

Statement of Intent

For the year ending 30 June 2017



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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, amongst 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 2016 to 30 June 2019.

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

OUR PURPOSE

In New Zealand, 99% of imports and exports and 15% of domestic trade is by sea. Lyttelton Port is the preferred trade gateway for the exports and imports of Canterbury and beyond. The Port and subsequent trade is essential to the region's businesses and consumers.

As international trade grows, so does the demand for sea freight. Freight volumes are expected to increase by 400% within 30 years and container ships are growing in size. LPC must ensure its infrastructure has the capacity to service current and future demand.



LPC Key Facts:

- Canterbury's export and import gateway.
- Essential to the region's economy, businesses and people.
- The South Island's largest Port and Container Terminal.
- Important link for national and international shipping companies.
- Connected with 14 shipping lines and 9 shipping services.
- Two inland Ports – MidlandPort at Rolleston and CityDepot in Woolston.
- Key piece of infrastructure supporting the recovery of Christchurch.
- Critical to growing Canterbury and the South Island's economies.

SCOPE OF ACTIVITIES

LPC is the fully integrated Port operator of Lyttelton Port, MidlandPort and CityDepot. Its activities include:

- Container Terminal handling services – receipt, delivery, transit storage and shipment of a wide range of import and export cargoes.
- Breakbulk and bulk cargo handling services.
- Marine services – pilotage, towage and bunkering services.
- Providing land, facilities, plant and labour for the receiving, delivery, stockpiling, stacking and shipment of a wide range of products.
- 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.
- Depots.

VISION

LPC's vision is:

"To be the South Island's Major International Trade Gateway".

In practice this means being the Port of choice for the majority of the South Island's international seaborne freight customers. This vision will be achieved through the achievement of the objectives stated below.

OBJECTIVES

LPC's core business is to service international freight movement. This means providing appropriate facilities and services to meet the needs of our customers both now and in the future. In order to deliver on this primary objective, LPC will:

- Deliver profitable growth by providing commercial solutions for our customers.
- Provide high performing and efficient operations to service customer demand.
- Provide infrastructure to meet customer demand.
- Work cooperatively to ensure a safe port.
- Employ a team of highly capable and engaged employees.
- Ensure we have a social licence to operate.
- Operate the Port at Lyttelton, CityDepot and MidlandPort in accordance with the Port Companies Act 1988 and all other applicable laws and regulations.

KEY INITIATIVES

Deliver profitable growth by providing commercial solutions for our customers

To deliver profitable growth, LPC is focusing on the following key areas:

- Aggregation of South Island cargo through commercial relationships with key partners in the South Island and beyond.
- Enhancement and development of services to all major markets.
- Investment in cargo facilities that deliver real investment returns.
- Develop strategic relationships and alliances in Canterbury and beyond to ensure the best possible outcome for our customers, the harbour's future and the communities in which we operate.

Provide high performing and efficient operations to service customer demand

Our customers care most about their cargo moving through our Ports and Depots in the most efficient way possible. We are focused on constantly improving the performance of our operations whilst ensuring:

- Focus all operations on meeting customer need.
- Continuous performance improvement.
- Efficient labour utilisations.
- Efficient asset management.
- General cargo & Port users development.

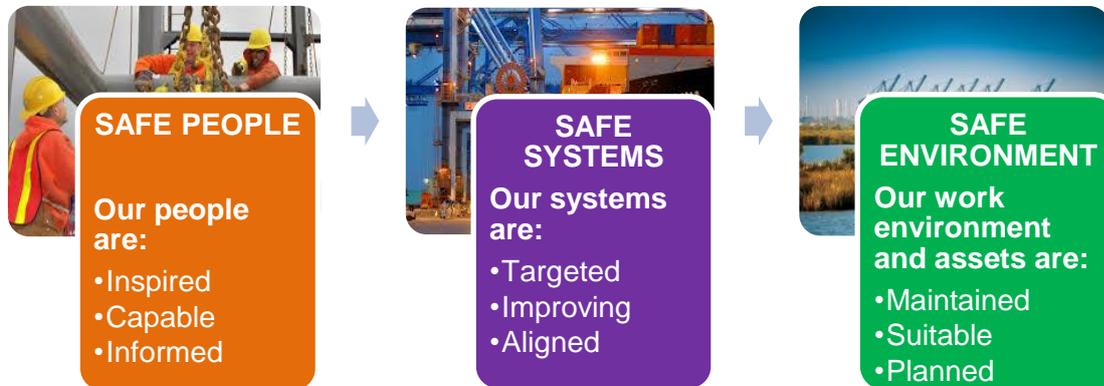
Provide infrastructure to meet customer demand

The Port has the responsibility to provide infrastructure that supports our customers and operations both now and in the future. In order to do this, LPC is focused on:

- Development
 - Reinstating earthquake damaged assets as quickly as practicably possible.
 - Developing new facilities at the Port as demand requires in a commercially sensible way.
- Planning
 - Ensuring the Port has the ability to develop and expand as commercially required, through the implementation of the Lyttelton Port Recovery Plan, and ensuring we have the consents we need, when we need them.
- Maintenance
 - Maintaining our damaged assets to optimise whole life costs

Ensuring our people are safe through having safe systems and providing a safe environment

We want all our people, including our suppliers, customers, Port users and contractors, to go home safe. To lead in safety, we have identified the three overarching goals that are appropriate to our current level of performance: Safe People, Safe Systems and Safe Environment.



Safe People

- **Inspired** – Our leaders will inspire our people by visibly demonstrating their commitment to Health and Safety.
- **Capable** – We will empower our people with the knowledge, skill and experience to recognise and manage the risks in their activities, and to support each other in their activities.
- **Informed** – We will ensure that our people are provided with the information they need, when they need it.

Safe Systems

- **Targeted** – Our system of work will support us to manage the specific risks associated with our activities. They will be appropriate to the risk; simple and pragmatic. They will be accessible and available to all of our people.
- **Improving** – Legal compliance is the minimum acceptable standard for our team. We have a strong public face and our reputation is essential to our ability to deliver our service. We will strive to attain best practice in our activities.
- **Aligned** – Through the standardisation of our systems for health and safety management across all aspects of our business, we can streamline our activities maximising our efficiencies, enhancing our performance and ensuring our processes are fully embedded within our business processes.

Safe Environment

- **Maintained** – We will ensure that all of our assets, equipment and plant are well maintained to ensure operational readiness and safety.
- **Suitable** – We will ensure that our equipment, infrastructure and assets are appropriate to our activities, suitable for our environments and the ways that we use them. We will ensure that health and safety is considered in our procurement decisions.
- **Planned** – Our current operational activity is constrained by the reduced capacity of the Port following the earthquake. As we rebuild our Port to full capacity we will focus on ensuring that safety is considered, not only with respect to the ongoing rebuild activity, but also the long-term operation and functioning of the Port.

INFRASTRUCTURE FOR THE NEXT 30 YEARS

Lyttelton Port Recovery Plan (LPRP)

The Recovery Plan provides for the social, economic, cultural and environmental wellbeing of the Lyttelton and greater Christchurch communities. The Port is the major gateway to the South Island for goods freighted by sea and it makes a significant contribution to the regional and national economy. The Recovery Plan will ensure safe, efficient and effective operations, while taking account of the impact on the coastal marine area and the community, any implications on transport and the needs of users of the Port and its surrounding areas.

The LPRP was released on 19 November 2015 by the Canterbury Earthquake Recovery Minister Gerry Brownlee. It is a milestone in the Port's development. It provides the framework for the Port's future and is critical for planning how we meet the forecast increase in customer exports and imports. It gives certainty for the progress of our infrastructure repairs, rebuild and development. The LPRP follows extensive public consultation by LPC and ECan. The public response to our plans was robust and overwhelmingly positive. The plan can be viewed at www.portlytteltonplan.co.nz.

LPC is committed to delivering our undertakings as agreed in the Lyttelton Port Recovery Plan.

Key infrastructure projects for LPC in the next 30 years include:

Reinstatement

- Rebuild of Cashin Quay 2
- Rebuild of Oil Wharf
- Inner Harbour wharf strengthening
- Cashin Quay 3 and 4 strengthening

Development

- Land Reclamation
- Development of MidlandPort
- Development of Marina facilities
- Channel deepening
- Container Terminal expansion into Te Awaparahi Bay

OTHER KEY INFORMATION

Performance Measures and Targets

Objectives	Key Performance Measures	Targets		
		2017	2018	2019
Health & Safety	Total recordable injury frequency rate (<i>per 200,000 hours</i>)	8.1	6.5	5.2
	Serious harm accidents	Nil	Nil	Nil
Operational	Net Crane Rate (<i>as measured by Ministry of Transport</i>)	31.3	32.9	34.5
	Ship Rate (<i>as measured by Ministry of Transport</i>)	61.7	64.8	68.0
	Coal load out rate (<i>tonnes per day</i>)	25,000	25,000	25,000
Financial	Revenue (\$m)	109	126	128
	Interest cover ratio	N/A	170.0	10.2
	Dividend Proposed (\$m)	2.0	1.0	1.4
Environmental	Number of breaches - lagging	0.0	0.0	0.0

Notes:

- Dividends to CCHL will be in line with the dividend policy (refer below).
- LPC operates in a dynamic commercial environment and is currently developing its long term plans with an international Port consultant (Hamburg Port Consulting). Whilst LPC makes every attempt to provide accurate forecasts, volatility at this stage of the process is unavoidable.

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 NZ Ports.

Net Crane Rate shows the speed of the cranes (number of containers moved per hour) when they are actively moving containers, with all delays removed. LCT are working to maximise this rate for all vessel visits.

Ship Rate combines the Net 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 a key customer measure of the length of time it takes us to unload and load the vessel in Port.

Shareholder Returns

LPC is committed to working with CCHL as it further develops its medium and long term business plans.

In discussion with CCHL, LPC intends to:

- Reinstate earthquake damaged assets.
- Protect our strategic position within the competitive South Island market.
- Seek feedback from CCHL on major capital development spend.

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, the Company may undertake activities that are not consistent with normal commercial objectives. Where necessary, a specific subsidy will be sought to meet the full commercial cost of providing such activities. This may be the case in relation to the development of a

dedicated Cruise Terminal at the Port.

Dividend Policy

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

The Company resumed dividend payments in March 2014 and paid a special dividend in October 2014. We currently anticipate that future dividends will be a minimum of 30% of normalised NPAT.

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

The Board has not formally adopted a dividend pay-out ratio but continues 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; and
- free cash flow available for distribution.

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, on behalf of the shareholder. This assessed the commercial value of the company at \$459m. The Directors continue to assess the value of the Company's assets and will highlight any issues to the Shareholder as they arise.

Communication

LPC aims to develop positive and proactive relationships 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 will include audited financial statements and such other details as are necessary to permit an informed assessment of LPC's performance and financial position during the reporting period provided to the shareholder.

- **Half Year and Quarterly Reporting**

The half year and quarterly reporting will contain unaudited information and comply with NZ IAS 34.

- **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 any others as required.

Corporate Governance and Policies

Role of Board

The Board is responsible for corporate governance and 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, and not 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.

Committees of the Board

The Board has the following Committees:

- Audit and Finance Committee,
- Remuneration Committee,
- Infrastructure Development Committee, and
- Health and Safety Governance 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.

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 2015 (available at LPC's website www.lpc.co.nz).

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.

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 – electricity suppliers to the Port and Maintenance Contractors on High Voltage systems; and
- 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.

Environmental

LPC is committed to minimising any adverse effects of its operations and developments on the environment. LPC will:

- Advocate environmentally sustainable principles in Port operations.
- Avoid, remedy or mitigate the adverse effects of its operations on the environment.
- Where appropriate, pro-actively consult with the community on environmental issues.
- Identify priorities for environmental improvement.
- Implement and maintain systems and procedures for continually improving environmental performance.
- Monitor, document and report on environmental performance to the Board, Senior Management and staff.

LPC's Environmental Policy is a commitment to address all the priority environmental issues in the Port, such as operational noise and discharge of contaminants to air, land and water. The Resource Management Act, 1991 provides the legal framework, together with statutory policy statements, plans and regulations prepared under the Act.

LPC accepts clean fill from building demolitions in Christchurch to reclaim land at Te Awaparahi Bay. This clean fill must meet strict environmental standards and diverts construction waste from landfill.

LPC continues to inspect and monitor harbour beaches for material that may have breached the screening and containment systems.

Community Engagement

LPC engages regularly with Lyttelton and the wider Christchurch community and values our relationship with these stakeholders. Ongoing community initiatives include Port Talk, the Lyttelton Liaison Group, Port tours and sponsorship of local community groups.

LPC and ECan completed a major community engagement process around the release of the Port Lyttelton Plan. The Plan was given formal approval by the Minister for Earthquake Recovery, Gerry Brownlee, on 19 November 2015. An information hub, 'Port Talk', was established on London Street, Lyttelton, as part of that process and continues to be operated by the Port to engage with our community.

LPC has conducted Port tours by boat in 2015 which have proved very popular and will continue as an excellent form of community engagement going forward.

In 2015, LPC created a video suite - 'Our Port Our People' - which is now featured on our website and LinkedIn. The videos highlight many of our key operations and a range of frontline roles.

This provides external stakeholders with a 'window' into our operations, services, the value we provide and help support recruitment. There has been an exponential increase in video viewing on social media. The MidlandPort and CityDepot videos have been provided to LPC customers.

Local Iwi

LPC and local Runanga, Te Hapū o Ngāti Wheke, have established the Manawhenua Advisory Group which meets monthly to support us in implementing our shared vision for a healthy Lyttelton Harbour/Whakaraupo. The joint statement developed by the Manawhenua Advisory Group demonstrates our shared long term interest in the future of the harbour and our commitment to

working together to fulfil our common responsibility as custodians and kaitiaki of the harbour.

LPC continues to work to broaden and deepen its links with its community and local Iwi.

New Sponsorships

LPC recently started a three year sponsorship agreement with the Banks Peninsula Conservation Trust to promote sustainable land management on Banks Peninsula.

LPC recently initiated sponsorship of the Lyttelton Seafarers' Centre in Norwich Quay. It is a safe place for visiting seafarers to go when they are in Port and provides free internet so they can contact home.

LPC has also undertaken sponsorship in 2015 of the Canterbury Youth Development Programme (CYDP). This programme helps provide life skills and opportunities for young people. LPC has funded the purchase of one late-model vehicles so CYPD coordinators can visit young people and their families, transport them to vocational and educational opportunities and provide support.

Community Support

LPC continues to develop strong relationships with Christchurch City Council, CERA and ECan. All parties are working constructively on a number of significant projects:

- Lyttelton Port Recovery Plan
- Sumner Road reopening
- Greater Christchurch Transport Strategy.

LPC is a proud member of the Canterbury community and seeks to support its community. Initiatives include:

- Sponsorship of the Lyttelton Harbour Festival of Lights.
- Support of the Quail Island Ecological Restoration Trust and the Banks Peninsula Conservation Trust.
- Support of Lyttelton Junior Rugby.
- Sponsorship of the Champion Canterbury Awards.

CONTACT DETAILS

Lyttelton Port Company Ltd registered office's are at:

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Woolston 8022
Christchurch

Contact details for both the Chairperson and Chief Executive are:

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