

STEPPING AHEAD

ANNUAL REPORT 2017: PART 1 of 2





**Napier Port is
stepping ahead.
We're investing
now to build a
bright future for our
customers, our staff,
the economy and
our community.**

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CHAIRMAN'S REPORT

It has been a remarkable year for Napier Port. The efforts of staff and the strong leadership of the senior management team enabled Napier Port to respond swiftly to the disruption in the national supply chain caused by the Kaikoura earthquake. Our people and culture are our most important taonga and investing in them has created a stronger company.

The health and safety of every person on port is the board's top priority. Reflecting this, the Health and Safety Committee transitioned to a whole-of-board function this year, emphasising that every director is accountable when it comes to safety. All directors are now spending time in the operational environment to strengthen our understanding of the risks and safety challenges presented by a port environment.

In the wake of the Kaikoura earthquake, additional cargo volumes coming from outside our traditional catchment contributed to an exceptionally strong financial result for Napier Port this year. A net profit of \$16.7 million saw a dividend of \$10.7 million delivered to the Hawke's Bay Regional Investment Company. Growth in cargo volumes is expected to return to a more traditional pattern in 2018, and financial results are tempered by the need to invest heavily over the coming years.

This year saw new records for log exports and containerised cargo, and major growth is forecast for the pipfruit and forestry sectors over the next decade. Napier Port plays an important role in ensuring our region continues to thrive,

and significant investment will be required in order to ensure the port can handle this growth in our cargo base.

Napier Port operates in a global environment and we must sustain our relevance for both shippers and shipping lines. Having the right infrastructure in place is critical to ensuring shipping lines continue to take our high-value products to the world at competitive rates.

This year we've been laying the foundations for the future success of Napier Port – and by extension, the future growth of our customers, our economy and our community. We've purchased land for a future freight hub in Whakatu, invested in higher bookends for log stacks, and begun development of a second offsite depot in Pandora.

Napier Port has a strong vision for the future, and a robust strategy in place to achieve it. A key element in the shape of our future is the development of a new wharf, to enable Napier Port to berth the larger vessels that are beginning to service New Zealand trades.

An efficient, resilient and future-ready port is only one factor in enabling the future growth of our region. We also have to look outside our boundaries



and ensure that long-term regional planning allows for increasing cargo volumes and strategic transport links. Napier Port is sharing our vision with a broad range of stakeholders, connecting with local and central government alongside industry, iwi and our community, to build an understanding of Napier Port's future needs and the benefits for the region.

CHANGES ON THE BOARD

After ten years, Jon Nichols retires from the board at this year's AGM. Those who have had the pleasure of working alongside him during that time have appreciated his breadth of knowledge, capacity for robust debate, and genuine interest in all areas of the port. On behalf of the board, I thank him for his service and professional contribution to Napier Port.

This year saw the sad loss of former Napier Port director John Shaskey, who passed away in June. John served on the Napier Port board from 2011 until 2016, and always brought a sharp intellect and business acumen to the table. His passing is a great loss to the New Zealand business community.

Banking and investment specialist Stephen Moir joined the board in December. His expertise is proving an asset and we are pleased to have secured his services.

FAREWELL GARTH

At the end of this year, Napier Port will farewell long-serving Chief Executive Garth Cowie. Garth has overseen a remarkable period of continuous growth and his leadership, vision and dedication over the past 18 years has ensured Napier Port is well-positioned for the future.

After a rigorous recruitment process, the board appointed Todd Dawson to the role in October. Todd is a strong leader and the board is confident that he brings the skill, experience and tenacity to take Napier Port forward. He takes the helm in January 2018, and we look forward to welcoming him and his family to Hawke's Bay.

THANK YOU

Thank you to the board for their service, to our customers and stakeholders for their ongoing support, and to Napier Port staff, who stepped up under difficult circumstances this year. Napier Port is at an exciting juncture, and with the support of our customers, community and staff, we look forward to forging the path ahead with confidence.

ALASDAIR MACLEOD
CHAIRMAN



CHIEF EXECUTIVE OFFICER'S REPORT

It has been an historic year for Napier Port. Major challenges tested our capabilities, and Napier Port rose to the occasion. We've taken our place on the national stage, and shown that big things can be achieved within a confined footprint.

It was a year of challenges in 2017, and Napier Port stepped up. When the Kaikoura earthquake struck, damaging infrastructure and disrupting the national supply chain, Napier Port swung into action. Swift and decisive leadership ensured that when cargo destined for Wellington's damaged CentrePort began to land on our wharves, the people, plans and plant were in place to handle it. Our people pulled together in a way that demonstrated the value of our investment in building an agile culture and the meaning of our 'Better People, Better Answers' philosophy.

With containerised cargo already forecast to grow, these extraordinary circumstances saw Napier Port handle a record 288,444 TEU this year. The long-anticipated 'Wall of Wood' also started to stack up on port, and a record number of cruise passengers disembarked at Napier.

January 5th brought a major milestone for Napier Port, as we welcomed the giant cruise liner Ovation of the Seas. At 348 metres LOA, it was the biggest vessel ever to have berthed at Napier Port and could not be berthed by a number of larger ports. The success of her call at Napier was testament to what our team can achieve with the support of our community and local partners.

Safety is at the core of everything we do, and we are proud to have managed an extended peak season without any lost time injuries. However, our safety journey is never-ending and we continue to search for better answers to our safety challenges. We are proudly leading the way in safety innovation, developing new tools, implementing new technology, and sharing learnings to improve safety across the ports sector.

FOCUSING AHEAD

Growth across Central New Zealand is accelerating, and it isn't set to slow any time soon. Log exports are forecast to double in the next ten years. Hawke's Bay's reputation as a tourist destination is spreading, and the value of our local tourism industry climbs with every year. The apple industry is surging ahead, planting millions of trees and targeting \$1 billion in exports by 2022.

Napier Port is investing now to ensure we are well-placed to handle the Central New Zealand cargo base into the future. This year, we expanded our heavy plant fleet, boosted our log yard infrastructure, and replenished our small forklift fleet. The purchase of additional land holdings in Pandora and Whakatu will future-



proof Napier Port's footprint, enabling the development of an offsite container wash and repair facility in the short term and the opportunity to establish an inland freight hub in future.

The most crucial element in our future strategy is the development of a wharf capable of handling the next generation of larger vessels. With cruise lines building ever-larger ships and container lines cascading bigger vessels into New Zealand trades, we are already seeing an increase in the size of vessels calling at Napier Port. As Central New Zealand grows, it is vital that Napier Port has the capability to handle the increasing frequency of large vessel calls.

This year, we have invested in extensive studies around the feasibility, design, and potential environmental impacts of the proposed wharf. We have talked to thousands of interested stakeholders and members of our local community, and their feedback has helped us to refine and improve our design.

We are looking forward to moving into the formal consultation phase following the application for resource consent, and working through how we can best ensure that our region continues to thrive, and remain relevant for the importing and exporting community.

ON REFLECTION

This annual report will be my last for Napier Port, as I pass the responsibilities to a new Chief Executive at the end of this

year. It has been an honour to serve in this role for the past 18 years, and I am very proud of all that Napier Port has achieved. Over the course of that period, Napier Port has grown from a breakbulk port handling 2.2 million tonnes of cargo and 58,972 TEU into a diverse operation handling a record 4.75 million tonnes and 288,444 TEU. Continuous growth year-on-year has enabled us to invest in our people, plant and technology, ensuring Napier Port is in excellent shape for the future.

It has been my privilege to have worked with many outstanding, dedicated and talented staff and directors during my time at Napier Port. I have had a fantastic senior management team alongside me, and their support, expertise and professionalism has been greatly appreciated.

I leave the company in the capable hands of Todd Dawson. Napier Port has a bright future ahead, and I look forward to the company's continued growth and success.

Thank you to all Napier Port's staff, customers and stakeholders, my industry colleagues, and the Hawke's Bay community for your support and encouragement over many years.

GARTH COWIE
CHIEF EXECUTIVE OFFICER

YEAR'S HIGHLIGHTS



4.754

MILLION TONNES
TOTAL CARGO
HANDLED



288,444

TEU CONTAINER
VOLUMES
12% INCREASE



688

VESSELS OVERALL
6.9% INCREASE



118

RECORD LOG
VESSEL CALLS



\$37.4

MILLION
OPERATING
PROFIT



\$16.7

MILLION
NET PROFIT
AFTER TAX



48,310

TEU HANDLED
THROUGH
PORT PACK



255

STAFF
AT 30 SEPTEMBER



1.63

MILLION TONNES
RECORD LOG
VOLUME



2.505

MILLION TONNES
BULK CARGO



54

CRUISE SHIP
CALLS



348

METRES LOA -
LARGEST SHIP
BERTHED



\$10.7

MILLION
DIVIDENDS



125,000+

CRUISE PASSENGERS
AND CREW



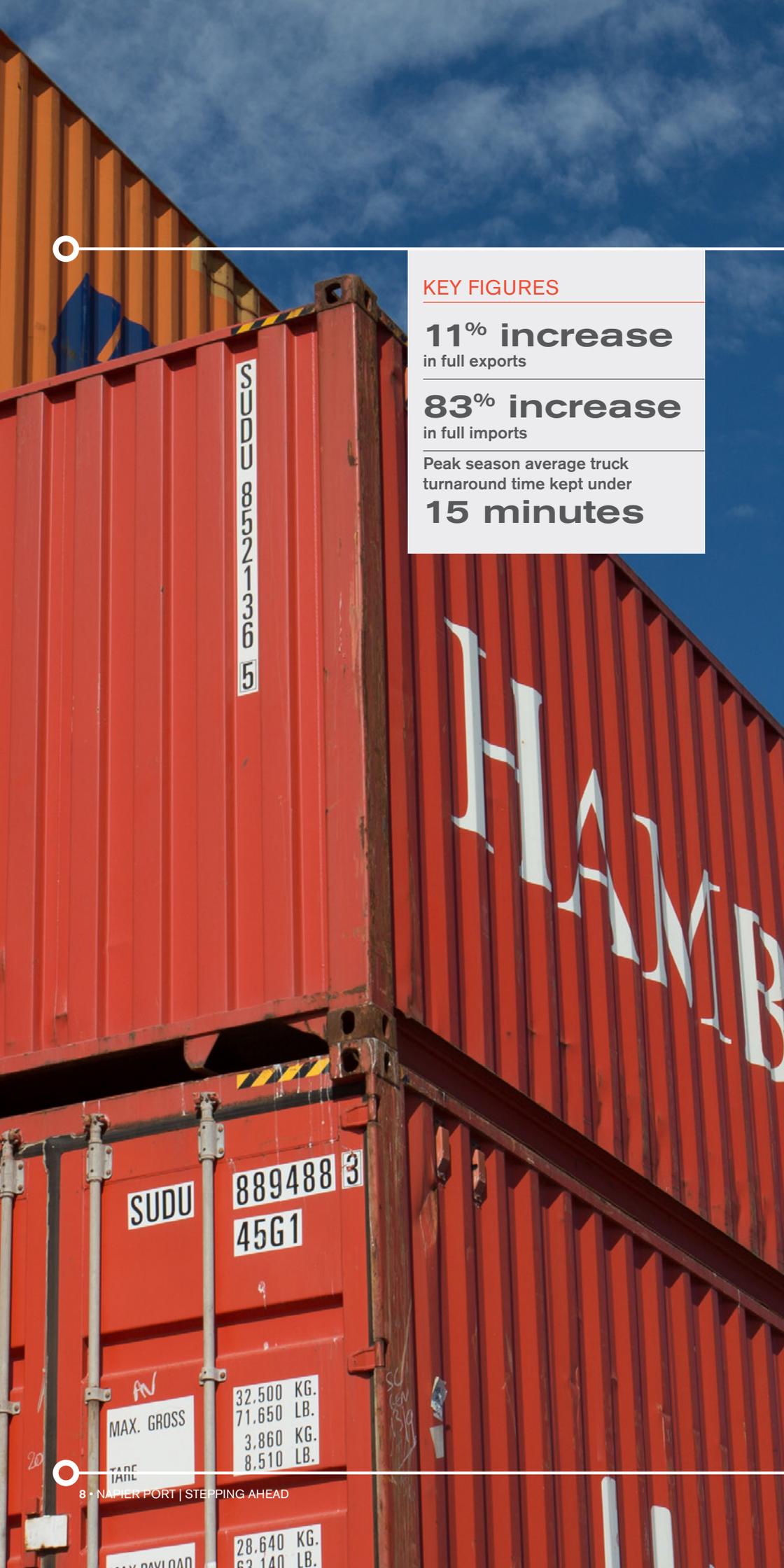
35%

INCREASE IN
LOG EXPORTS



2000+

PEOPLE ENGAGED
WITH ON WHARF
DEVELOPMENT



KEY FIGURES

11% increase
in full exports

83% increase
in full imports

Peak season average truck
turnaround time kept under

15 minutes

STEPPING UP

On 14th November 2016, a severe earthquake shook New Zealand. The effects rippled out from the epicentre at Kaikoura, making major freight routes in the South Island impassable and badly damaging infrastructure in the lower North Island.

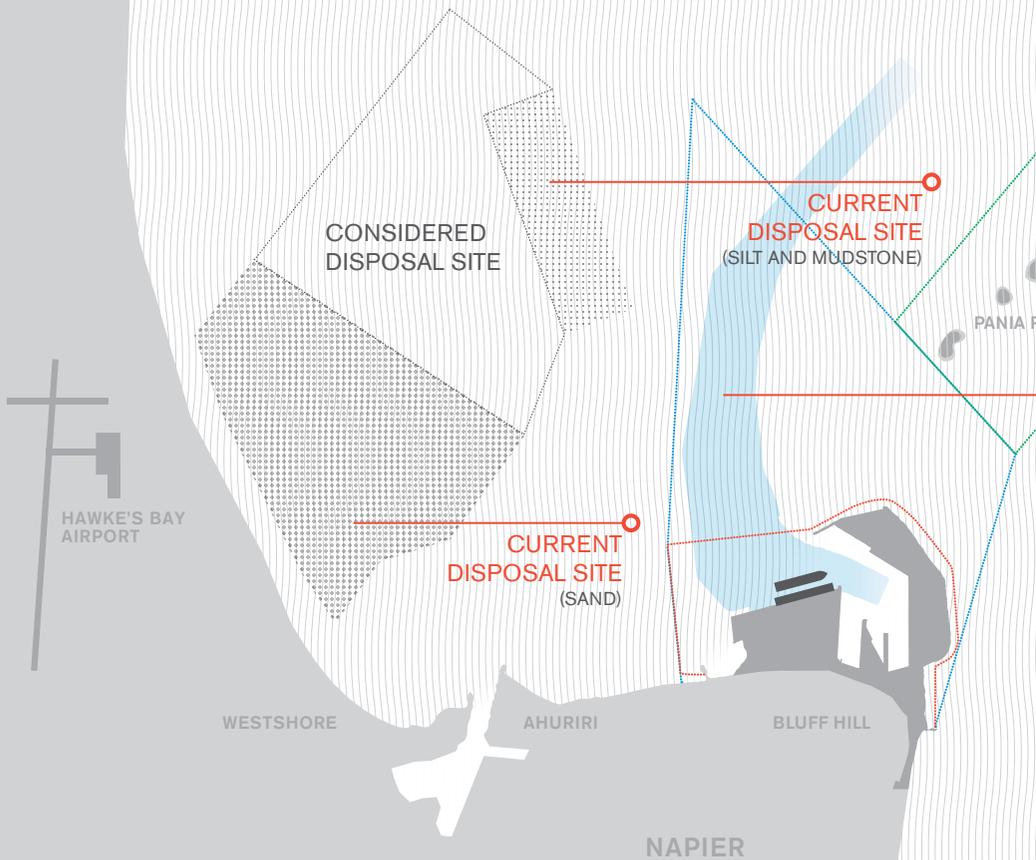
As importers, exporters, and freight firms worked to understand the damage and its implications, Napier Port stepped up to keep the supply chain running. With a record export season ahead, a sudden influx of cargo presented an extraordinary challenge – and our people rose to the occasion.

Napier Port fast-tracked growth plans, immediately embarking on a search for additional equipment. Staff numbers were boosted across all functions, and comprehensive and condensed training programmes developed to bring new staff up to speed prior to the export peak season.

Frontline staff worked closely with shippers, freight firms and KiwiRail to minimise disruption to the supply chain, offering thousands of dollars of demurrage relief to affected customers, putting new systems in place to handle the change in cargo mix and making space for additional cargo. Hours of operation were extended to allow a greater number of trucks through our gates.

Napier Port worked closely with key customers, many of whom were expecting record export volumes, to maintain the speed and calibre of our service.

With an historic year now behind us, it is time to reflect on the magnitude of the feat accomplished. Absorbing six years' growth in just one year, without compromising safety or service, is a true testament to the calibre of Napier Port's people, leadership, and culture.



FUTURE-PROOFING OUR PORT

Napier Port is facing significant growth – in both the volume of cargo crossing our wharves and in the size and number of ships coming here. We are planning ahead – future-proofing the region's economy by ensuring we have the facilities to handle that growth.

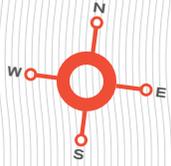
Napier Port is seeking resource consent for a \$125+ million wharf and to dredge the shipping channel so that larger ships can get there. When demand is sufficient, the 350-metre long wharf will be constructed along the existing sea wall.

We need to get this right and have spent almost two years listening to the community to ensure the project will not negatively impact on our environment or the community Napier Port is part of. We have spoken to more than 2000 stakeholders, including local hapū and iwi, our customers, Hawke's Bay businesses, our neighbours, central and local government, interest groups such as surfers and fishermen, and the wider public.

Napier Port has invested in significant scientific investigations to better understand our environment: marine ecology, the coastal processes at work, and the potential impacts of dredging and construction. We believe we have done everything we can to ensure we do the best for Hawke's Bay.

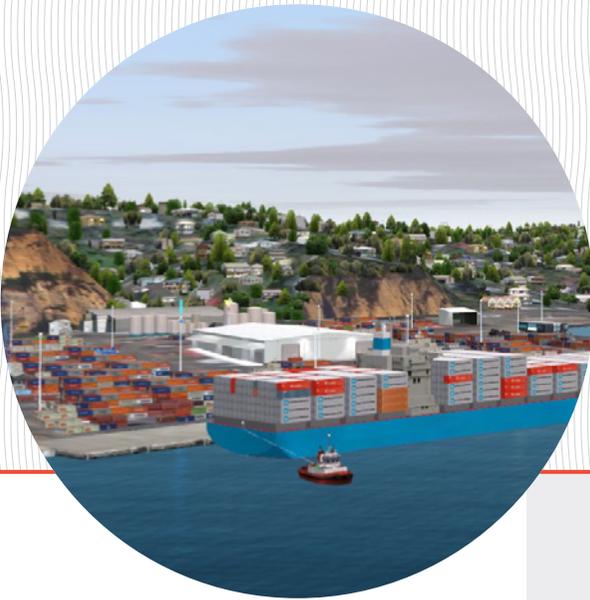
Prioritising meaningful pre-consultation and robust science has made a big difference. Napier Port has benefited from local knowledge, discovered things we didn't know and, as a result, improved the design of the project.

Most significantly, Napier Port made the decision to move the proposed disposal site for dredged material from near to Westshore Beach to a site 5km east of the port. In deeper water,



REEF

INCREASE SHIPPING CHANNEL DEPTH
DOWN TO 14.5 METRES



PROPOSED DISPOSAL SITE

the material is less likely to be affected by swell events and, importantly, will ensure Pania Reef is protected.

Napier Port is already a significant contributor to the regional economy, associated with 51% of Gross Regional Product and more than 27,000 full and part-time jobs. The construction of a new wharf will mean Hawke's Bay can continue to thrive, carving out our place in the national economy and strengthening our connection to global markets.

MAP KEY

- Napier Port Lease Boundary
- Port Management Area
- Special Conservation Area

KEY FIGURES

350m
long wharf

\$125+
million investment

2000+
stakeholders engaged with

51%
of Gross Regional Product associated with Napier Port

27,000
full and part-time jobs directly or indirectly associated with Napier Port

BUILDING OUR FUTURE

Major growth is on the horizon for importers and exporters across Central New Zealand. While Napier Port is looking ahead, we are investing now to ensure we can enable our region to grow in future.

CREATING ADDITIONAL FLEXIBILITY

Operating within a constrained footprint, it is vital that Napier Port has the flexibility to meet our customers' needs. Changes in trade saw the woodchip area turned over to make room for a growing volume of log exports this year. A multi-purpose area on 4 Wharf has alternated between storing reefer containers and logs and an adjacent area was repurposed for an expanded lumber packing operation.

DEVELOPING OFFSITE DEPOTS

Napier Port's offsite empty container depot proved its worth, handling more than 62,000 empty containers.

A neighbouring site in Pandora was purchased for the future development of off-port operations. Napier Port also expanded its land holding in Whakatu, purchasing an additional 8.2 hectares of land. Earmarked for a future inland freight hub, it is a key element in Napier Port's long-term strategic plan to service the wider Hawke's Bay catchment.

SUPPLY CHAIN SOLUTIONS FOR MANAWATU

Strategically situated in Palmerston North with a direct rail link to Napier Port, the Longburn Intermodal Freight Hub is developing supply chain solutions for shippers in the Manawatu region. A joint venture between Napier Port, Halls Group and Ports of Auckland, this year saw Longburn expand its covered onsite storage.

DREDGING PARTNERSHIP

In November 2016, Napier Port signed the Five Ports Dredging Agreement in Auckland, witnessed by King Willem-Alexander and Queen Máxima of The Netherlands. The agreement formalises a partnership between Dutch Dredging and five New Zealand ports – Napier Port, Port Taranaki, PrimePort Timaru, Lyttelton Port of Christchurch and Port of Tauranga. It will see Dutch Dredging vessel the Albatros based in New Zealand for ten years, undertaking capital and maintenance dredging across the country. Napier Port was first out of the blocks, with maintenance dredging of the shipping channel carried out in October.

GEARED UP FOR GROWTH

Napier Port invested in replacing and expanding our fleet of small forklifts this year, acquiring nine new lift trucks.



STACKING THE WALL OF WOOD

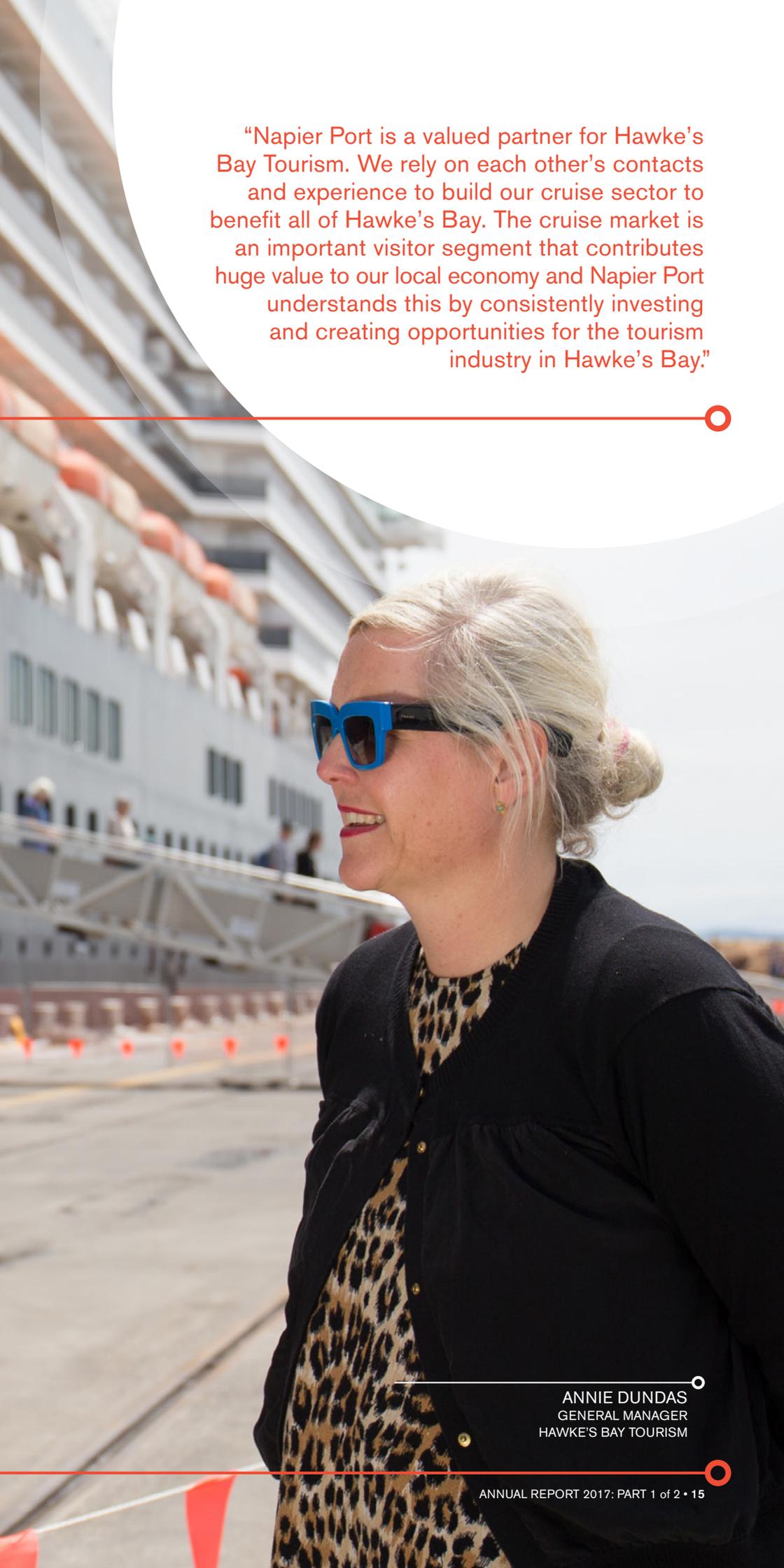
Steep growth in log exports is set to continue for the next decade, with volumes expected to double to around 3 million tonnes by 2026. To handle this growth, Napier Port has invested in an additional 70 bookends to allow logs to be stacked higher, expanded dedicated log storage areas on port, and is working with exporters to achieve a quicker turnover of logs. The dedicated weekday log train from Whanganui via Palmerston North and Woodville is now working well and provides exporters with a direct rail link to the port.





BECHI MCKAY
MARINE SERVICES
COORDINATOR





“Napier Port is a valued partner for Hawke’s Bay Tourism. We rely on each other’s contacts and experience to build our cruise sector to benefit all of Hawke’s Bay. The cruise market is an important visitor segment that contributes huge value to our local economy and Napier Port understands this by consistently investing and creating opportunities for the tourism industry in Hawke’s Bay.”

ANNIE DUNDAS
GENERAL MANAGER
HAWKE’S BAY TOURISM

A STANDING OVATION

A carnival atmosphere greeted the arrival of the Ovation of the Seas on January 5th, as it redefined the limits of what is possible at Napier Port.

At an impressive 348 metres LOA, the Ovation set a new record as the largest ship ever to berth at Napier. Thousands lined the beaches, streets and vantage points around the port to witness the historic moment the giant liner was successfully manoeuvred into port.

The Ovation of the Seas' maiden visit was a big opportunity to showcase our region and together with local tourism partners, Napier Port welcomed the ship's 4,500+ passengers into the Art Deco capital with a Tiger Moth flyover, a vintage car display, and locals decked out in Thirties finery.

The seamless berthing of the cruise liner demonstrated that with the right people, culture and facilities, Napier Port can handle large-scale cruise vessels that have been outside the capabilities of bigger ports.

The 2017-2018 cruise season will see the Ovation return to Napier three times, bringing up to 15,000 tourists into Hawke's Bay.

WELCOMING THE WORLD

Hawke's Bay's reputation as a world class tourist destination is growing, and as a key tourism gateway, Napier Port is working to unlock the opportunities ahead of our region.

In the 2016-2017 cruise season, we welcomed 54 cruise ships and more than 125,000 passengers and crew to Hawke's Bay. With passengers spending on average \$200 per day, the cruise sector is estimated to have injected around \$20 million into our local economy.

A VISION FOR CRUISE

Port Services Manager Bruce Lochhead is responsible for the strategic oversight of Napier Port's cruise business. He has big ideas for the future of cruise in New Zealand and in 2017, he was elected to the New Zealand Cruise Association board.

"We're very proud that the Ovation's call went so smoothly – it was a real testament to the skill of our marine staff and the efforts of the entire team here at Napier Port."

BRUCE LOCHHEAD
PORT SERVICES MANAGER



2016-2017 SEASON

54
cruise ships

13
maiden visits

125,000+
cruise passengers and crew

\$20 million
injected into Hawke's Bay

348 metres
largest cruise ship berthed



OPERATIONAL PERFORMANCE

RECORD YEAR FOR PORT PACK

48,310 TEU
containers handled

Onsite packing and devanning facility Port Pack is now one of the biggest packing facilities in New Zealand, and continues to lead the way in integrated customer solutions. 2017 saw its busiest year yet, with a record 48,310 TEU handled – a 5% increase on the record set in 2016. The bulk of growth has been in packing, with 47,044 TEU packed over the course of the year. Port Pack now accounts for over a third of Napier Port's containerised full export throughput.

Pan Pac containerised green lumber volumes climbed 35% following a decision to transition from bulk shipping to containers for the Japanese market.

Napier Port's pulp packing and storage service continued to deliver strong results for key customers Winstone Pulp International and Pan Pac Forest Products.

EXTRAORDINARY YEAR FOR CONTAINERISED CARGO

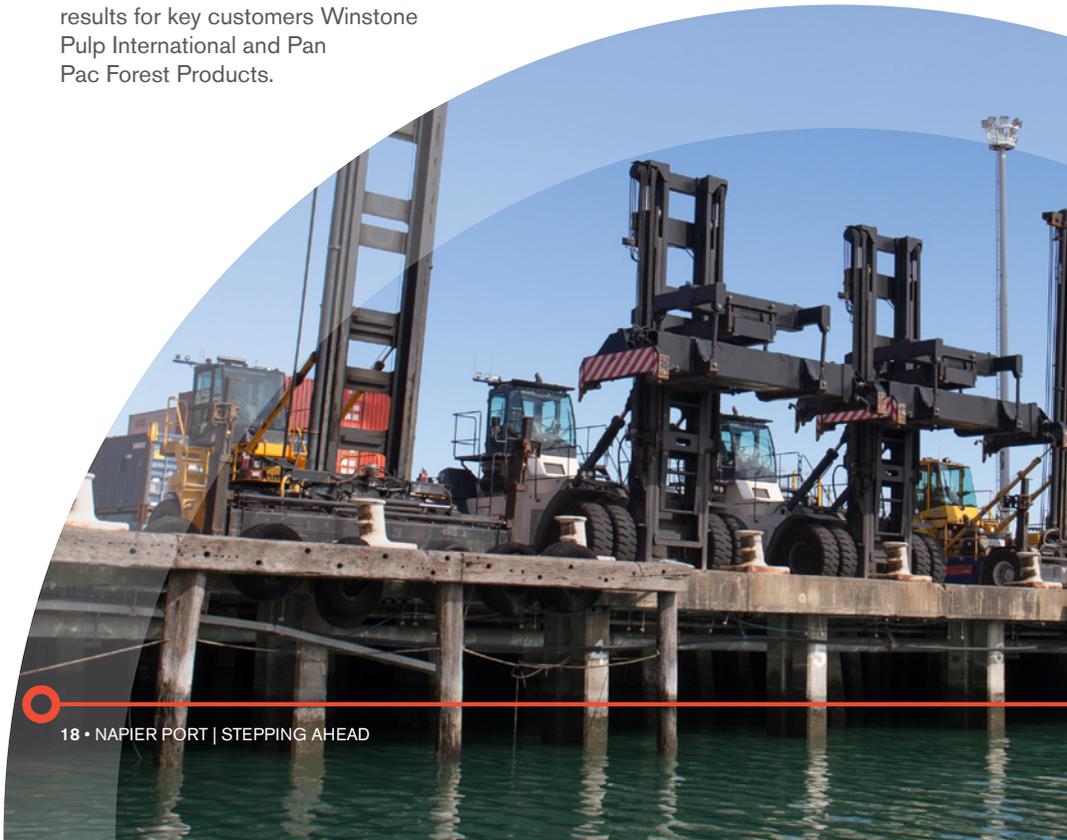
288,444 TEU
Record container volumes

12% increase
in containerised cargo

11% increase
in full exports

83% increase
in full imports

Napier Port handled a record 288,444 TEU, a 12% increase on the 257,380 TEU that came through the port in 2016. An 83% increase in imports following the Kaikoura earthquake saw space on-port repurposed and new systems introduced.



WALL OF WOOD BUILDING

118

Record log vessel calls

1.63m tonnes

Record log exports

35% increase

in log exports

The 'Wall of Wood' is stacking up at Napier Port, with the harvest of the Central New Zealand forestry estate accelerating this year. The long-signalled cut has seen Napier Port handle a record 1.63 million tonnes of log exports in 2017 – a 35% increase on 2016. We also saw a record 118 log vessels call at Napier, and a record 202,000 tonnes of logs transported by rail.

STEADY YEAR FOR KEY TRADES

Apple exports were on par with the record set in 2016. The industry is poised for major growth in coming years, with a significant planting programme well underway across the region.

Fertiliser imports were affected by climatic conditions early in the year, but bounced back to see the port handle 322,373 tonnes – an increase of 28% on 2016.

Oil products remained steady, with 265,436 tonnes handled over the course of the year.

WELCOMING NEW CALLERS

This year saw Seatrade bring its Meridian Service, a direct service from New Zealand to Europe, to Napier Port during the peak export season. Targeted at apple and meat exporters, the service was well-received by shippers and Napier Port saw a total of 15 calls.

Working closely with local forest products exporter Pan Pac, specialist breakbulk line Lodestar introduced a monthly service to Japan and Korea, carrying wood pulp, kraft linerboard, lumber and logs.

NEW BOOKING SYSTEM FOR GENERAL CARGO

The introduction of a Vehicle Booking System has streamlined workflows and boosted efficiency in Napier Port's General Cargo operation.

“Napier Port is an essential link in the supply chain for Rayonier Matariki Forests to access our diverse export log customers.

Significant growth and change are a constant in our markets and Napier Port is committed to adapting its service and improving its facilities to meet these challenges.”





MATTHEW CROFT
REGIONAL MANAGER
RAYONIER

FINANCIAL PERFORMANCE

A 35% increase in log volumes and a 12% increase in container volumes underlined a record total trade volume of 4.75 million tonnes in the year to 30 September and a record revenue result of \$86.7m, an increase of 19% on 2016. Operating profit (EBITDA) was 23% higher than last year's result, with \$37.4m achieved for the year.

After tax, the net profit of \$16.7m for the year represents an increase of 46% on the prior year and a record result for the company.

Napier Port distributed \$10.7 million in dividends to our sole shareholder, the Hawke's Bay Regional Investment Company, a 35% increase on the \$7.9 million distributed in 2016.

Napier Port invested \$18.7m in capital projects and equipment during the year. These investments included technical studies and development to support a resource consent application for increasing future wharf capacity and dredging. Napier Port also expanded its land holdings in Pandora and Whakatu.

Over the past five years, Napier Port has invested some \$104 million in infrastructure and equipment to build operating capacity and ensure we are well-placed to handle the region's growing cargo base.

After the application of operating cashflow to capital expenditure and dividends, Napier Port increased its net debt position at the end of the 2017 financial year to \$83.3 million from \$79.2 million at the end of the 2016 financial year.

During the year, Napier Port successfully renewed and extended its banking facilities, welcoming ASB Bank Ltd as a funding partner in addition to our existing long-standing relationship with Westpac NZ Ltd.

KEY FIGURES

\$86.7 million
in revenue

\$37.4 million
in operating profit

\$16.7 million
net profit

\$10.7 million
in dividends

\$18.7 million
invested in capital projects
and equipment

SENIOR MANAGEMENT TEAM

WARREN YOUNG
CONTAINER OPERATIONS
MANAGER

MARK BABBINGTON
GENERAL CARGO
MANAGER

KRISTEN LIE
CHIEF FINANCIAL
OFFICER

GARTH COWIE
CHIEF EXECUTIVE
OFFICER

ANDREW LOCKE
COMMERCIAL
MANAGER

BRUCE LOCHHEAD
PORT SERVICES
MANAGER

VIV BULL
CULTURE
& CAPABILITY
MANAGER





255

permanent, fixed term
and casual staff at 30 September

20

promotions

13

new permanent staff

BETTER PEOPLE

At Napier Port, our people are the heart of our organisation and we are proud to have an innovative, flexible and resilient culture.

GROWING OUR TALENT

Napier Port is passionate about creating opportunities for staff to flourish, and committed to developing people at all levels. This year saw a number of people put through targeted leadership, change management and technical courses, and one of our General Cargo managers graduate from the Chartered Institute of Logistics and Transport's Leaders for the Future programme. One-on-one leadership coaching was trialled for those promoted to leadership roles.

During the year, we celebrated a number of internal promotions, and introduced a number of new positions, including an Environmental Advisor.

INDUSTRY LEADERS

As recognised leaders in their fields, our people are sought after for their expertise. This year saw Napier Port staff presenting to government ministers, industry forums and international conferences on topics from safety culture to emerging trends in global shipping. Napier Port hosted global industry representatives across the year, demonstrating excellence in port operations, safety and service.

This year, Chief Executive Garth Cowie was made a life member of the International Association of Ports and Harbours and a Fellow of Chartered Accountants Australia and New Zealand. Culture and Capability Manager Viv Bull was appointed to the board of the Hawke's Bay Chamber of Commerce. Our people continue to play leading roles in industry groups including the Port Industry Association, Navis Users Group, Verified Gross Mass Working Group, New Zealand Port and Harbour Marine Safety Code Steering Group, and port infrastructure body PIANC.



DYLAN TURNBULL
MANAGER – PORT PACK

NEW INDUSTRY QUALIFICATION

A large proportion of operational staff will soon have a qualification that recognises their knowledge and expertise, thanks to the work of the Port Industry Association and industry training organisation MITO.

The Certificate in Port Operations was launched in August and sets a new standard across the ports industry. A NZQA Level 4 qualification, it encompasses units in heavy machinery operation, cargo handling and administration. It was the culmination of three years' work for Container Terminal Manager Adam Harvey, who led the development of the qualification for the Port Industry Association.

LEADING LIGHT

Late 2016 saw Culture and Capability Manager Viv Bull named Leader of the Year by the Hawke's Bay Chamber of Commerce, recognising her leading role in the transformation of Napier Port's culture.

A FRESH TAKE FOR CONFERENCE 2017

Napier Port hosted the annual Port Industry Association conference, the first under the organisation's newly-invigorated brand. Napier Port's fresh approach saw a record number of delegates take the opportunity to connect with industry colleagues, hear from leading speakers and experience the action with site visits to local industry.

BETTER ANSWERS

Napier Port is forging new ground, developing innovative training solutions, and finding better answers for our industry, partners and customers.

SIMULATOR TAKES OFF

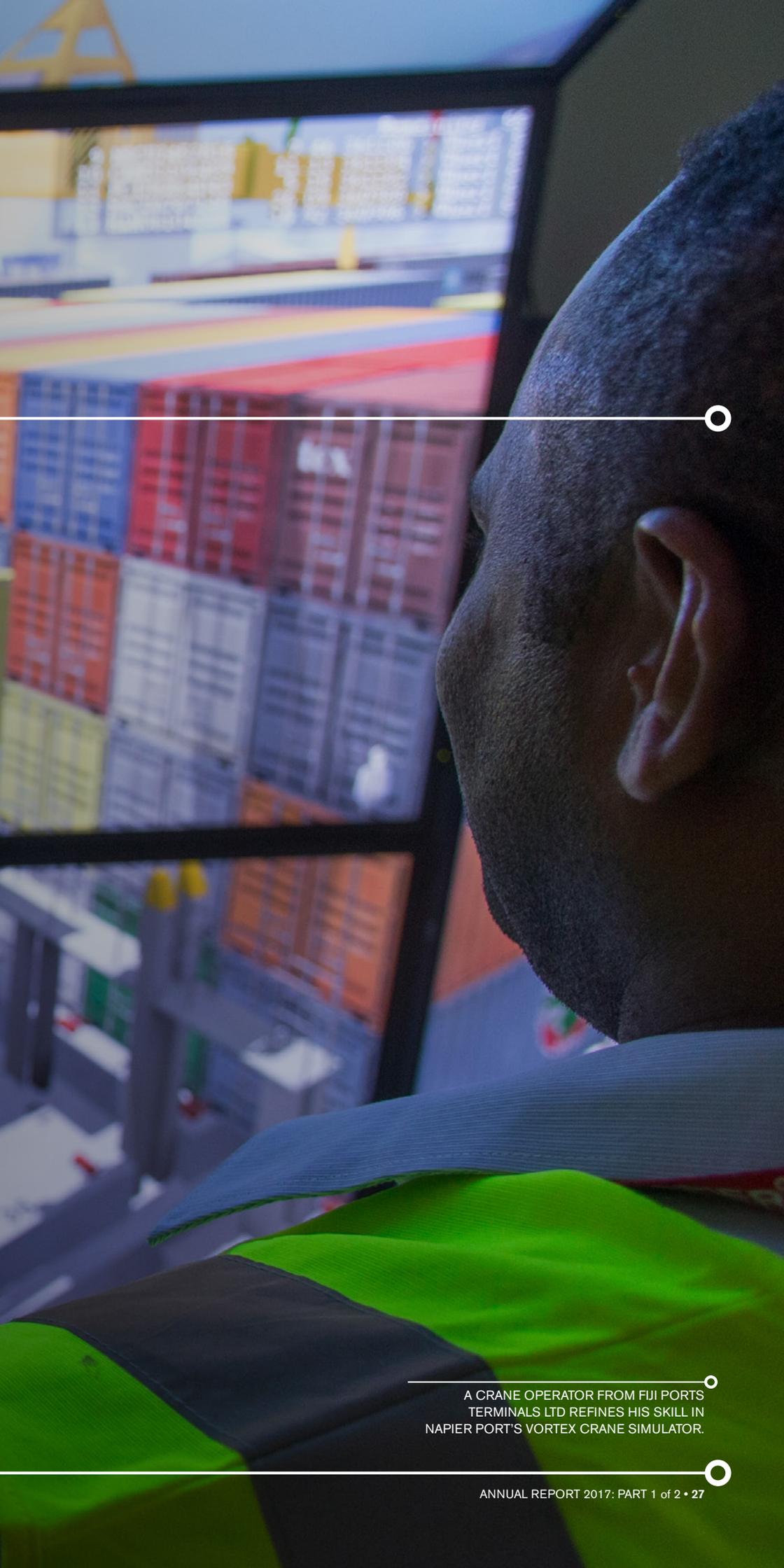
Napier Port continues to lift operational performance and safety through cutting edge training programmes and facilities. This year, Napier Port developed a suite of comprehensive training programmes centred around the innovative mobile harbour crane simulator purchased in 2015. Three modules cater to needs including pre-employment assessments for crane operators, basic training for new crane operators, and proficiency development for experienced crane operators. Each programme can also be coupled with an immersive culture training programme.

Napier Port continues to strengthen our relationship with Fiji Ports Terminal Ltd, with staff travelling to Suva on two occasions. Engagement on the ground enabled Napier Port to understand the operations, systems and challenges of the Fiji Ports terminals, and design training programmes tailored to their needs.

This year, eight Fiji Ports crane operators completed the Napier Port Crane and Culture Excellence Programme, with seven managers and technical staff undertaking tailored training in culture development, terminal systems and safety management. Napier Port is proud to be a part of the ongoing transformation in culture and safety at Fiji Ports.

Southern Cross Stevedores, C3 and South Port have also utilised the Vortex Crane Simulator for pre-employment assessment of crane drivers and hatchmen, testing short-listed candidates for inherent ability and hand-eye coordination. The realistic simulation enables Napier Port's skilled crane operators to provide an accurate picture of a candidate's suitability for the role, reducing the time and financial investment needed for crane driver recruitment.

The development of the Vortex Crane Simulator as an international training facility has also enabled Napier Port to unlock the depth of talent and expertise within our crane team, with the programme being driven by our senior crane operators.



A CRANE OPERATOR FROM FIJI PORTS
TERMINALS LTD REFINES HIS SKILL IN
NAPIER PORT'S VORTEX CRANE SIMULATOR.

HEALTH & SAFETY

Safety is ingrained in every action we take at Napier Port. We are on a journey to being the safest port in New Zealand, and we all have a role to play in achieving that goal. Every person on port is empowered to be a safety champion and drive a safety culture of continuous improvement.

SUPPORTING STAFF TO GIVE THEIR BEST

Our people faced a major challenge this year, with unexpected cargo levels making for a longer and busier peak season. Napier Port's first priority is the health and safety of staff, and we introduced a number of new initiatives to support mental and physical health. Weekly health clinics run at two locations on-port ensured staff had access to occupational health nurses. The therapeutic massage programme was extended, as were the hours of our on-site support service Vitae. The port also provided bottled water and electrolyte drinks to maintain hydration and energy.

BETTER ANSWERS TO SAFETY CHALLENGES

Following the successful introduction of voice-recorded reporting in our container terminal last year, the initiative was extended to our General Cargo operations. Making reporting simpler and more accessible for General Cargo staff has seen a 187% increase in reporting since the programme began. Across Napier Port, reporting has risen significantly.

This year, Napier Port has been working closely with WorkSafe on the development of an online safety tool for use in pre-shift briefings and toolbox meetings. An easy-to-use visual tool, it utilises generic port illustrations to highlight the risks associated with on-port activities as well as providing safety information and guidelines for port users.

BROADENING OUR SAFETY FOCUS

Napier Port expects high standards of health and safety from all tenants, contractors and users of the port. This year, we strengthened our PCBU role, developing a 'whole of port' health and safety policy and taking a strong stance on non-reporting.

Napier Port is working more closely with our partners than ever before, introducing pre-vessel meetings with marshalling companies ISO and C3 to ensure all parties are familiar with the vessel plan, hazards and risks, and any special handling requirements.

LOST TIME INJURIES

Napier Port is on a mission to be a zero harm workplace. Three lost time injuries were recorded in the year to September 30, resulting in eight lost days. Each of those incidents provided the opportunity to reassess and improve the safety procedures in place and, in the process, make Napier Port a safer place. Continued vigilance during this year's extended peak season helped to ensure no lost time injuries were recorded between November and May.

ENCOURAGING WELLNESS

Napier Port offers a comprehensive wellness programme to help our staff lead healthy, balanced lives. Our people are encouraged to keep active by utilising an onsite gym and personal trainer, and Napier Port covers team subs, uniform costs, and entry fees for sporting competitions for both staff and their families. The wellness programme also sees Napier Port providing fruit for staff, alongside medical checks, MoleMap exams, and flu vaccinations. Staff also have access to an employee assistance programme and an onsite support person.

STANDING UP AGAINST BULLYING

Napier Port took a stand against workplace bullying this year, supporting the Pink Shirt Day campaign. Celebrated annually around the globe, Pink Shirt Day aims to create schools, workplaces and communities where all people feel safe, valued and respected. Napier Port staff embraced the concept, and May 26th saw Napier Port awash in a sea of pink from the wharf to the workshop.



NAPIER PORT AND MARSHALLING COMPANIES AT THE TABLE FOR A PRE-VESSEL MEETING.

STRENGTHENING OUR TEAM

This year, we welcomed Andrew Morton as a Health and Safety Advisor. Andrew comes from a background in industrial health and safety, and brings a wealth of knowledge in risk management, investigations, compliance, and audit and assurance frameworks.





COMMUNITY

We are strong believers in giving back, and proud supporters of the Hawke's Bay community. This year saw Napier Port strengthening community relationships, building connections with iwi, and supporting a strong community through events and sponsorship.

CONNECTING WITH OUR COMMUNITY

Napier Port is reaching out to our community, connecting with more people than ever before. We're bringing people in, as well as taking the port to our community.

A stand at the Hawke's Bay A&P Show saw thousands of visitors over a two-day period, with people taking the time to learn about the port and the importance of the transport corridor through Ahuriri.

A partnership between Napier Port and local museum the MTG is bringing schoolchildren into the port, teaching them about the port's role in our community and inspiring our future workforce.

SUPPORTING ACTIVE COMMUNITIES

April saw the launch of the inaugural Napier Port Harbour to Hills triathlon. Spanning 118 kilometres and taking in some of Hawke's Bay's most picturesque landscape, the event attracted 387 competitors in its first year. Run in partnership with TriHB, it brought around 150 people and over \$75,000 into Hawke's Bay.

Napier Port also supports active communities at an individual level, helping outstanding young athletes

from across the region to foot it on the world stage. One of those is Ropata "The Buster" Lewis, a 13-year-old Muay Thai champion with a dream to represent New Zealand. Selected for the New Zealand Black Gloves team, Napier Port supported Ropata to compete at the World Championships in Thailand. A talented and determined fighter, he lost out to a bigger opponent but is already in training for another shot next year.

TE MATAU A MĀUI

Napier Port is a major supporter of the Te Matau a Māui Voyaging Trust, which cares for Hawke's Bay's only waka houora. This year, we supported the Trust to host the Te Herenga Waka Festival, bringing six voyaging waka from across the Pacific to Hawke's Bay for a fortnight of relationship building, education and friendly competition.

STAYING SAFE ON THE WATER

Napier Port sponsors a number of water-based sports and activities that promote and support water safety. The Napier Port Family Fishing Classic launched this year with a focus on safety essentials for fishermen, and we were proud to be the safety sponsor for the National Waka Ama Long Distance Championships, funding safety boats and personnel as well as providing safety equipment for event volunteers.



COMPETITORS HIT THE WATER
IN THE INAUGURAL NAPIER PORT
HARBOUR TO HILLS TRIATHLON.



ROPATA "THE BUSTER" LEWIS

Napier Port supports the Westshore Surf Life Saving Club and this year sponsored a boat and uniforms for the Men's Masters team, as well as providing a marquee and four racing boards for the club. We also support the Napier Port Ocean Swim, the Westshore Sea Scouts, and the Hawke's Bay Nautical Trust, which provides an optimist yachting programme for schools.

PORT NOISE

Living next to a thriving port can bring its challenges. This year has seen Napier Port working closely with the Port Noise Liaison Committee and our most-affected neighbours to refine a package that will reduce the impact of port noise through insulation and double-glazing. Ten homes have been assessed as eligible for the first round of noise mitigation measures, and we are working with homeowners to tailor an effective solution for each home.

CHAMPIONING EXPORT SUCCESS

At Napier Port, we are right behind our customers, supporting the Hawke's Bay Business Hub and the Great Things Grow Here campaign.

We are proud sponsors of the Napier Port Hawke's Bay Primary Sector Awards, an annual event promoting excellence in the primary sector. We are also proud to celebrate innovation in export through our sponsorship of the Napier Port Trailblazer Award at the ASB Hawke's Bay Export Awards.

GOING SOCIAL

Napier Port's new social media channels are giving our broader community a look inside the port operation and educating people on what we do.

-  Napier Port
-  Napier Port
-  @napierport

ENVIRONMENT

Napier Port operates within a unique natural environment. We are committed to being a responsible guardian for the harbour and its surrounds, and to treading lightly through good environmental management.

ENVIRONMENTAL CHAMPION

This year, Napier Port welcomed an environmental champion to the ranks. Paul Rose joined the port in April as our first designated Environmental Advisor. Paul holds a Diploma in Environmental Management and brings seven years' experience in environmental management, coupled with an extensive engineering background.

Having overseen the environmental management for Gladstone Ports Corporation in Australia, Paul is experienced in ensuring operations meet strict environmental standards. He is an expert in water quality, dust control, ecological protection and the design and implementation of real-time monitoring systems.

Paul believes that every person has a role to play in caring for our environment, and that changing attitudes can have a big impact on positive environmental outcomes.

UNDERSTANDING OUR PLACE

Extensive studies undertaken as part of Napier Port's wharf development project have provided a richer understanding of the marine environment around the port, and the ecology and ecosystems at work in the harbour. These studies have been shared with iwi and research organisations to enhance the collective body of knowledge about Pania Reef and the flora, fauna, and marine mammals of Te Whanganui-a-Orotū.

CARING FOR WILDLIFE

Napier Port is home to an array of wildlife, including little blue penguins, black-billed gulls and New Zealand fur seals. The port is occasionally visited by dolphins, whales, and orca. This year, Napier Port has worked with the Department of Conservation and local experts to understand the behaviour of the species on port and ensure that wildlife and habitats are protected wherever possible within the confines of a working port.

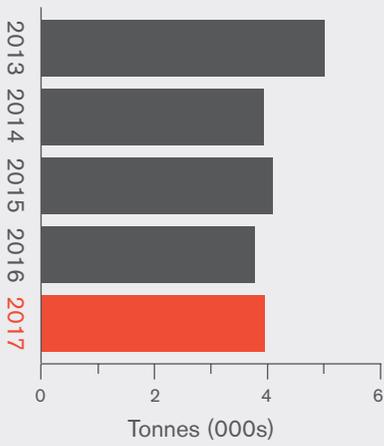
WASTE MANAGEMENT AND CARBON FOOTPRINT

Napier Port's continued focus on waste reduction saw 3,966 tonnes of waste recycled in 2017, a 5% increase on recycling in 2016. Since the introduction of a waste management programme in 2010, Napier Port has reduced the volume of waste going to landfill by 69%.

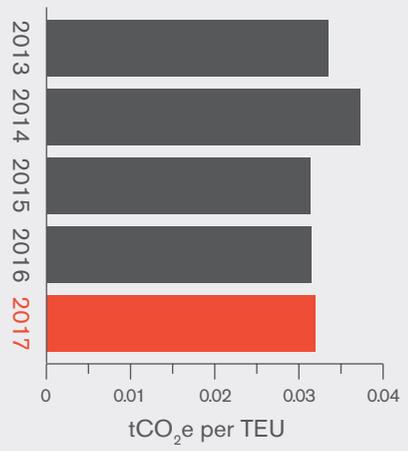
In 2017, Napier Port's electricity consumption fell by 2.7%, following a 2.5% reduction in 2016. Fuel consumption rose 25% on 2016, due largely to the additional fuel required to handle the spike in cargo following the Kaikoura earthquake. The dry docking of the Ahuriri also saw a significant increase in fuel consumption due to the sea voyage to Lyttelton and the fuel used by the tug chartered during the Ahuriri's absence.

These results have seen Napier Port's carbon footprint increase by 1.6% from 0.0314 tCO₂e per TEU to 0.0319 tCO₂e per TEU.

TOTAL RECYCLING



CARBON EMISSION/TEU



PAUL ROSE
ENVIRONMENTAL ADVISOR



END OF AN ERA

Garth Cowie steps down as Chief Executive this year, after 18 and a half years at the helm of Napier Port. In that time, Garth has overseen an extraordinary growth trajectory, transforming the shape of Napier Port, the make-up of our cargo, and the culture our people work within.

CHANGING THE FACE OF NAPIER PORT

Garth was appointed to the role in 1999, having been Chief Executive of South Port for five years. At that time, Napier Port was a primarily breakbulk port handling around 2.2 million tonnes of cargo, including 250,000 tonnes of logs and fewer than 60,000 TEU a year. Over nearly two decades, Garth oversaw Napier Port's transformation into a large-scale operation encompassing one of the country's largest on-port packing operations and busiest container terminals. Today, Napier Port handles 4.75 million tonnes of cargo, including 288,444 TEU and 1.6 million tonnes of logs. Productivity and efficiency have risen, and the number of vessels handled each year has grown by more than 100. Napier Port is delivering more value for Hawke's Bay, generating \$113.1 million in dividends over 18 years.

The port has grown from a regional operation to a critical link in the national supply chain, proving its worth in the wake of the 2016 Kaikoura earthquake. Garth led Napier Port's response to the disaster, quickly filling the gap left by damage in Wellington and stepping up operations to keep the lower North Island supply chain running.

BUILDING A FUTURE-READY PORT

Garth leaves a legacy of prudent investment in infrastructure and capability, which places Napier Port in a strong position to handle coming growth in our cargo base. Over the duration of his tenure, Napier Port assets have grown by \$270.5 million. He has seen the design and build of both Napier Port tugs, the purchase of six mobile harbour cranes, and the introduction of a new Navis terminal operating system, alongside the construction of a new corporate office and the ongoing expansion and renewal of our mobile plant fleet. Most recently, Garth has overseen the completion of 18 months of pre-consultation and planning for the \$125+ million development of a new container wharf.

INDUSTRY LEADERSHIP

Garth's impact on the industry extends beyond Napier Port, and over 37 years in the ports sector he has championed change in safety, culture and technical matters. In 2016, Garth signed the New Zealand Port and Harbour Marine Safety Code agreement on behalf of the Port CEOs Forum – an agreement with Maritime New Zealand that



aims to improve safety for ports and commercial harbours. In his capacity on the Port CEOs Forum, Garth also led the development of core and common policies and processes to allow New Zealand container ports to manage the verified gross mass requirements needed under the updated Safety of Life at Sea (SOLAS) convention.

Garth has forged strong relationships across the industry, initiating and nurturing connections between Napier Port's senior leadership team and other industry stakeholders. He has been a representative on the International Association of Ports and Harbours for the last 23 years and was the Chairman of its Executive Finance Committee for the last 20-odd years. He was recently made an honorary life member in recognition of his significant contribution to the organisation and to the global port and harbour industry.

DRIVING A PEOPLE-FIRST CULTURE

Garth has driven a seven-year journey to transform Napier Port's organisational culture to meet the challenges of significant growth. This put people and their safety at the core of the company's

values and has fundamentally changed the way Napier Port engages with its staff, unions and other PCBUs working on port. Napier Port is now a thought leader in workplace culture and health and safety.

Garth is a strong advocate for developing emerging talent, and has actively encouraged Napier Port staff to expand their horizons through professional development, visiting overseas ports, and taking leadership positions within national and international industry organisations.

FAREWELL

Garth leaves Napier Port in excellent shape, with a strong team in place and a bright future ahead. We wish both he and wife Monique well in the future.

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on behalf of the Auditor-General







BETTER PEOPLE  BETTER ANSWERS