

# Statement of Intent Charting LPC's course toward a sustainable future

For the year ending 30 June 2019



# Contents

<b>Introduction</b>	<b>2</b>
<b>Our Purpose</b>	<b>3</b>
<b>Key Facts</b>	<b>5</b>
<b>Charting our Sustainable Course</b>	<b>6</b>
<b>A sustainable Port</b>	<b>6</b>
<b>Key Initiatives to Ensure a Sustainable Future</b>	<b>7</b>
Economic Prosperity Through Trade	7
Connecting With Communities	12
Healthy Environment	14
<b>Performance Measures and Targets</b>	<b>15</b>
<b>Council's Strategic Priorities</b>	<b>16</b>
<b>Other Important Information</b>	<b>17</b>
<b>Contact Details</b>	<b>22</b>

## 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 SOI covers the three year period from 1 July 2018 to 30 June 2021.

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.

We are the gateway for international trade throughout the South Island. We are committed to futureproofing our operations by making certain that we have a facility which supports the lifestyle of all people living in Christchurch, Canterbury and the wider South Island.

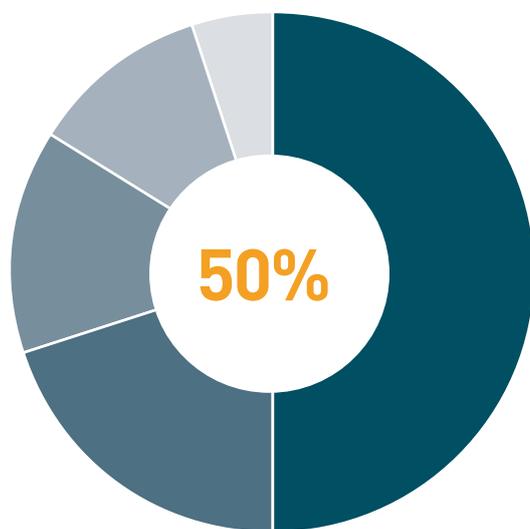
We ensure \$4.5 billion of exports and \$4 billion of imports flow across the South Island each year in a safe and efficient manner. Our facilities service a diverse range of exporters in the South Island ranging from dairy, meat, fish, seed, wine and various other food and beverage manufacturers to leading exporters of coal, logs and more. We also support most of the imports into the region which range from vehicles and coffee and almost everything in between.

The Port is critical for trade in the South Island, supporting thousands of jobs and creating billions of dollars in wealth. This is achieved while maintaining our strong focus on health and safety, supporting the wellbeing of our workforce and the environment in which we operate.

To be able to facilitate trade, LPC must grow to meet the needs of importers and exporters. We will manage this growth in a way that effectively considers community interests and ensures our natural environment is protected. We firmly believe that balance is key to a sustainable future.

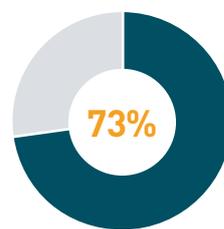
The significance of the Port to the region and New Zealand is represented in the graphics below:

Total South Island Market Share – Containers

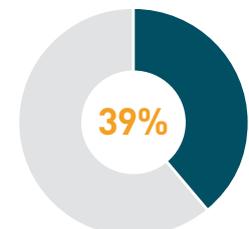


- Lyttelton 50%
- Otago 21%
- Nelson 14%
- Timaru 11%
- Southport 5%

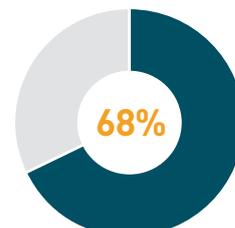
Imports



Exports



Domestic



## South Island Port TEU volumes

TEU Oct 2016 – Sep 2017



# Key Facts

**We provide services for 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

**500** staff

Resilient and committed

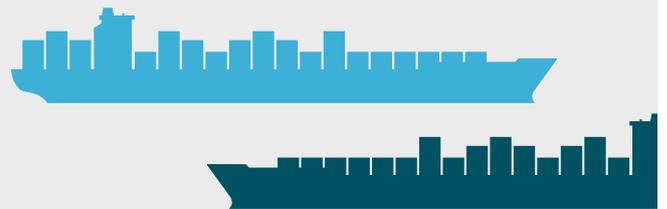
**24/7**

We have two Inland Ports – MidlandPort (Rolleston) and CityDepot (Woolston)



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

We service ships from 94 international ports and 39 countries and are connected to 14 container shipping lines and 9 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 provide tugboats to manoeuvre vessels in and out of berths



We provide pilots to guide ships, staff to assist with berthing, casting off and security



We provide cargo handling and stevedoring services for refrigerated containers (reefers)



## Charting our sustainable course

We are working to integrate sustainability throughout every aspect of our business, operational processes and culture – it’s an exciting journey.

We have a good foundation. It is critically important that LPC has a specific definition of what sustainability means for our business. To us a sustainable Port delivers economic prosperity through trade, ensures a healthy environment, and supports and connects with communities.

The environmental management of Port and harbour operations has taken on a higher profile, as we work proactively to ensure our operations do not adversely impact our environment, but we know we have more work ahead of us and we’re up for the challenge.

Our shareholder has set themselves a goal of carbon neutral by 2030. We will assess our activities in the SOI period against this and add to our environmental goals in future SOIs.



## 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

#### Effective Workforce

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

#### Infrastructure to Meet Demand

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

### Connecting with Communities

#### Being a Good Neighbour

- Develop processes for identifying and responding to community interests and issues
- 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

- Deliver on community aspirations for waterfront access
- 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

- Measure and minimise our environmental footprint
- Influence our supply chain toward sustainability

#### Climate Action

- Protect against potential impacts of climate change
- Ensure energy efficiency in all aspects of Port operations and development

#### Environmental Management

- Develop and implement Comprehensive Environmental Management Systems that support continuous improvement in operational performance and future development
- Grow our scientific understanding of the Lyttelton Harbour / Whakaraupō environment by establishing partnerships with leading research organisations, and conducting our own independent investigations

# Key Initiatives to Ensure a Sustainable Future

## 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 deliver shareholder returns.

For LPC, the most important aspect of sustainability is ensuring the business is economically sustainable.

### Competitive Business

#### Great connectivity to the South Island and global markets

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

#### Deliver operational excellence

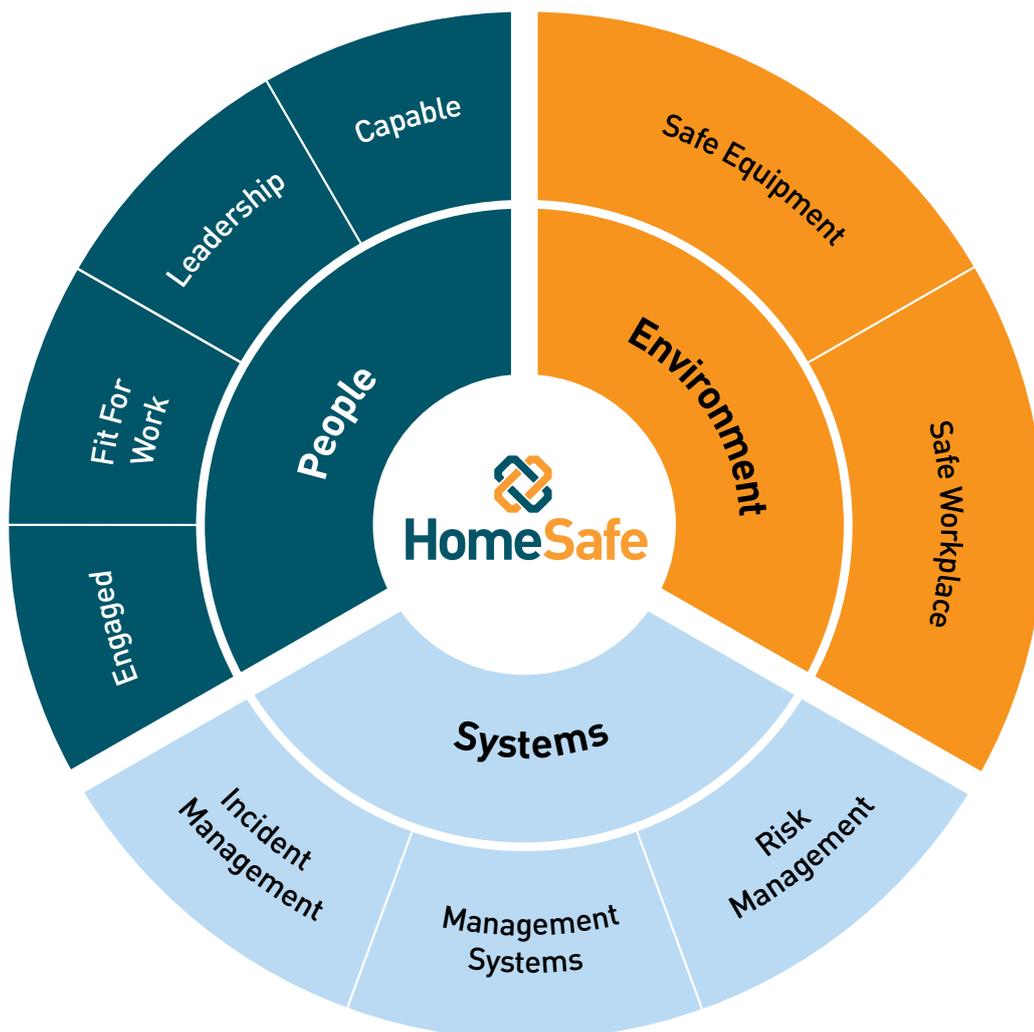
- Our customers care about their cargo moving through our Port and Inland Ports in an efficient way. We are focused on constantly improving the performance of our operations while ensuring:
  - all operations are focused on meeting customer need
  - we use our labour as efficiently as possible.

#### Profitable and financially sustainable

- LPC has a number of initiatives underway and planned throughout the SOI period to increase our profitability. These are not in the current SOI forecast.
- In order to build the infrastructure our customers demand, we plan to spend more than \$400 million on LPC's capital projects from 2018 to 2021. This spend includes some significant projects including a new international cruise berth, the establishment of additional land for a new terminal, dredging our shipping channel, as well as purchasing a new Tug and investment in hybrid (electric/diesel) Straddle Carriers.
- LPC debt is forecast to rise to around \$240 million over the SOI period. LPC management is focused on ensuring that debt levels and costs are well-managed to ensure that the Port's finances are sustainable.
- 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.

### Effective Workforce

- **Ensures workers are home safe every day**  
LPC established the Home Safe program (see diagram below) to ensure a healthy and safe working environment for all staff, contractors and visitors at the Port.
- **Attracting and developing a high performing workforce**  
LPC is focussed on attracting people with the skills, competencies and experience we need.
- **Provide a working environment that inspires and motivates staff**  
LPC is ensuring our people, Port users and partners are working together to achieve the best outcomes for the Company.



## 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.
- We have reclaimed almost 10 hectares of land at Te Awaparahi Bay since the 2010/11 Christchurch earthquakes. This project provides numerous benefits by providing a clean fill dumping facility at no cost to demolition contractors and giving the Port more useable land to increase our storage capacity for relatively little cost. The reclamation area is already utilised for vehicle storage and log exports. It has allowed our empty container yard in Lyttelton to expand.
- We have been granted resource consent by Environment Canterbury to extensively reclaim additional land over the next 30 years and our intention is to turn this area into our primary Container Terminal facility.
- We have four electric ship-to-shore cranes, two of which were purchased in the last three years. When two container vessels are berthed at the same time, we use all four cranes to service them. Our customers are increasingly demanding four crane shifts and we now have the cranes and labour available to service their needs.

### 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.
- In order to meet this demand we will need to create more land, build or expand wharves and dredge Lyttelton Harbour's shipping channel to ensure larger container ships 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 the international shipping lines to continue serving the exporters and importers of Canterbury.
- This has resulted in 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 over time in order to meet the forecast growth in container trade.
- 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 700 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 / Key Capital Project

### Channel Deepening

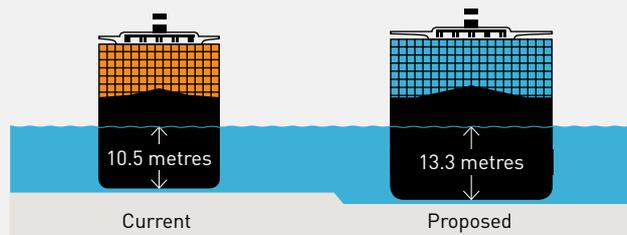
- The current channel at Lyttelton can accommodate container ships which are 12.4 metres deep and carry up to 5,000 TEU.
- Our customers are telling us they want to bring larger ships to Lyttelton so that they can move cargo more efficiently. These larger ships are up to 13.3 metres deep and carry up to 8,000 TEU. They cannot currently access the Port due to the limited depth of our shipping channel.
- Other ports around New Zealand are already capable of accommodating these bigger ships and it is only a matter of time before Lyttelton will have to accept them, otherwise exporters and importers throughout the South Island will lose direct access to overseas markets.
- We have obtained consent for the first stage of capital dredging. We have settled the appeal with the Surf Break Protection Society and are in the process of finalising the legal arrangements around the appeal that was lodged by iwi.

#### Key facts

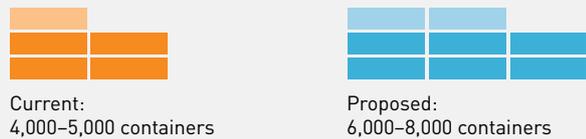
##### Approximate channel depth (at low tide)

Current: 12–12.5 metres      Proposed: 13.5–14 metres

##### Maximum vessel draught (at all tides)



##### Container ship capacity



##### Container ship size



## Connecting With Communities

We see ourselves as part of the fabric of the Lyttelton Harbour / Whakaraupō environment and the surrounding community. 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.

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. 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. This includes our project to deepen the shipping channel and the construction of Te Ana Marina.

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

### **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 and Canterbury with a unique opportunity to share in the benefits of an estimated \$640 million industry (source: Tourism New Zealand).

Our goal is to have the cruise berth ready for the start of the 2020/21 cruise season which starts in October 2020. Our ability to deliver the berth on time depends significantly on our ability to obtain the relevant consents. While the cruise berth is expected to have a significant positive impact on the local and regional economy and is expected to generate a positive economic return to LPC, it is expected to generate a lower economic return than other potential investments LPC could otherwise have undertaken.

### **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 has been completed.

### **Opportunities for regular engagement**

LPC aims to be a good neighbour and the Port Liaison Committee supports this by regularly meeting to discuss community issues. The Port Liaison Committee includes representatives from the local community, Port users, Environment Canterbury and the 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, which are facilitated by Black Cat Cruises, continue to be a big hit with local 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. Plans are currently underway to upgrade the existing Port Talk cabins. Aside from hosting our weekly Port Talk events, the new cabin will serve as an offsite meeting room for LPC staff to consult external visitors.

**Relationships with Iwi**

The Manawhenua Advisory Group (MAG) has been an important engagement forum for LPC and Te Hapū o Ngāti Wheke since 2014. The purpose of MAG is to provide a regular forum for conversations between LPC and Te Hapū o Ngāti 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.

**Sponsorship in our Communities**

We are committed to engaging with, and supporting the Harbour Basin and Rolleston communities in which we operate, and the wider Canterbury region. We are very proud to be the newest Founding Business Partner of the Māia Health Foundation, an independent non-profit charity established to help raise funds and awareness to enhance Canterbury Health services, including the Christchurch Hospital. The Māia Health Foundation is one of LPC's largest sponsorships. Our other community sponsorships range from one-off donations to ongoing partnerships with organisations that deliver ongoing benefits to the region.

## 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 will continue to partner with leading scientific research organisations to grow our knowledge of the Harbour and develop a shared understanding of how we can minimise the effects of our operations.

We invest in robust science and technology to monitor air quality, marine ecology, water quality, stormwater and archaeology. We are currently undertaking some of the most comprehensive environmental investigations in Lyttelton, such as our coastal baseline water quality programme and study of piling-related noise on the endangered Hector's dolphin. It is our goal to continue developing LPC's website as a valuable online resource by readily sharing our environmental and archaeological reports with the public.

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

- Measuring our baseline footprint so we can set relevant targets for sustainable operations across energy, waste, water, noise and air quality.
- Update and formalise 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.
- Develop a Sustainability Plan, including materiality assessment.
- Update our Environmental Policy.
- Continue ecological enhancement of the Port Saddle Restoration Project by planting vegetation, building a trail network and providing environmental education opportunities 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.
- Increase communications internally and externally to promote our environmental initiatives, research projects and policies to provide transparency and show confidence in LPC's environmental stewardship.
- We are 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.
- Play our part along with Environment Canterbury, the Christchurch City Council, Te Rūnanga o Ngāi Tahu, Te Hapū o Ngāti Wheke and local communities in implementing the Whaka-Ora Healthy Harbour Plan that will guide our actions to restore the Harbour's ecological and cultural health.
- Continue to invest in leading scientific research and monitoring programmes to better understand the Harbour's environmental health, particularly in the areas of water quality, marine ecology and marine mammals.

## Performance Measures and Targets

Objectives	Key Performance Measures	Final Targets		
		2019	2020	2021
<b>Health &amp; Safety</b>	Critical Risk: Performing monitoring activities	100%	100%	100%
	Significant Incidents frequency rate (per 200,000 hours)	7.1	6.4	5.6
<b>Operational</b>	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
<b>Financial</b>	Revenue (\$m)	128	133	143
	Net Profit After Tax (\$m)	11	12	11.5
	Shareholder Funds to Total Assets	73%	64%	64%
	Interest cover ratio	8	4	3
	Dividend Proposed (\$m)	6.4	7	5.8
<b>Environmental</b>	Straddle fleet that is a electric/diesel hybrid	50%	65%	75%
	Number of trucks removed off the Rolleston-Christchurch route	30,000	32,000	35,000
	Electrical Car Charges available for use by the public	1	2	2

### Note:

- The TRIFR targets above are set off the 12 month rolling average as at 31 May 2017 reducing by 10% each year.
- 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.
- The payment timing of the dividend is one-third in the relevant financial year and two-thirds in the following financial year.

## Operational Targets

We have used 'Net Crane Rate' and 'Ship Rate' as operational metrics for this SOI. These indicators are benchmarked within the industry and reported through the Ministry of Transport's Freight Information Gathering System (FIGS), allowing for easy comparison between all New Zealand ports.

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 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.

# 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 drop-in centre in Lyttelton
  - Our monthly free boat tours of Lyttelton Port
  - Providing public access to the Lyttelton waterfront at Te Ana Marina
  - The Manawhenua Advisory Group
  - The Port Liaison Group
  - Restoring the Port Saddle area and establishing new public trails
  - 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 exporters and importers throughout the South Island 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 are going to measure our baseline, set key performance indicators and report on progress regarding our energy consumption, waste, water, noise and air quality.
- We will improve our Environmental Management Systems.
- 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 are modelling the impact of natural hazard risks on our assets and operations.

## Increasing active, public and shared transport opportunities and use

- We facilitate and encourage the use of ferries and buses on our wharves. We have invested significantly in the past year to ensure these facilities are fit for purpose.
- We will provide publicly available electric car charging stations at Te Ana Marina.
- We successfully upgraded the Diamond Harbour Ferry Terminal to provide the community with superior 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 wider coastal environment. It will be the largest water quality monitoring programme ever completed as part of a dredging project in New Zealand. All information and results will be publicly 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.**

### Ethical Standards

Company Directors and employees are expected to act honestly, in good faith and in the best interests of the Company as required by law at all times. Directors observe and foster high ethical standards throughout the Company. To that end, the Board has adopted a Code of Conduct for employees and a fraud prevention policy which addresses:

- conflicts of interest
- protection of Company information
- protection of Company assets and property
- acceptance of gifts or benefits (and the prohibition of bribes and facilitation payments)
- relations with customers, suppliers and employees
- compliance with laws and policies

Mechanisms are in place for the reporting of unethical behaviour, breaches of the Code of Conduct and other Company policies, which may lead to disciplinary action. A Directors' Interest Register is maintained and reviewed at each Board meeting. Directors' interests are disclosed in the Company's Annual Report.

### Role of Board

The Board is responsible for corporate governance which includes providing the direction and supervision of the Company's business. Day-to-day management of the Company is delegated to the Chief Executive appointed by the Board. The Board agrees targets and objectives with the Chief Executive and monitors and reviews Management's performance. The Board must make decisions in accordance with the Company's Statement of Corporate Intent.

### Board Composition

The Company's Constitution provides that the Board will consist of between six and eight Directors. No more than two Directors can be members or employees of a local authority that owns voting securities in the Company. One third of the Directors must retire by rotation at each annual meeting. In addition to the Constitution requirements, the Board's policy is that Directors should possess a balance of skills, knowledge, experience and perspectives so that the Board works effectively.

### Continuous Improvement

The Company provides induction training for new appointees to the Board and Directors, and they are encouraged to undertake ongoing training to remain current on how to best perform their duties as Directors. The Board has a formal procedure for regular evaluation of the effectiveness and performance of the Board and its individual members.

### Committees of the Board

The Board has the following Committees:

- Audit and Finance Committee
- Remuneration Committee

The Committees make recommendations to the Board and exercise the Board's decision-making powers when they have been delegated authority to do so. The composition, terms of reference and performance of each of the Committees are reviewed regularly by the Board. The Board also has a representation on the Management Health and Safety Committee.

## Shareholder Returns

LPC is committed to working with Christchurch City Holdings Limited (CCHL) as it further develops its medium and long-term business plans.

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.

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

- ensuring all business investment decisions are subject to rigorous commercial scrutiny, and
- keeping a continuing focus on improvement in underlying business performance.

At the request of shareholders, LPC may undertake activities that are not consistent with normal commercial objectives. Where necessary, a specific subsidy or funding arrangement will be sought to meet the full commercial cost of providing such activities. For example, the level of return from the new cruise berth that LPC intends to construct as part of its capital expenditure programme will impact on whether this leads to an impairment once constructed, which may also impact on the level of dividends that LPC is able to pay CCHL.

## 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 per cent of normalised Net Profit After Tax to Shareholders 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 2015 by Ernst Young (EY), on behalf of the shareholder. This assessed the commercial value of the company at \$459 million. The Company has paid out \$51 million in dividends over the last 10 years. When this amount is combined with the EY valuation, the average growth rate of the value of the Council's investment in LPC over the 10 year period is 8.3 per cent.

## 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 a major transaction as defined in the Companies Act 1993, s129 (2), the transaction will be subject to shareholder's approval by special resolution.

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 significant capital investments are subject to a post capital review process which is presented to the Board.

## No Surprises – Continuous Disclosure

LPC maintains a positive and proactive relationship 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 surprise" 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 will include 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 will contain unaudited information.

### Statement of Intent

The SOI will be prepared based on the requirements within the Port Companies Act 1988. The Directors will include any other information they consider appropriate.

### Briefings

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

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.

## Remuneration

LPC's Remuneration Committee determines, and agrees with the Board, the policy for remuneration of the Chief Executive, other members of the Executive Management Team, and the LPC workforce overall. The company is especially 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 will be involved in deciding their own remuneration.

The objective of this policy is to:

- apply challenging performance measures, including key financial and non-financial measures of performance,
- link a large component of pay to company performance and the creation of value, and
- ensure remuneration agreements are equitable and fair.

The Committee will:

- review and note annual remuneration trends across LPC and in particular, compare the trends in base pay for senior management to that of all LPC employees,
- review and approve proposed rewards on an individual basis for Executives, and
- review and approve the performance targets to be used for Executives.

LPC's Remuneration Committee recognises that market forces necessarily influence remuneration practices and it strongly believes the fundamental driver of remuneration outcomes should be 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.

Our *Rewarding Performance* remuneration strategy recognises the importance of health and safety, upon which the Remuneration Committee places great emphasis on the determination of performance-based remuneration outcomes for senior management and general workforce. The Committee is guided by our purpose, our strategy and how we measure success. It aims to support our Executives in taking a long-term approach to decision-making in order to build a sustainable and value-adding business.

## Innovation, Disruption and New Technology

LPC is in the process of adopting and investigating a range of new technologies. We have recently implemented a state-of-the-art Control Room at the Lyttelton Container Terminal. We are in the process of implementing a new vehicle booking system which will improve the flow of road traffic to and from the Port. We are also developing a plan to assess the viability of automating significant parts of the Container Terminal to enhance our operational inefficiencies and improve productivity.

## Sponsorships

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 Māia Health Foundation. We are very proud to be the Foundation's newest Founding Business Partner. Our financial contributions will be used to help fund two vital projects: a new rooftop helipad and a range of enhancements to Christchurch Hospital's child health care facilities, which include the installation of 60 parent beds and the development of new shared family spaces.

The Māia 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.

## Diversity and Inclusion

At LPC, we believe all employees should have the opportunity to reach their potential and thrive in an inclusive and diverse workplace. We support fair treatment by employing, developing and promoting staff based on merit.

Unlawful discrimination, bullying or harassment is not tolerated.

We have well-established programmes, such as our Graduated Retirement scheme, where we have achieved good success.

LPC recently established reporting and trend analysis on age profile, gender profile and employment tenure. We will continue to report on the diversity of our workforce and inclusion measurements to our Board to ensure we continue achieving our objectives in this important area.

## 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 including 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](http://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
- City Care – 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

**Lyttelton Port Company Ltd registered office is at:**

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37-39 Gladstone Quay  
Lyttelton

**Contact details for both the Chairperson and Chief Executive are:**

**Address**

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**Telephone**

(03) 328 8198

**Website**

[www.lpc.co.nz](http://www.lpc.co.nz)