenue (\$m)	133	152	159
	Net Profit After Tax (\$m)	11	18	18
	Shareholder Funds to Total Assets	70%	68%	67%
	Interest cover ratio	6	5	5
	Debt (\$m)	193	216	227
	Dividend Proposed (\$m)	7.0	8.2	9.0
Environmental	Straddle fleet that is a electric/diesel hybrid	65%	75%	75%
	Ratio of rail containers through gate	11.70%	12.10%	12.5%
	Percentage of resource consent compliance monitoring events achieving full compliance	100%	100%	100%
	Electrical Car Charges available for use by the public	2	2	2

Notes:

Forecast Volatility

LPC operates in a dynamic commercial environment and is continually enhancing our long-term plan. While LPC makes every attempt to provide accurate forecasts, volatility is unavoidable. It is the Board's intention to use any surplus funds which are not in the forecast to manage debt levels.

Returns

Due to the significant capital investment required to manage forecast Container Terminal growth, dividends in the short term are low. These are forecast to increase over time as volumes increase. LPC will work closely with CCHL to provide assurance that the remaining Port Development Programme, together with other business initiatives, will continue to add shareholder value in the long term.

Impairment Risk

Impairment risk is something the Board is actively managing. There is an ongoing impairment risk in relation to the commercial viability of the Cruise Berth as outlined in our Annual Report last year. Our valuation calculations are also dependant on future forecasts which by their nature are inherently uncertain and if materially different could lead to an impairment.

Operational Targets

Gross Crane Rate shows the total containers handled during the allocated crane time for a ship. The Lyttelton Container Terminal is working to maximise this rate for all vessel visits. Ship Rate combines the Gross Crane Rate with the number of cranes used on a vessel and the time labour is active on the vessel. This indicates how many containers are moved per hour over the whole vessel, rather than a particular crane. It is the key customer measure of the length of time it takes us to unload and load a vessel at the Port.

Further Work

The Company is developing further leading indicators relating to critical health and safety risks. The Company is also developing its People and Performance strategy which will address diversity and inclusion.

Dividend Timing

The payment timing of the dividend is one-third in the relevant financial year and two-thirds in the following financial year.

Council's Strategic Priorities

We acknowledge the Christchurch City Council's six strategic priorities, which are outlined below along with how LPC proposes to show leadership in, or contribute to them.

Enabling active citizenship and connected communities

We connect with our local community and wider Canterbury region in a number of ways, which include:

- Our LPC Update newsletter
- Our Port Talk community hub in Lyttelton
- Our monthly free boat tours of Lyttelton Port
- Providing public access to the Lyttelton waterfront and electric car charging stations at Te Ana Marina
- The Manawhenua Advisory Group
- The Port Liaison Group
- Ecological restoration, recreational access and schools' enviro-schools programmes at the 17 hectares Port Saddle site in Lyttelton
- Community sponsorships

Maximising opportunities to help ensure Christchurch becomes a vibrant, prosperous and sustainable city

- We are facilitating the growth of the Canterbury economy to ensure its continued prosperity by investing in the infrastructure throughout the South Island that exporters and importers need.
- We are developing a vibrant waterfront area and retail precinct at Te Ana Marina.
- We are planning to build Christchurch's first custom-designed Cruise Berth that will allow the city to tap into an estimated \$700 million industry.
- We are developing a sustainability plan as part of our commitment to being active members of the Sustainable Business Council.

Climate change leadership

- We have measured our baseline and are now setting key performance indicators as part of our sustainability strategy which will be approved by the Board by 30 June 2019. We will report on progress regarding our energy consumption, waste, water, noise and air quality regularly as a result of this strategy. The strategy will outline the reporting system we intend to adopt.
- We are currently re-designing our Environmental Management Systems, and have completed the compliance system update and the incident reporting system components of this project. We are in the process of completing our risk analysis systems, and developing a set of comprehensive guidance documents.
- We're developing carbon emission reduction plans that align with the Government's overarching goal of net zero carbon by 2050. This process will be outlined in our sustainability strategy.
- We will further develop our understanding of the wider environment by investing in comprehensive scientific research programmes.

Informed and proactive approaches to natural hazard risks

- All of our structures are built with natural hazard risks front of mind.
- Our main container wharf was built to international best practice earthquake codes and were successfully peer reviewed.
- As part of our annual insurance renewal process we review and adjust models showing the impact of natural hazard risks on our assets and operations.

Increasing active, public and shared transport opportunities

- We facilitate and encourage the use of ferries and buses on our wharves.
- We have provided publically available electric car charging stations at Te Ana Marina.
- We successfully upgraded the Diamond Harbour Ferry Terminal to provide the community with excellent facilities in terms of amenity and safety. We also retained two bus stops that meet the Diamond Harbour Ferry service so there would be no change for people using public transport.

Improving our waterways and ensuring a safe and sustainable water supply

- We manage an industry leading marine water quality monitoring programme in Lyttelton Harbour / Whakaraupō and the wider coastal environment.
- During the 2018 channel dredging, experts monitored water conditions in real time and were able to modify dredging operations in response. All information is publically available on our website, <https://lpcharbourwatch.co.nz>.
- The website also provides information on the environmental effects of the Cruise Berth construction. We have collaborated with experts to produce our Marine Mammal Management Plan. This sets out how we will manage potential noise effects on marine mammals, monitoring and reporting requirements. This information is publically available on our website.
- Our environmental management system includes environmental design considerations for all Port infrastructure so that improvements to our stormwater systems are incorporated in major developments.

Other Important Information

Corporate Governance

LPC is committed to having best practice governance. LPC'S Code of Corporate Governance has adopted eight key principles.

1. Ethical Standards
2. Board Composition and Performance
3. Board Committees
4. Reporting and Disclosure
5. Remuneration
6. Strategy and Risk Management
7. Auditors
8. Shareholder Relations and Stakeholder Interests

Remuneration, Shareholder Relations and Stakeholder Interests are detailed below, as they are required to be included in this document. Our full Code of Corporate Governance can be found on our website (www.lpc.co.nz).

Remuneration

The LPC Board has a clear policy for setting Executive remuneration. Remuneration is fair and reasonable, and competitive in the market for the skills, knowledge and experience required. The Company believes all employees should have the opportunity to reach their potential and thrive in an inclusive and diverse workplace. The Board monitors established reporting and trend analysis on age profile, gender profile and employment tenure.

The Board is committed to a policy that the remuneration of Directors and Senior Management be transparent, fair and reasonable. The Company is conscious of its public responsibilities in the setting of remuneration for senior executives, which is closely managed by the Board and made publically available via the annual report. No Executives decide their own remuneration.

LPC's Remuneration Committee recognises that market forces necessarily influence remuneration practices and it strongly believes the fundamental driver of remuneration outcomes should be sustainable business performance. It also believes that overall remuneration should be both fair to the individual, such that remuneration levels accurately reflect Executives' responsibilities and contributions. The positioning and relativities of pay and employment conditions across the wider workforce will also be taken into consideration.

LPC's remuneration policy is included in the annual Statement of Intent (SOI).

LPC pays all staff at least the living wage, unless they are involved in a training scheme.

Shareholder Relations and Stakeholder Interest

LPC maintains a positive and proactive relationship with CCHL. As part of our annual SOI, the Board includes clear policies for our communications and interactions with CCHL. The Board endeavours to ensure CCHL is informed of all major developments affecting the Company's state of affairs, while at the same time recognising commercial sensitivity may preclude certain information from being made public. Information is communicated to CCHL through a "no surprises" policy on issues of importance as they may arise, as well as through formal communications discussed further below.

Formal communication with CCHL includes:

Annual Report

The Annual Report is provided direct to shareholders and it includes audited financial statements and other details which are required to permit an informed assessment of LPC's performance and financial position during the reporting period.

Half Year and Quarterly Reporting

The half year and quarterly reporting contains unaudited information.

Statement of Intent

The SOI is prepared based on the requirements within the Port Companies Act 1988 and the Company's Constitution. The Directors include any other information they consider appropriate.

Briefings

The Company provides briefings to CCHL and its Board, and others as required.

CCHL Bonds

LPC acknowledges its responsibilities under the continuous disclosure regime in relation to CCHL's bonds and has implemented a policy to manage those disclosure requirements.

LPC publishes up-to-date information, on the LPC website providing:

- A comprehensive description of its business and structure.
- Commentary on its goals, strategies and performance.
- Key corporate governance documents.

LPC has a clear focus on the needs of our key stakeholders (including customers, employees, the public, the Council and Government) and recognises it is critical to meet their needs to ensure we have a successful business.

LPC takes account of stakeholder interests by:

- Having clear policies for LPC's relationships with significant stakeholders.
- Regularly assesses compliance with these policies to ensure conduct towards stakeholders complies with its code of ethics and the law.
- Check conduct towards stakeholders aligns with current accepted social, environmental, and ethical norms.

Shareholder Returns

LPC will work closely with CCHL to provide assurance that the remaining Port Development Programme, together with other business initiatives, will add shareholder value.

LPC continues to focus on creating long-term shareholder value by:

- Keeping a continuing focus on improvement in underlying business performance.
- Our commitment to sustainable operations and policies.
- Investing in infrastructure to meet future demand.
- Ensuring all business investment decisions are subject to rigorous commercial scrutiny.
- In discussion with CCHL, LPC intends to:
 - Continue to strengthen our position as a leading and highly competitive New Zealand Port servicing the South Island's importers and exporters.
 - Seek feedback from CCHL on major capital development spend.
 - Reinstate our remaining earthquake damaged assets.

Dividend Policy

LPC is seeking to maximise shareholder value through investing available LPC's cash resources at the highest and best use, while balancing the needs of its shareholder for cash dividends.

A key consideration of the dividend policy is the timing and scale of funding required for the Port's Development Plan.

The Board will continue to assess distributions on the following basis, subject to meeting the solvency requirements of the Companies Act 1993:

- The interests of shareholders.
- Working capital.
- Capital expenditure.
- The timing of reinstatement and development projects.
- Free cash flow available for distribution.

The Company's current dividend policy is to pay 50% of normalised Net Profit After Tax to the Shareholder each year.

Estimate of Commercial Value of Shareholder's Investment

An independent assessment of the value of the Company was conducted as at 30 June 2018 by PricewaterhouseCoopers, on behalf of the shareholder. This assessed the commercial value of the company at between \$410 million and \$505 million.

The discounted cash flow (DCF) method was used to estimate the fair market value of LPC. Inherently there is uncertainty about LPC's steady state, due to the large capital expenditure forecasted over the next 10 years. The valuation is sensitive to the timing and quantum of capital expenditure.

The Company has paid out \$59 million in dividends over the last 10 years. The Company has also made subvention payments to CCC group companies of \$27 million over the last four years. This enables the CCC group to utilise their tax losses by offsetting them against LPC profits.

Acquisition and Divestment Policy

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with the long-term commercial objectives of LPC. When the subscription, acquisition or divestment is considered by Directors to be significant to the Company's business operations, where possible it will be subject to consultation with the shareholders.

Post Investment Review Process

All capital investments over \$250k are eligible for a post investment review. The Board is presented a list from which significant capital investments are chosen for review. This review is completed by an external professional services firm, and the results are presented to the Board.

Innovation, Disruption and New Technology

LPC is in the process of adopting and investigating in a range of new technologies.

We have implemented a new vehicle booking system which improves the flow of road traffic to and from the Port. This technology has delivered operational efficiencies and improved customer experience (Note: this will be implemented by the time the final SOI is released).

As part of the channel deepening project, LPC introduced Dynamic Under Keel (DUKC) e-Navigation system. This is an advanced navigation system that optimises vessel draughts and sailing times. The implementation of this system and the designing of the project won a Port Innovation Award for OMC International at the Dredging and Port Construction Awards 2018.

Scope of Activities

LPC is the fully-integrated operator of Lyttelton Port, which includes the South Island's largest coal export facility, and two Inland Ports: MidlandPort and CityDepot. Our activities include:

- Container Terminal handling services – receipt, delivery, transit storage and stevedoring of a wide range of import and export cargoes.
- The receipt, delivery and loading of coal.
- Marine services – pilotage, towage and lines.
- Providing wharves, land, facilities, plant and labour for the receiving, delivery, stockpiling, stacking and shipment of a wide range of products.
- The maintenance of wharves, plant and machinery.
- The ownership of land and facilities necessary to maintain LPC's commercial assets.
- The provision of Dry Dock facilities associated with the repair and servicing of vessels.
- The ownership and operation of walk-on marina facilities at Lyttelton.
- The operation of two Inland Ports which involve the storage, receipt and delivery, repair and washing of containerised cargo.

Accounting Policies

LPC has adopted accounting policies that are consistent with New Zealand International Financial Reporting Standards, generally accepted accounting practice and in accordance with the Companies Act 1993 and the Financial Reporting Act 1993 and any amendments thereto.

A full statement of LPC's accounting policies is included in LPC's Annual Report for 30 June 2017 (available on LPC's website at www.lpc.co.nz).

Engagement with Stakeholders

Intra-group co-operation and procurement

LPC recognises the importance CCHL places on intra-group cooperation. LPC continues to utilise "All of Government" contracts.

LPC has commercial relationships within the following CCC group entities:

- **Orion and Connetics** – electricity suppliers to the Port and Maintenance Contractors on High Voltage systems; and
- **Citycare** – facilities management, and civil construction works.

Role in the growth of the regional economy

The substantial investment resulting from the Development Plan will deliver Christchurch world class Port facilities. There are significant and substantial opportunities for Cantabrians to participate in these projects.

LPC has responsibilities under the Civil Defence Act to build and maintain resilient infrastructure. This has been demonstrated by the performance of the assets after the seismic events. LPC will rebuild the Port to appropriate standards to ensure its assets are resilient to possible future events.

Contact Details

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Lyttelton

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