together we build a thriving region by connecting you to the world

2023

NAPIER PORT
Te Herenga Waka o Ahuriri

ANNUAL REPORT

TE PURONGO A TAU

Management commentary
(no financial statements)

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Te Herenga Waka o Ahuriri

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Welcome

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Performance at a glance

Year on year

$7.1m
Final Dividend
3.55 cents/share

$10.5m
Total Dividend
5.25 cents/share

$118.4m
Revenue
↑ 3.4%

$16.6m
Net Profit
↓ 18.8%

$37.2m
Result from Operating Activities
↓ 7.1%

64
Cruise Vessel Calls
↑ Up from 1

272
Charter Vessel Calls
↓ 12.3%

251
Container Vessel Calls
↑ 23.6%

4.6m
Tonnes of Cargo Handled
↓ 14.4%

3.2m
Tonnes of Bulk Cargo Handled
↓ 12.8%

712
Places on health and safety courses

10%
Reduction in Total Carbon Emissions

Viewpoint Supply Chain
Officially Launched

2.5m
Tonnes of Log Exports
↓ 11.3%

30k
TEU handled through Port Pack
↓ 31.9%

Management commentary
(no financial statements)

Chair & Chief Executive's Report

The year started very well for Napier Port and our region's cargo owners. Pandemic pressures were easing, including constraints on labour and supply chain disruption. Cargo flows were buoyant supported by the operation of our new wharf, Te Whiti, increasing shipping services calling and new customers and cargo arriving through the gates. Trade during the first half showed strong growth in revenue and operating earnings, demonstrating our capability to deliver under 'normal' operating conditions.

The landing of Cyclone Gabrielle on 13-14 February resulted in damage and disruption to Hawke's Bay. Napier Port suffered only minimal damage and was able to fulfil its critical role as a lifeline asset to the region and as a core supply chain partner to our customers. Damage to our customers' crops, exporters' premises and regional infrastructure impacted on cargo volumes which softened our overall trade volumes and financial results for the 2023 year.

Despite the challenges presented by Cyclone Gabrielle, this year has reinforced the resilience of Napier Port, our region and the cargo owners who produce the food and fibre products that the world continues to demand.

> "Trade during the first half showed strong growth in revenue and operating earnings, demonstrating our capability to deliver under 'normal' operating conditions."

Management commentary
(no financial statements)

Trade Volumes

Total trade decreased 14.4% to 4.6 million tonnes, compared with 5.4 million tonnes the previous year.

Containerised volume decreased by 12.7% to 222k TEUs from 254k TEUs primarily due to the closure of Pan Pac's wood pulp and timber mills and lower produce and other chilled exports due to crop losses following Cyclone Gabrielle.

Bulk cargo volume decreased by 12.8%, to 3.2 million tonnes from 3.65 million tonnes a year ago. This was largely driven by log export volumes, which decreased by 11.3%, to 2.5 million tonnes compared to 2.8 million tonnes, due to less harvesting post cyclone, damaged roading infrastructure and the subdued log export market conditions during the year.

The 2022-23 season saw 64 cruise vessel calls to Napier Port, compared to one in the previous year. There were 251 container ship calls, up from 203 last year and 272 charter vessel calls down from 310 last year.

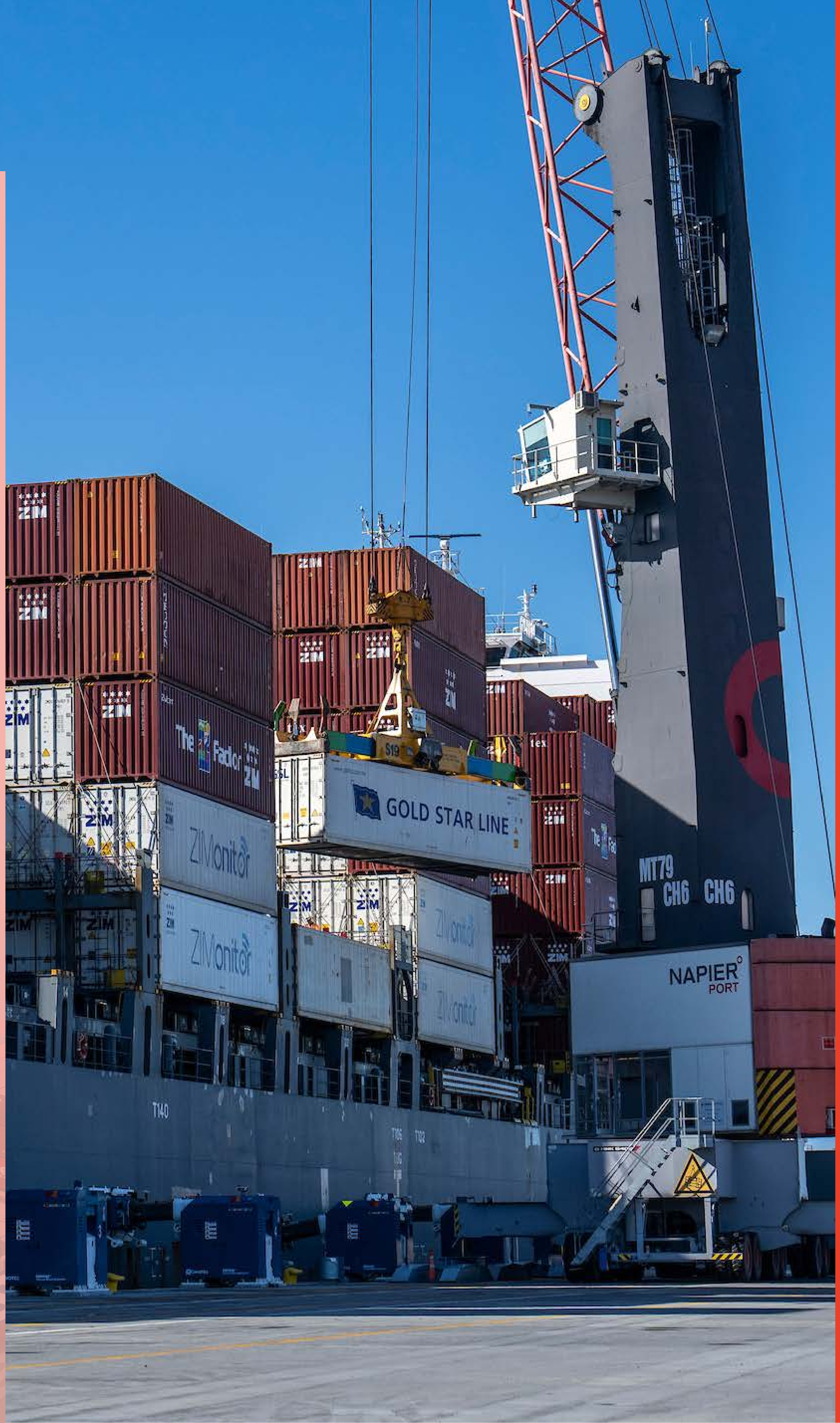
Trading volumes reflect the impact Cyclone Gabrielle had on the second half. This was mitigated to a degree by a buoyant first half and the recovery in some products in the fourth quarter.

Log exports that had been pushed back by Cyclone Gabrielle ramped up in the fourth quarter, resulting in volumes on par with the same quarter last year. Containerised cargo for canned goods, apples and pears, meat and fresh and other chilled produce was also on par with the same quarter last year, and containerised wood pulp and timber volumes continued to be reduced due to the closure of Pan Pac's wood processing facilities (which are forecast to re-open in stages over the coming months).

251
Container Ship Calls
↑ from 203 (2022)

3.2m
Tonnes of Bulk Cargo Handled
↓ 12.8%

64
Cruise Vessel Calls
↑ from 1 (2022)



Community, People and Safety

Immediately post Cyclone Gabrielle the most tangible way we could support our community and customers was being able to resume operations as quickly as possible to ensure the smooth flow of essential supplies and trade. This enabled the New Zealand Defence Forces to arrive on port within 24 hours and the first fuel and container vessels were back in port within days delivering essential supplies to the region.

As a response hub for Hawke's Bay we supported local agencies in the community, we provided our generators to other lifeline services, and our people undertook specialist roles in the Civil Defence Emergency Management Unit.

We have remained vigilant in our commitment to safety and wellbeing and continued to invest in our Health & Safety management systems to mitigate or remove risk. We are pleased to report no incidents of serious harm during the year and that we continue to remain vigilant in our approach to improve safety across the port.

We introduced an extra crane team to better manage fatigue and a fixed roster for operational teams to support work life balance and employees' commitments outside of work. We continued the roll out of ShoreTension mooring units, which enhances safety when working around berthed ships. Our driver safety programme and drug and alcohol policy were updated, with education across the port; and we continue to focus on building upon our culture of care to ensure we have the right culture to recruit and retain diversity in our workforce.

During the year, Maritime NZ (MNZ) was appointed as the primary regulator over New Zealand port operations effective 1 July 2024. The Napier Port team have a positive working relationship with MNZ and we look forward to remaining closely involved in port sector harm prevention initiatives.

"We are pleased to report no incidents of serious harm during the year and that we continue to remain vigilant in our approach to improve safety across the port."

Management commentary
(no financial statements)

Prioritising Customers

Connecting customers to their markets, understanding their needs and helping them achieve their goals remained a firm priority during the year. By ensuring a good range of shipping service calls, providing flexible, innovative and integrated services, and prioritising regular, timely communications and tools for our customers we help them manage efficient receival and delivery of their cargo.

It was therefore pleasing that, following an extraordinarily challenging period, an independent survey of our customers rated us 8/10 for overall customer satisfaction. This is the third year in a row we have seen an increase in this score and it gives us confidence that we are offering a premium service to our cargo owner and shipping line customers.

The official launch of Viewpoint Supply Chain, our landside road, rail and warehousing logistics service, is providing importers and exporters across the North Island with more options for moving their cargo. With wharf capacity, operational flexibility, and services on port, Napier Port is well placed to receive and process cargo from across the North Island and help to ease congestion in the national supply chain network.

Progressing Sustainability

Our drive towards embedding sustainable practices throughout our operations progressed well. Of the more than 100 actions we identified two years' ago, more than 60% are now complete or underway and ongoing. We refreshed our climate change risk assessment based on newly available climate data, and this informed our third climate change related disclosure, which included updates to the 'physical risks' and 'transitional impacts' identified. This year, our total carbon emissions reduced by 10%, in line with reduced volumes.

60%

of our sustainable practice actions either completed, underway or ongoing

(100+ in total)

Financial results and dividend

Revenue was $118.4 million, a 3.4% increase compared with $114.5 million the previous year. Result from Operating Activities was $37.2 million, a 7.1% decrease compared with $40.1 million the previous year. Net Profit After Tax was $16.6 million, a 18.8% decrease compared with $20.4 million the previous year.

Operating expenses remained high due to intense inflationary cost pressures, which offset the increase in revenue from strong yields and enhancement of new services on port.

Business interruption insurance income, as a result of insurance claims following Cyclone Gabrielle, of $7.25 million was recognised during the financial year.

The Board of Directors has declared a fully imputed final dividend of 3.55 cents per share, bringing the total dividend for the 2023 year to 5.25 cents per share, representing a $10.5 million total dividend.

$16.6m
Net Profit After Tax
▼ 18.8%

$7.1m
Final Dividend
3.55 cents/share

$118.4m
Milion Revenue
▲ 3.4%

$37.2m
Result from Operating Activities
▼ 7.1%

> “Operating expenses remained high due to intense inflationary cost pressures, which offset the increase in revenue.”

Management commentary (no financial statements)

Outlook

There is a lot to be optimistic about in the year ahead.

The 2023-2024 cruise season could be our busiest yet with 92 current bookings, more double and triple ship stays than ever before, and new cruise lines calling Napier Port.

The pick-up in logs seen in the fourth quarter has continued into October. The start of a new export forestry customer, together with upgrades to our log debarking operations, where customer demand is already high, gives us confidence in the outlook for our forestry business.

Just after year end, in early October, Pan Pac re-opened its wood chip mill, the first part of its production facility to become operational again since the cyclone. Timber mill operations are expected to restart in January, and the pulp mill in February, with the plant fully operational by late 2024.

Some major apple exporters suffered less permanent flood damage to their trees than initially thought and replanting of damaged areas is already underway or completed. Continued investment in the region by global and local apple exporters underscores the value of the cargo produced and the positive confidence in the long-term outlook for volume growth across Hawke's Bay's horticulture sector.

The rail line through to Napier Port re-opened on 15th September 2023 and we expect this to continue to have a positive effect on timber, pulp, meat and log cargo volumes from the central North Island. It has also generated further interest in Viewpoint Supply Chain, Napier Port's North Island landside logistics and warehousing service.

A focus on cost management, efficiency, and yield management as a result of our investments in infrastructure and additional customer services on port, positions Napier Port well for continued earnings growth as volumes recover.

On behalf of directors and senior management we thank our customers who entrust us with their valuable cargo and our entire Napier Port team for their commitment every day. Cyclone Gabrielle threw up considerable challenges during the year, for Napier Port and the wider Hawke's Bay community and region. We are proud of the role we were able to play in the immediate response phase and the role Napier Port continues to play in the ongoing recovery.

We look forward to providing a further update at our annual meeting in December.

Blair O'Keeffe
Chair

Todd Dawson
Chief Executive Officer

Management commentary
(no financial statements)

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About us

Management commentary
(no financial statements)

We are Napier Port

Napier Port has been connecting Hawke's Bay and its surrounding regions with the people and markets of the world for over 150 years.

Located on the East Coast of New Zealand, we are the gateway for the central and lower North Island's exports and operate a long-term regional infrastructure asset that supports the regional economy. We employ over 300 people directly and our operations indirectly support many thousands of jobs and businesses across the region.

We plan, operate and maintain port land and shipping channels, and we have the cargo handling capacity, facilities and infrastructure to get our customers' cargo efficiently across our wharves and en route to market. Napier Port is on the main transit route for international shipping services, is connected to inland freight hubs and core national road and rail networks, operating 24 hours a day, 364 days a year.

While our strategic location and cargo-handling capacity make us a key connection in New Zealand's supply chain, it's our culture and service that are the foundation to our success. We take pride in delivering for our customers, building collaborative relationships, supporting the local community and looking after our marine environment.

Our future success is forged side by side with the success of our customers and our community. Collectively, we can drive growth that benefits our region, our people and our environment.

36.6k square metres of warehousing

6 mobile harbour cranes

321 permanent employees

150 years working for Hawke's Bay

4th largest port in NZ by container volume

10 hectares of dedicated log storage, working 24/7

6 wharves including our new 350m wharf, Te Whiti

12.3 hectares of land in whakatū for future development

39 heavy container handling machines in the fleet

1,123 connection points for refrigerated cargo

1 mobile log debarker

3 Tugs

50 hectares of on-site port land

16 hectares of container terminal space

5M+ tonnes of cargo handled annually

Viewpoint Supply Chain service

3 trains/day to and from Central North Island

110+ countries that product is shipped to globally

2 container depots offering full services to international shipping lines

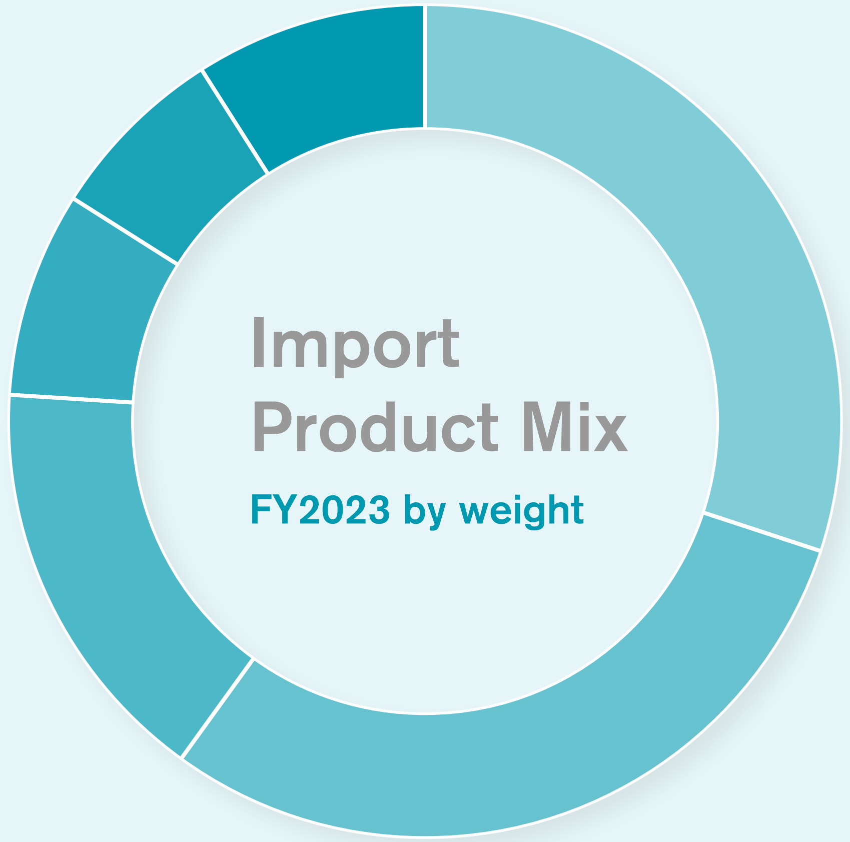
inland freight hub joint venture in Manawatū with a 1.9 hectare container yard and a warehousing facility with road and rail connections to Napier Port

Our Trade Portfolio

The mix of products flowing in and out of Napier Port reflects our diversified regional trade base.

The Hawke's Bay region is home to many of New Zealand's major producers, processors and exporters of primary produce, and Napier Port is proud to be their gateway to global markets. The majority of businesses exporting through Napier Port are located within 100 kilometres of the port. Exports comprise 81% (by weight) of cargo, and include logs, wood pulp, pipfruit, timber, meat and fresh produce.

Napier Port receives imports for the Hawke's Bay region and the central and lower North Island, and has the capacity and landside logistics capability in place to increase import volumes, relieving pressure from other congested northern New Zealand ports. Imports represent 19% (by weight) of cargo, and include fertiliser, oil products, general cargo, foodstuffs, cement and bitumen.



Fertiliser	29%
Oil products	32%
General cargo	16%
Foodstuffs	10%
Cement	6%
Other	7%

Logs	68%
Wood Pulp	8%
Pipfruit	5%
Timber	3%
Meat	5%
Fresh Produce	1%
Other	10%

Container Services	58%
Bulk Cargo	35%
Cruise	4%
Other	3%

Export	81%
Import	19%

Management commentary
(no financial statements)

How we Create Value

Resources (Inputs)

People
Our motivated and engaged workforce, who have pride in their work keeping the cargo flowing across our wharves.

Financial
Financial capital provided by our shareholders and debt funders.

Skills and knowledge
Our deep expertise in port operations and logistics, and the creation of technology solutions for our business and our customers.

Relationships
Our strong relationships with stakeholders – cargo owners, shipping lines, transport partners, local community, iwi – give us our social licence to operate and grow.

Physical assets
Our assets and infrastructure, including port land, wharves, sea defences, dredged shipping areas, marine and heavy plant fleet, and inland ports.

Natural environment
The marine and natural environment and how we work within it alongside stakeholders and our community is fundamental to our business.

Our Strategy Goals

- Networked Infrastructure
- Connecting with our customers
- Harnessing data & technology
- Collaborative Partnerships

NAPIER PORT
Te Herenga Waka o Ahuriri

our purpose
together we build a thriving region by connecting you to the world

Our Foundation

- Sustainability focus
- Culture of care

Outcomes

People
We provide purposeful and safe employment and development opportunities for our people.

Financial
We provide economic returns to our financial capital providers.

Economic
We enable and enhance our regional economy, including significant industries, businesses and individual operators.

Community
We enhance our local community by being a good corporate citizen, providing employment and supporting community and iwi initiatives.

Infrastructure
We maintain and add to our infrastructure for the benefit of current and future generations.

Environment
We support the maintenance and enhancement of our marine environment and our environmental stewardship and impact.

Services Provided

- Bulk cargo services
- Container operations services
- Marine services
- Landside logistics services
- Warehousing services

Management commentary
(no financial statements)

Engaging with our stakeholders and issues important to them

Maintaining relationships with stakeholders is critical to Napier Port building a thriving region.

In the lead up to publicly listing in 2019 and resource consent preparation for the development of Te Whiti Wharf, extensive Master Planning and consultation was undertaken to identify what issues were most important to stakeholders. This was important as we looked to develop port infrastructure to support trade and regional growth over the next 50 years.

The key issues identified were:

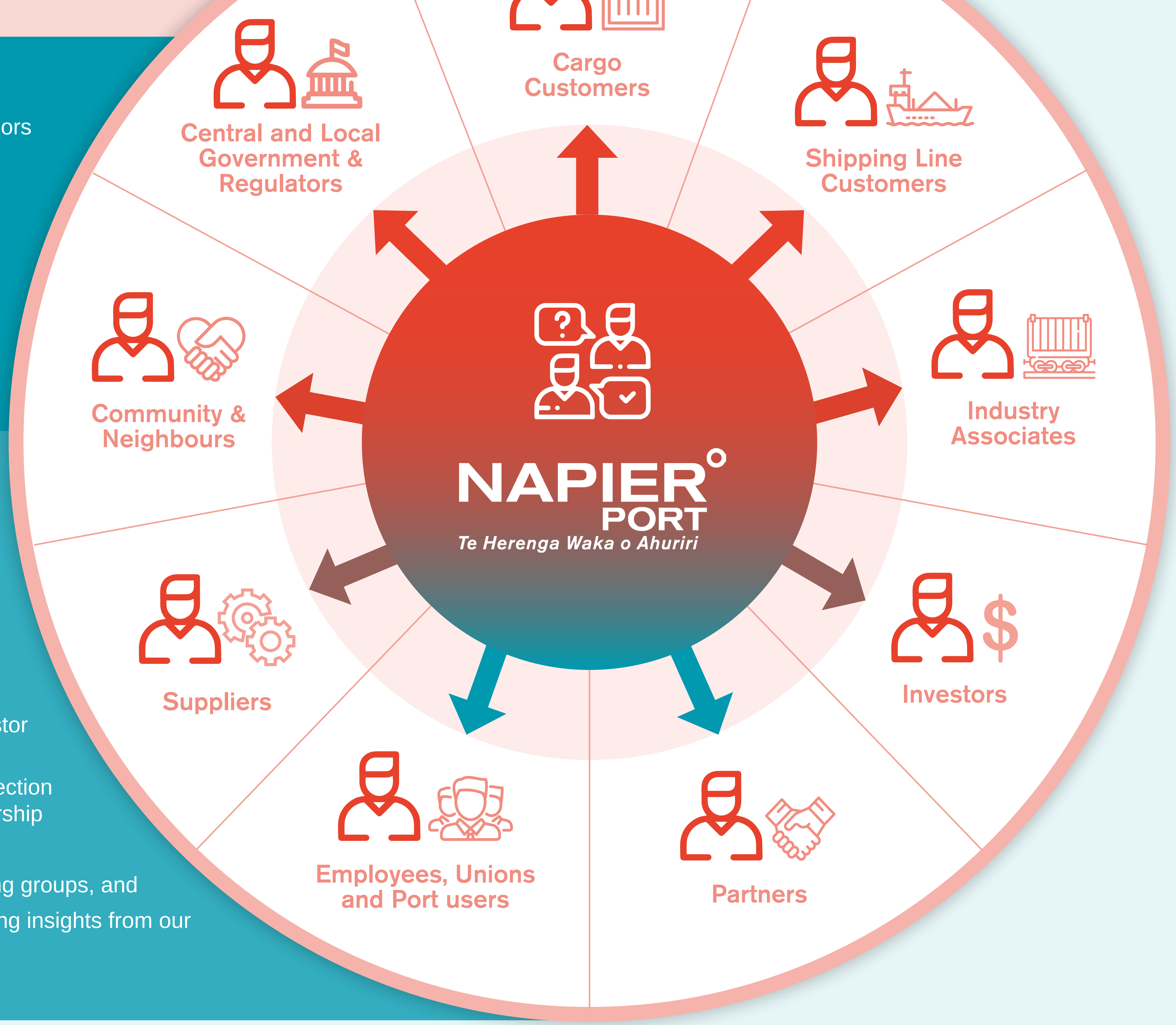
- Growing the regional economy
- Our vision and planning for the future
- Infrastructure for capacity and on port efficiency
- Protecting supply chains and access to the port – sea channels, rail corridors and road corridors
- Port security and safety of people who work here
- Growing cargo volumes
- Protecting our environment and minimising any impacts of our operations

Each year since, we have engaged in formal and informal reviews of our stakeholder relationships and priorities to ensure we remain connected with their views and factor those views into our planning for the future.

We utilise a variety of methods to ensure we hear widespread opinions, including a combination of:

- Annual customer satisfaction surveys – cargo customers, shipping lines, transport operators, freight forwarders
- Annual employee engagement surveys
- Forums with employees, unions and other port users
- Investor open days, results conference calls, roadshows and ad hoc investor surveys
- Community engagement surveys and deep dive interviews with a cross-section of stakeholder groups including local government, business and iwi leadership
- Liaison groups and community meetings
- Participation in central, regional and local government and industry working groups, and
- Our own long-term strategy and short-term business planning, incorporating insights from our risks and opportunities assessments

Key groups we work with include:



FY23 During FY23, the key issues identified remain the same, with a sharpened focus on resilience and protection of supply chains, together with growth opportunities and our vision and planning for the future.

FY24 Starting in FY24, we will undertake a refresh of our materiality assessment, as part of our Master Planning review.

Management commentary
(no financial statements)

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Our strategic framework

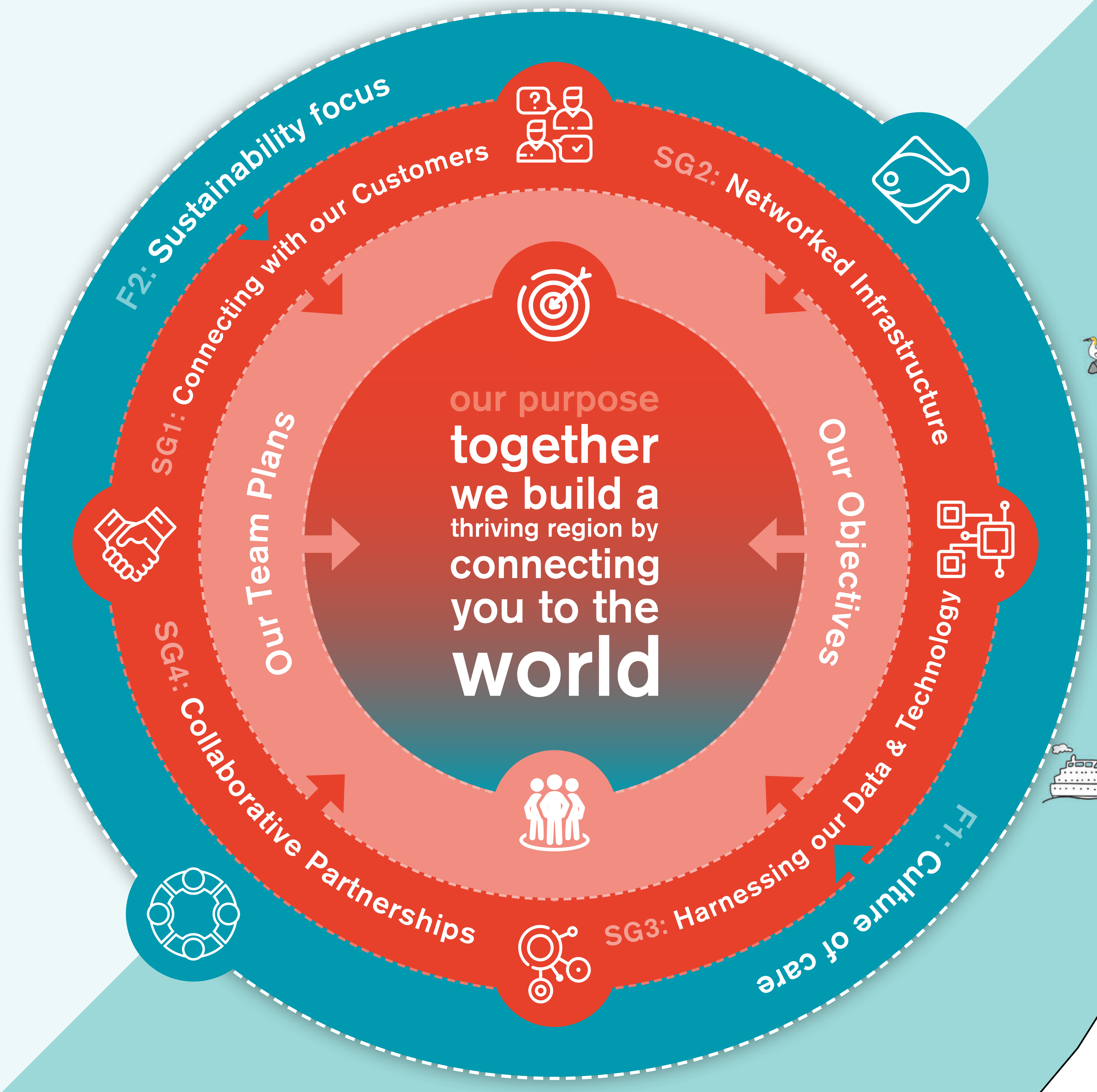
Our reason for being is to build a thriving region by connecting you to the world.

To achieve this outcome, four long-term goals form the basis of our strategy guide our business planning year on year.

Each year, we refresh our team plans to incorporate what we expect, as well as adapt to the unexpected or take advantage of opportunities when they arise.

This annual business planning process reviews our current strategic projects, as well as identifying new ones, allocates resource, targets and accountability for each, so our teams understand what the business is wanting to achieve each year. This ensures we are all aligned and working in the same direction to achieve our stated goals and deliver stakeholder value.

During 2023 our core purpose and goals were again tested by the impact of Cyclone Gabrielle and shown to be just as relevant for our business today as they have been since we developed them in 2018.



Our Strategy Goals

Our Foundations

Connecting with our Customers

A close connection with our customers enables us to know them, their businesses and the environment they are operating in, so we can develop innovative and efficient cargo solutions.

Collaborative Partnerships

Partnerships with others help us achieve a better outcome than we would on our own. Forming and fostering strong collaborative partnerships means we can deliver more for our customers and region than we could on our own.

Networked Infrastructure

Connecting customers' cargo to market and enhancing end-to-end supply-chain solutions via an integrated network of infrastructure assets, connecting the port with road, rail, sea and warehousing across New Zealand.

Harnessing our Data & Technology

Our innovative technology delivers value to our business, our customers and others outside the port gate enabling the smooth flow of information and the optimisation of our operations and customers' supply chain with enhanced visibility.

Culture of Care

Actively building a strong, resilient and agile workplace culture with a focus on health and safety attracts and retains our high-performing workforce.

Sustainability Focus

Enables us to create a positive legacy for future generations by nurturing people, planet, prosperity and partnerships actions.

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Implementing Our Strategy

Management commentary
(no financial statements)

Strategy Goal 1:

Connecting with our customers

There is much that we are proud of in terms of our customer relationships over a very challenging year and, as many customers continue to recover, there is continued opportunity for Napier Port to support them by providing flexible, innovative and integrated services, in response to the changing macroeconomic environment and locally based regional challenges post cyclone.

"Our focus remains on connecting our customers to their markets, understanding their needs, and helping them achieve their goals."

Management commentary
(no financial statements)

Supporting customers after the Cyclone

Protecting our customers' cargo on port and being able to resume operations as quickly as possible to ensure the smooth flow of supplies and trade, was the most tangible way we could immediately support our customers and region.

Napier Port's solid, well-engineered infrastructure assets are designed to cope with adverse weather events and our port performed well during Cyclone Gabrielle, suffering minimal damage.

This meant the first container vessel was back in port within one week of the Cyclone and the Port was ready for cruise vessels around the same time.

With our on-site generators, Napier Port was not adversely impacted by power cuts taking place across the region and was able to keep our customers' on-port inventory chilled for export. One of Napier Port's biggest customers, Pan Pac, was able to set up and run its emergency operations function from Napier Port's offices and the port opened its doors to many in the community during the initial period of emergency response activities. (See page 35 for our team's people-focused cyclone response).

We prioritise regular, timely communications with customers. In the immediate aftermath of the cyclone we were communicating with our customers several times per day with updates on port infrastructure and logistics, receipt and delivery times and the management of cargo already on port.

The feedback we received was that our customers particularly value Napier Port's transparency and communication.

"Napier Port's solid, well-engineered infrastructure assets are designed to cope with adverse weather events and our port performed well during Cyclone Gabrielle, suffering minimal damage."

Management commentary
(no financial statements)

What our customers say

While we're proud of our team and our contribution to our customers' success, ultimately what we think doesn't count for much. It's what our customers think and say that matters. So, we go to great lengths to ask them and to learn from their feedback.

In July we conducted a detailed anonymous survey of our customers – shipping lines, importers and exporters, freight forwarders, bulk cargo owners - through an independent agency. Just after Cyclone Gabrielle the time was right for some serious feedback. We've been encouraged with what we've been told and are committed to continuing to build upon these results:

Customer Survey Results

8/10
Overall satisfaction
0.5 from 2022

5/6
Customer groups improved satisfaction from 2022

Value for money perceptions
from 2022

12%
Dissatisfied customers
from 23% in 2022

5/6
Customer delivery metrics
from 2022

10/10
Service and communication are the main elements of highly satisfied customers

Our satisfied customers tell us we're providing high levels of service and communication

"Great service and response. Overall, an excellent supplier to work with and impressed with communications."
Container Cargo

"Napier Port continues to remain customer focussed in our case and a solution rather than cost focussed organisation."
Container Cargo

"Team are easy to deal with, and a great website, very easy to get around and use."
Freight Forwarder

"Best port I deal with by a Country Mile."
Shipping Line

"Because of their efficiency."
Container Cargo

Our areas for improvement generally relate to a specific issue or instance they want addressed rather than any common themes

"Open longer in the squash season."
Container Cargo

"Communication between departments."
Shipping Agent

"Keep costs lower and recognise longer term customers."
Bulk Cargo

"Reward exporters that behave in a transparent consistent fashion rather than a volume turnover equation."
Bulk Cargo

"Be open 24/7."
Container

Management commentary
(no financial statements)

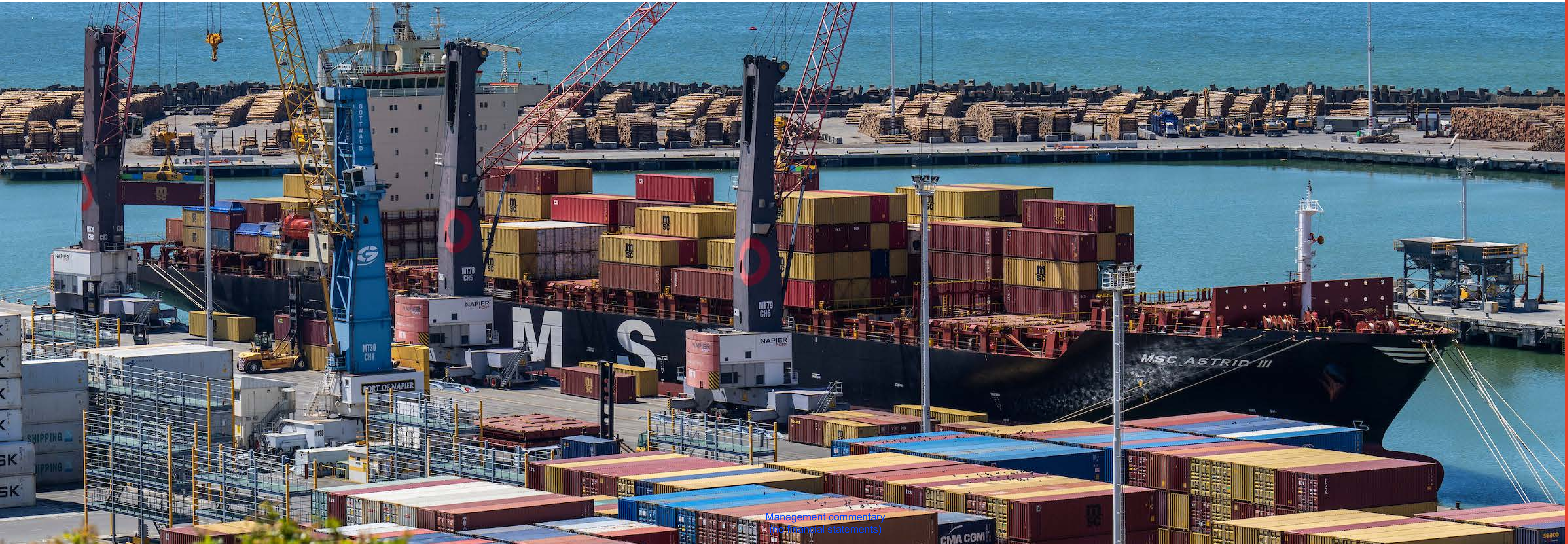
Shipping services add value

In March, following two years of Covid-related supply chain and shipping disruptions, Napier Port reinstated berth windows alongside the ports of Auckland, Tauranga and Lyttelton. Coordination of these berth windows between the ports allows shipping lines – and customers – to plan multi-port visits efficiently. Aside from the impact of Cyclone Gabrielle and some heavy, swell periods during June and July, Napier Port kept a tight schedule with its berth windows, avoiding delays that would otherwise cause ripple effects for shipping and cargo owners through other New Zealand ports.

Over the year we welcomed several shipping services that support customers to move cargo to and from global marketplaces – direct lines to Australia and China, as well as the Rangitata coastal shipping service between Gisborne and Napier post-cyclone for a period of three months.

Consolidation and joint ventures between international shipping lines is dynamic and Napier Port works hard to maintain good relationships with shipping customers and open opportunities for our importers and exporters. In September, we visited a number of our key international carriers across Asia-Pacific to discuss the future plans of Napier Port, a range of business development initiatives, as well as progress a number of contract renewal negotiations. Our team also had the opportunity to look at the deployment of technology by a number of the lines including fleet management and optimisation, and ongoing pre-emptive hull maintenance (bio fouling) activities.

Over the year we've continued to invest in mobile crane and berthing equipment to maximise berth utilisation for customers, including in periods of adverse weather. Previous investments in berth capacity, including Te Whiti Wharf, also support efficient access for shipping customers. The re-fendering project on 3 Wharf (see page 27) will improve berth access for bulk cargo customers who predominantly use this wharf, and accommodate the larger vessels progressively calling for this purpose.



Management commentary (the financial statements)

Forestry remains consistent

Timber and pulp are a significant export volume through Napier Port and we're confident in the outlook for forestry.

Cyclone Gabrielle pushed log volumes back, but long-established corporate forests in the region, together with a significant supply of small woodlot harvesting, has provided a solid, consistent baseload of timber volumes through the port. Local volumes resumed promptly through the Port and other mills in our wider catchment area continued to process wood products. Additionally, storm-damaged timber (windthrow) in the central North Island has crossed Napier Port's wharves in the months following.

During the year we confirmed a new export forestry customer, and we were also able to respond quickly to customers' need to store wood chip on port for export, as well as freeing up space on port as logs surged in the last quarter of the financial year. The responsiveness and customer focus of our teams meant we can accommodate operational needs in a tight timeframe without impacting on other port operations or customer space on port.

We are increasingly adding value to timber exports through ongoing enhancements to our debarking operations, for which customer demand is high and where there is a financial return for the Port.

Apples and cruise eye on Spring

This is an important spring for Hawke's Bay's apple industry but there is a lot of optimism about its recovery and return. Some of our major exporters suffered less permanent flood damage than initially feared and replanting of damaged areas is already underway or complete.

Volumes for FY23 were down around 18% compared to FY22. We are ready to support the region's apple industry as it regains lost ground and our confidence in the sector is reinforced by customers' ongoing investments in orchards and warehousing, as well as new crop varieties and market expansion.

Over the year Napier Port hosted 64 cruise vessel calls, with two triple ship and six double ship stays. We have built strong expertise and capacity in servicing the cruise industry and have managed the return of the industry seamlessly in partnership with a range of tourism partners. Bookings this coming 2024 season are looking very strong with 92 vessels already confirmed.

92

vessel calls already confirmed

from 64 in 2022

VIEWPOINT SUPPLY CHAIN

Viewpoint Supply Chain launches

As regional recovery progressed, with road and rail infrastructure re-opening, together with businesses re-establishing operations, it was appropriate at year end, to formally launch our landside warehousing and transport service, Viewpoint Supply Chain.

Eighteen months ago, Napier Port began testing customer demand for a North Island-focused supply chain service that offered a personalised, tailored approach to warehousing and logistics.

Off the back of recent years' supply chain disruptions, importers, exporters and freight forwarders had been telling us for a long time that their pain points were around efficiency, wasted time and cost, and lack of flexibility and responsiveness when moving cargo between distribution centres and ports.

We set out to change that by matching the visibility Napier Port has over shipping logistics, such as the real time arrivals and departures of vessels, with timings for road and rail transport. This is the visible advantage Viewpoint has. Because we match customers' full and empty containers with shipping calls, warehousing and other transport operators, we can move full train loads both ways. It removes waste from the rail component of the supply chain, shares the value created and more efficiently moves freight around the North Island with lower emissions.

Customers and freight forwarders know every time they pick up the phone to call Viewpoint, one of our team will answer and will find a solution that saves them time, cost or removes waste.

"Viewpoint is introducing a new level of integrated logistics across this half of the North Island and paving the way for projects like our Regional Freight Hub near Palmerston North and CEDA's Te Utanganui, the Central New Zealand Distribution Hub"

Peter Reidy, KiwiRail CEO.

Viewpoint provides supply chain solutions for export and import cargo connected to Napier Port. Our solutions are fully integrated and coordinated, including landside road and rail transport, domestic coastal shipping, freight warehousing, bulk storage, container storage, product packing, de-vanning and cross-dock, as well as solutions for bulk and containerised cargo.

Management commentary
(no financial statements)

Strategy Goal 2:

Harnessing data and technology

Data and technology solutions underpin our operations and enables us to provide new and innovative services to our customers and other port users.

Accurate, accessible data and the right technology solutions drive on-port efficiency, reduce costs, and deliver value for our customers. The right data and scheduling systems keep our operations on time, reducing waste and down-time. Increasingly, the evolution of on-port technology is helping keep our people and our operations safe.

Napier Port's tech team is a highly strategic part of our operations. How we adopt technology solutions and use our data will drive our future success through continuing to increase efficiency, cut emissions and deliver valuable innovation to customers.

This team demonstrated its versatility and resilience over the year, delivering solutions under trying circumstances. All of Napier Port's information technology systems were kept online and maintained through Cyclone Gabrielle and the week-long power and communications cuts that impacted Napier.

Our ability to generate consistent power via well-maintained on-site generators was a huge asset. Our team helped the New Zealand Army immediately set up on-site communications functions critical to their rescue and recovery operations, and supported Pan Pac, one of our major timber exporters, set up its own emergency management and communications centre at the Port.

> "While networked infrastructure usually refers to connecting the physical road, rail, port and sea infrastructure, it applies equally to the electronic connections across all of our operations."

Management commentary
(no financial statements)

Networked assets

Another of Napier Port's strategic pillars is Networked Infrastructure. While this usually refers to connecting the physical road, rail, port and sea infrastructure, it applies equally to the electronic connections across all of our operations.

This year saw continued investment in a wide range of information technology, including improvements to CCTV (closed circuit television), radio systems and vehicle mounted communications terminals. Upgrading the number and quality of our cameras, has enabled us to begin to utilise the benefits of machine learning to understand and improve on-port surveillance and monitoring. An example is monitoring speed within the port, ensuring drivers adhere to our 20km safety limit. New fence perimeter alerts are an example whereby our access team is notified automatically if there is a perimeter breach picked up by camera. As a customs controlled border, this improves both safety and security on-port.

In overhauling our vehicle communications and technology, forklift drivers, for example, have access to the information they need to do their job safely and efficiently. Our tugboats now have cutting edge wireless technology and, as required, could sail to Auckland and still connect to the Napier Port network.

Technology has changed the way Napier Port is connected to our inland freight terminals, improving efficiency and resilience. Information technology was critical in enabling the post-cyclone freight bridging effort involving a collective combined effort with our customers, and rail and road transport suppliers (see page 30).

On-site development tailored for Napier Port

A unique feature of Napier Port's operations is software that has been developed in house, designed by operational and technology teams for Napier Port application. During the year, the focus was on adding further value to two of our flagship software applications – Propel and Sharewater.

Propel, our customer portal for on-port landside logistics bookings, is one of our most successful digital tools. We have been able to continue upgrading its capability to be responsive to change and adaptable to customers' need. This year we built in the ability to book empty containers and bring them on to port. We have been able to add on a central North Island solution for our out-of-region cargo service, which is particularly designed to accommodate customer requests that come from our Viewpoint Supply Chain team. Propel was also easily adapted to accommodate the modal changes from rail to road following the cyclone.

Sharewater is our cloud-based harbour management system, used to plan and optimise vessel movements. It enables us to more efficiently deploy our people, plant and infrastructure in the port's marine environment. During the year, the marine and technology teams added new functionality to Sharewater to support the mooring team with the planning of their mooring systems. The overall benefit to ourselves and customers is more efficient berthing operations and improved utilisation of our port's wharves.

Strategy Goal 3:

Networked infrastructure

During 2023 our infrastructure projects supported our strategic objectives and added value to customers in the following ways:

Te Whiti Wharf delivering against plan

Te Whiti Wharf is, just a year after its official opening, proving its value for both Hawke's Bay and New Zealand. During the course of this year our pilots, mooring and operational teams have developed a thorough understanding of the wharf and how the advanced mooring technology performs under different operating conditions.

Te Whiti Wharf is delivering against its strategic business case, easing congestion and expanding port capacity across the North Island. It is driving on-port efficiency, reducing ship moves inside the port, creating more berth availability, and reducing the time vessels are spending at anchor waiting to enter Napier Port.

As part of a wider rollout of ShoreTension across all our wharves, we are seeing an increase in the number of smaller vessels and vessels of irregular shape, such as cruise ships, berthing on Te Whiti Wharf. This further adds to the operational flexibility, wharf availability and efficiency that Te Whiti Wharf is unlocking at Napier Port.

> "Our commitment to networked infrastructure sees us taking a leadership position in the development of a seamless and efficient supply chain between our customers in the North Island and international markets."

Management commentary
(no financial statements)

New on-port infrastructure and equipment

Napier Port's commitment to networked infrastructure extends beyond our wharves to significant and planned on-port investment in a range of cargo processing equipment and, to increase efficiency and the services offered to customers and shipping lines. Investing in on-port efficiency through the latest equipment and technology also improves safety and reduces environmental impacts.

During the year we continued lighting upgrades installing LED's that lowers overall emissions and creates safer work environments for all port users. We also continued the programme of ongoing paving, which increases the amount of space that can be utilised across the port, such as the paving of E block enabling a new cargo type of wood chips to be stored before export.

Fender replacement began on 3 Wharf. This wharf is primarily used for bulk cargo, such as cement importation which is a critical component of the regional recovery work post-cyclone. Replacing the fenders improves both safety and efficiency and helps ensure security of supply of these products to support regional growth.

During the year we enhanced the ways Napier Port uses heavy plant equipment, including upgrades to the log debarker which removes bark from logs for export, and further trials with mobile harbour cranes to move logs and fertiliser hoppers to maximise throughput.

Following a successful trial last year, the rollout of ShoreTension mooring units across all Napier Port wharves is underway. ShoreTension uses hydraulic rams to keep berthing lines at a constant tension in changing weather conditions. It reduces a critical risk by removing people from close proximity to moving mooring lines and reduces vessel surge and sway movements while berthed, which in turn maximises operational limits to elevate our berth utilisation.

In April, Napier Port took possession of four brand new Kalmar container handling machines – two Eco Reachstackers and two Empty Container Handlers, with one more on order. Combined with the highest lifting and lowering rates for improved cargo-handling productivity, they operate with reduced running costs per move. As one of the country's largest container ports, the safe, efficient handling of large volumes of shipping containers is core to the New Zealand supply chain as much as to Napier Port's business. (See page 40 for details on the machines' reduction in fuel consumption).

> "Investing in on-port efficiency through the latest equipment and technology also improves safety and reduces environmental impacts."

Management commentary
(no financial statements)

Long-term planning critical

As we continue to develop our infrastructure and ensure it is well networked, Napier Port is focused on long-term planning and investment decisions that ensure flexible and resilient infrastructure that can safely and reliably deliver for customers.

This starts with examining infrastructure inside the port, and extends to include how we connect with the rest of the supply chain: the inland ports, the coolstores, the road, rail, air and sea connections to market.

At the same time, all of our investment decisions are considered against our own environmental, social and governance (ESG) factors, and a commitment to run an increasingly sustainable, low emissions operation.

The Master Plan, first developed in 2019, sits at the centre of our long-term planning and infrastructure roadmap. It guides long-term investment in infrastructure, equipment and capability and develops alongside our overall business strategy, and climate change and sustainability workstreams.

The Master Plan's objectives are equally focused on Napier Port's future growth and continue to support the performance of the region and of 'NZ Inc'.

Work is ongoing in reviewing the Master Plan and engaging with stakeholders to ensure a wide spectrum of views inform our future thinking.

Management commentary
(no financial statements)

Strategy Goal 4:

Collaborative partnerships with others

By working collaboratively with others, we add value to our customers, business partners, external organisations, communities, regional and national economy, and the environment we operate within, particularly in relation to our climate and our ocean.

"Trusted partnerships built over time, and our ability to work together with others, are critical to our long-term success."

Management commentary (no financial statements)

> “The partnership fostered confidence and trust between all the parties involved and highlighted what is possible when ports, customers, road and rail transport operators work closely together.”

Road bridging operation post-cyclone

One of the positive stories post-cyclone was the partnership formed between Napier Port, KiwiRail, Team Global Express, Heinz Watties, and out-of-region cargo owners to set up a road bridging solution. This enabled import and export cargo throughout the North Island to still come to and from Napier Port when the rail line was out of action.

A temporary rail and container terminal was established at the Team Global Express freight depot in Hastings. Containerised import and export cargo would move by rail to and from the Team Global Express yard, be devanned and then transported by truck for the final 20km stretch between Hastings and Napier Port. That operation took place during the day, and then overnight the pulp cargo that comes from the lower North Island would arrive into Heinz Watties’ yard, be unloaded onto trucks and come through to the port.

Even within Napier Port, the ability to flex and adapt our operations, together with the collaboration between all our teams to pull off a temporary container operation of this size and scope, involving so many partners, cargoes and heavy plant equipment was a real achievement. Our Night Rail crew relocated to the Heinz Watties site in Hastings in order to keep pulp cargo moving.

Many of our other teams contributed in some way – health & safety ensured the high standards we maintain on port carried through to the temporary operations, human resources deployed and seconded team members whose roles had been impacted on port, IT were tasked with setting up our operating systems and communications technology at these remote locations, and our supply chain, commercial, warehousing, and operations teams implemented the road bridging operation on the ground and managed the necessary contractual requirements, negotiations and logistics.

The road bridging operation allowed us to retain the majority of out-of-region cargo that came by rail through to Napier Port.

It also strengthened partnerships between all the parties involved and highlighted what is possible when ports, customers, road and rail transport operators work closely together on supply chain solutions.

Strategic partnerships allows us to achieve more together

With the supply chain so interconnected, it is increasingly important to form partnerships with others for mutually beneficial outcomes.

This year Napier Port strengthened its partnership with Halls Group in the Manawatū Inland Port, becoming an equal joint owner in the facility. Strategically this is important for Napier Port's growth strategy, but also our commitment to working towards an efficient, safe, reliable and resilient supply chain for customers with an NZ Inc. focus.

The Manawatū Inland Port is a 1.9 hectare container yard and 2,170 square metre warehousing facility in the lower North Island that provides a range of services including container depot and shipping line point of acceptance for import and export containers, Ministry for Primary Industries inspections, cross-dock facilities, dry storage, packing and unpacking facilities, fumigation and container repair. As a one-stop shop for the central and lower North Island, it creates greater efficiencies for customers and helps alleviate congestion at busy seaports.

Our teams also worked closely with Eastland Port's team in Gisborne to get the dedicated coastal shipping service up and running in a matter of weeks. This service delivered goods from Napier to the cut-off Tairāwhiti region and kept cargo moving for the East Coast, while the roading network was under repair.

1.9h

Container yard at The Manawatū Inland Port

2,170m²

Warehousing facility in the lower North Island

Contributing insights and leadership into transport, freight, infrastructure

As one of the country's largest container ports, we had an inside perspective as to where the supply chain was falling down during Covid-19 and a particularly direct role during the aftermath of Cyclone Gabrielle. This sees us increasingly engaged on transport and infrastructure at a local, national and industry level.

Napier Port participated as an advisory panel member, to be consulted as required, in the Ministry of Transport's national freight strategy, which was released in August 2023.

Hawke's Bay's five territorial authorities appointed Napier Port to lead the development of a regional integrated and intermodal transport freight strategy. This required extensive consultation with stakeholders, with a particular focus on ensuring a long-term transport strategy for the wider Hawke's Bay was tightly aligned with the post-cyclone regional recovery efforts. This draft 30-year strategy document was under review by key stakeholders at the end of our financial year.

Through a number of forums, particularly the Port Industry Association, Port Chief Executives' Forum, Cruise Associations, transport committees, and with industry regulators, our people are involved in shaping and contributing to ongoing improvements to our sector. Safety, wellbeing, and training initiatives are amongst the top priorities, with Napier Port's experience in critical risk management and fatigue management providing valuable insights for others.

Partnerships for healthy oceans

This year, a multi-year partnership to develop two artificial reefs between Napier Port, LegaSea Hawke's Bay, the Mana Whenua Steering Komiti, and the wider Fisheries Liaison Group, saw a two-year rāhui - or temporary closure – actioned by the Minister for Oceans and Fisheries.

The first rocks used to construct the reefs were laid in 2020 and sourced from naturally occurring limestone boulders in a revetment wall at the port that was dismantled as part of the Te Whiti Wharf build.

The rāhui is an excellent result to help the reef flourish and grow, and achieve the goal of enhancing the habitat and health of the marine environment in the area. Napier Port will continue to be actively involved through dive surveys to document the establishment of the reef and the health of fish that live in the area.

Sharing our time and resources to support our community

Strong partnerships drive Napier Port's sponsorship and community engagement programmes to ensure we also contribute to the region's wellbeing. Some of our highlights during 2023:

- We are again proud to be the principal sponsor of the Napier Port Hawke's Bay Primary Sector awards and the Unsung Hero Award at the ExportNZ Hawke's Bay Export Awards. With exports the lifeblood of our region, we are committed long-term to supporting events that promote the primary sector industry that underpins the success of our port.
- In its second year, the Hawke's Bay Future Farming Trust is one of our younger partnerships, but increasingly important with its approach to championing sustainable agriculture in the region. As a parallel to the work we do in support of healthy oceans, our partnership with the Trust extends to the health of the region's soil and water for communities, farmers and growers.
- Cape Sanctuary made significant progress on their sea bird site, sponsored by Napier Port. The Sanctuary is home to many endangered species, including the Shearwater bird, which has parallels with our harbour management system, Sharewater. Our partnership with Cape Sanctuary aligns with our commitment to supporting marine life, including our own on-port Kororā (little blue penguin) Sanctuary.
- Many of our partnerships are focused on activities on or near the water, with a focus on safety and the environment. Unfortunately following the cyclone, some of our ocean-based events were unable to take place. The Napier Port Ocean Swim and the Napier Port Family Fishing Classic were postponed until 2024 and the educational activities of the Ātea a Rangi Educational Trust's waka taurua sailing and navigational programme were curtailed.

We thank our sponsorship partners this year for choosing us as a partner:

- Napier Port Hawke's Bay Primary Sector Awards
- Napier Port Ocean Swim
- Napier Port Family Fishing Classic
- Cape Sanctuary
- Hawke's Bay Future Farming Trust
- Ātea a Rangi Educational Trust - Waka Sailing Programme
- Hawke's Bay Export Awards
- Red Meat Sector Conference
- Apples and Pears Conference
- Napier Port Multisport Youth Squad - Triathlon Hawke's Bay
- 2023 North Island Optimist Championship
- Big Brothers Big Sisters Hawke's Bay
- Innovate Napier - Business Breakfast Series, switch around
- Craggy Range Children's Christmas
- Salvation Army Christmas boxes
- House of Science
- CILT Safety Made Simple Award

S4

Foundations

Management commentary
(no financial statements)

Foundation 1:

Our culture of Care

Napier Port's people are its greatest strength, and our Culture of Care is the foundation of our business, underpinning everything we do.

Our people have a deep sense of responsibility to the community and our region's reliance on us, and this has never been more apparent than during the past year.

"Actively building a strong, resilient and agile workplace culture with a focus on health and safety attracts and retains our high-performing workforce."

Management commentary
(no financial statements)

Cyclone Gabrielle – resilience, adaptability, working together and for each other

In the aftermath of Cyclone Gabrielle, Napier Port quickly became a response hub for Hawke's Bay, supporting many different response agencies and our community.

Any of our team who could safely get to Napier Port did so and we kicked into gear with two priorities: welfare checks on all our people, especially those closest to areas of intense flooding and those cut-off from returning home; and getting our port operational as quickly as possible to ensure essential links and services were able to be provided during a period of national emergency.

As it has done in the past, our region was relying on us for urgent supplies, including fuel, recovery equipment, and medical supplies. Through our onsite generators, not only did we have enough energy for our own operations, but we were able to lend generators to the regional airport and medical centres, in order for them to reopen.

We became a community base for both the New Zealand Army and Navy, with the defence forces setting up a Napier base on port. This base became affectionately known as 'Camp Penguin', offering the right facilities, support and security for the rescue and recovery operation.

Our people living outside Napier supported the wider regional response by joining the Hawke's Bay Civil Defence Emergency Management Unit, volunteering in specialist roles including health and safety, human resources, emergency management, and GIS/CAD design helping to map flood-affected areas.

Some of our teams were more impacted than others. With production temporarily ceasing at Pan Pac following the cyclone, members of our Port Pack team joined Port Otago for a six-month secondment.

Our Night Rail crew were also temporarily relocated. This team unloads Winstone Pulp International's pulp cargo that arrives into Napier Port on rail from their production plant in the central North Island, five evenings a week. With the rail line damaged, the Night Rail crew were based at the Heinz Watties site in Hastings, supporting the road bridging operation until the rail line was reinstated mid-September (see page 30).

Inside our gates we also had people from a variety of areas of our business seconded to different teams during the year. Our goal was to keep people engaged in meaningful employment that utilised their valuable skills, however the secondments provided even more benefits than we anticipated. People from different teams got to know each other better; friendships and information sharing expanded; people on secondment and also the teams they went into learnt more about different areas of our business; and it led to a number of internal opportunities for people to permanently take on new roles and responsibilities at Napier Port.

Management commentary
(no financial statements)

Building capability and culture

Our People Plan, maintained over a number of years, is focused on building leadership and cultivating talent. Over the 2023 financial year, we entered the next stage in Napier Port's life cycle and culture where the changes we have been putting in place are seeing us become a port that truly acts as a single dynamic integrated operation, with a 'whole of port thinking' focus.

Three new roles were created to support this - Chief Operating Officer (COO), consolidating the roles of General Manager Marine and Cargo, and General Manager, Container Operations; Port Optimisation Manager, with a future-focus on how we may configure operations to best meet future needs and our commitment to sustainability and emissions reduction; and Marine Manager, consolidating management over all our marine planning, operations and compliance requirements.

Line management within operational areas was also consolidated, with Napier Port now having an aligned tier of Operational Supervisors across all our landside and marine operational areas.

With 'whole of port' thinking at the forefront, a daily cross-functional all port planning meeting of business leaders takes place every morning. This reduces risk and enhances communication between teams, as well as efficiency for ourselves and our customers.

Around twenty of our people leaders took part in a two-day leadership workshop facilitated by an external consultant. The goal is for this group of people leaders to partner with the senior management team on a regular basis to contribute to strategy, culture development, project implementation and management. While informally this has always happened at Napier Port, creating a wider leadership forum enhances accountability and joint decision-making, as well as exposing future leaders to development opportunities.

We remain committed to building a more diverse workforce. At the start of the 2023 financial year, we ran a recruitment campaign directly focused on bringing diversity into our operational teams. Two of our current three female heavy plant operators began their careers at Napier Port through that campaign, which reassures us we are making incremental improvements.

Protecting wellbeing, ensuring safety

With our people under pressure over the year, we've remained vigilant in our commitment to on-site safety. We monitored the wellbeing of our people closely, with dedicated resources in touch with teams, ensuring people are rested, that leave is being used and a range of bespoke support is available as required.

Over the year we've continued making improvements to the way we work – for example moving from four to five crane operator teams to better manage fatigue, introducing a safety enforcement policy, and focusing on driver safety on port.

The introduction of a fixed roster for operational teams means people know when they're working on a permanent basis. This helps with their work-life balance, family commitments, and fatigue management. This initiative, like many on port, was led by our safety reps and team leaders on the ground.

Our teams have not been afraid to tackle the difficult subjects in the interests of safety and wellbeing.

Both as a part of the country's border and as a high-risk heavy industry, we also continued to focus on drugs and alcohol. We've updated the drug and alcohol policy, ensured every person on the port was trained on the policy, and facilitated any assistance required by New Zealand Customs Service and New Zealand Police in drug detection and enforcement.

This underscores the very high value we place on protecting the wellbeing of our people and balancing that with absolute consistency around the critical importance of operational safety.

Also in the interests of safety and wellbeing, our people expect high standards from each other when it comes to everyone being respected and treated equally in our workplace. The right culture is a non-negotiable when it comes to our workforce demonstrating our commitment to diversity and inclusion.

Our teams are encouraged to use the varied wellbeing initiatives available, including:

- Psychological Support
- EAP Services
- Massage and Physiotherapy Services
- Molemaps
- Health Monitoring
- "Warrant of Fitness" Checks
- Hydration Advice
- Flu Vaccinations

Health and Safety at a Glance

3,833
health and safety inductions complete
▲ (2022: 1843)

712
places on health and safety courses
▼ (2022: 857)

4.93
lost time injury frequency rate per 200,000 hours worked
▲ (2022: 2.87)

13
critical risk control mapping reviews undertaken
(following on from 23 bow ties developed in previous years)

Management commentary (no financial statements)

Our Workforce as at September 2023

321
permanent employees
▼ (2022: 341)

17%
of all employees are female
(2022: 17%)

83%
of all employees are male
(2022: 83%)

35%
of employees are aged under 40 years
▲ (2022: 33%)

23%
Leadership roles are female
▲ (2022: 20%)

10.3%
Employee turnover
▲ (2022: 9.7%)

75%
Employee Participation in Kōrero Mai engagement survey
▲ (2022: 73%)

38
people have worked at Napier Port for more than 20 years
▼ (2022: 44)

71%
Employee Engagement in Kōrero Mai engagement survey
▼ (2022: 74%)

Congratulations to all our Excellence Award Winners:

- Inspirational Colleague
- Excellence In Customer Service
- Unsung Hero
- People's Choice
- Health, Safety & Wellbeing
- Rising Star
- Leader Of The Year
- Team Of The Year
- Chief Executive's Supreme Winner

Management commentary
(no financial statements)

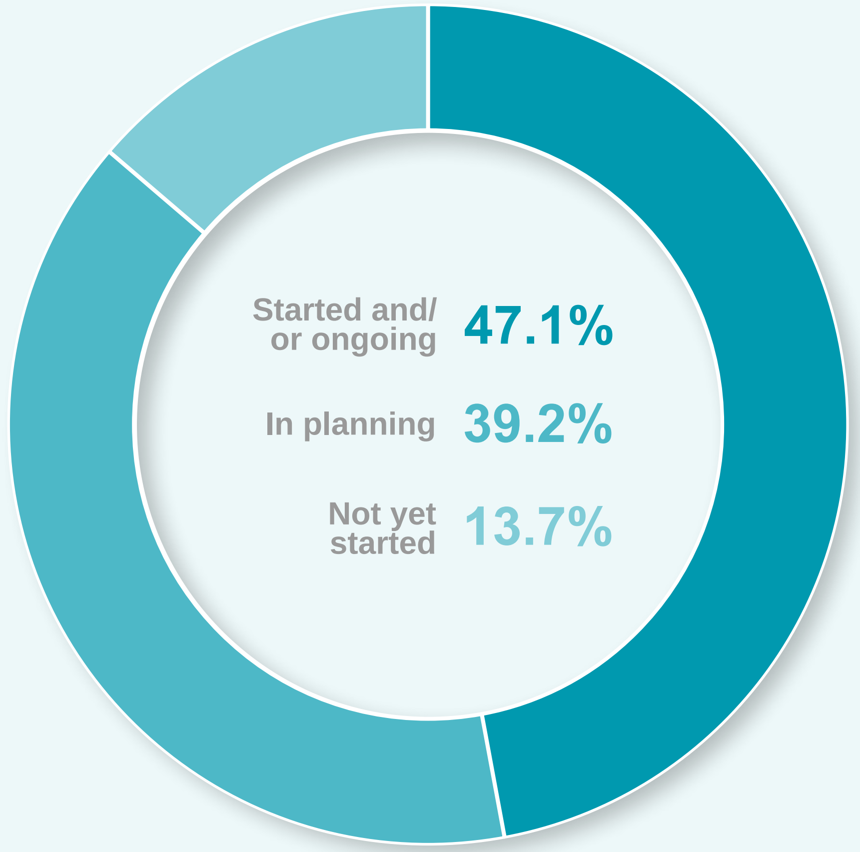
Foundation 2:

Sustainability and emissions reduction in action

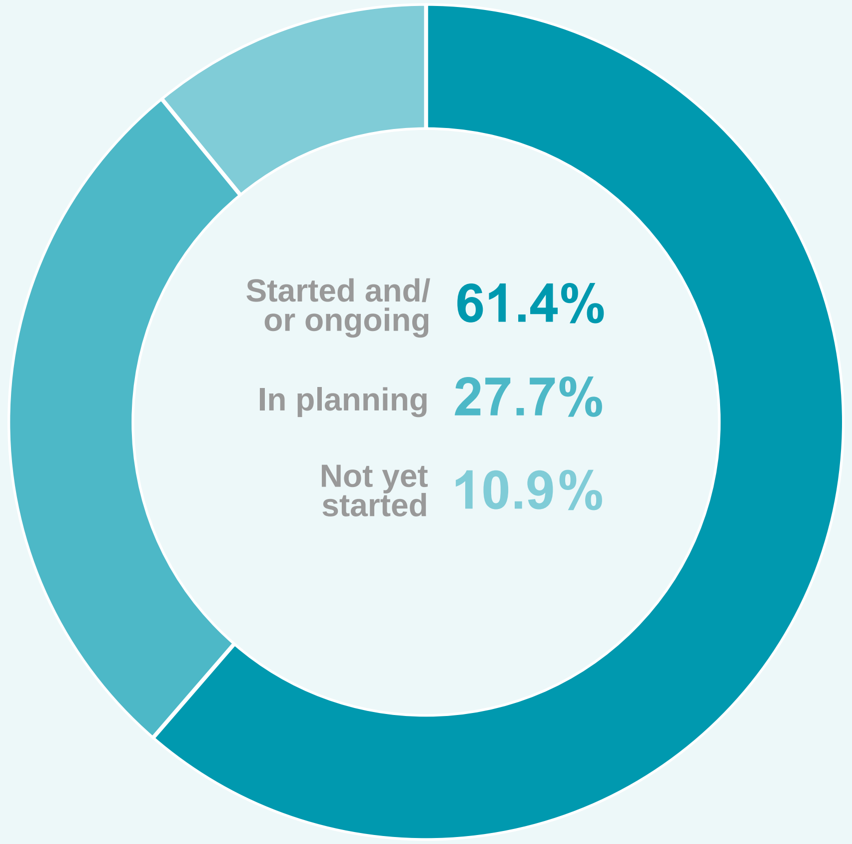
We continue to make good progress in our commitment to sustainability, with a focus on embedding sustainable practices throughout our operations.

Our Sustainability Strategy and Action Plan implemented in 2021 identifies over 100 measurable workstreams across four pillars of people, planet, prosperity and partnerships stretching across a 10-year implementation timeframe (this can be found on our website at: ***www.napierport.co.nz/investor-centre***

"Napier Port remains committed to a goal of net zero emission by 2050 and we have an emissions reduction strategy to help us reach this goal."



Initial Issue



FY23

Fig 1: Workstream and key priority action progression over the period since adoption of the sustainability strategy.

During FY23 additional workstreams previously in planning began, resulting in 61.4% of all workstreams in the strategy now started or ongoing, compared to last year's 47.1%. This demonstrates our commitment to reducing our carbon footprint and embracing sustainable practices

Our interest in exploring green energy equipment remains high and through collaborative partnerships, we are procuring and also trialling new green technology.

In April we commissioned four new Kalmar container handling machines that were procured last financial year – two Eco Reachstackers and two Empty Container Handlers. All four machines offer more efficient fuel usage rates over our existing inventory to help drive down annual diesel consumption and total emissions on port. The reachstackers are best in class for emission rates and fuel consumption measurements we have taken to date indicate the reachstackers are using approximately half the diesel per hour as traditional equipment.

In September we tendered to market the replacement of up to seven battery electric forklifts to support our Warehouse Operations packing team. These will likely replace conventional diesel equipment and provide long term recurring greenhouse gas reductions.

Shortly after year end we welcomed the arrival of the world's first fully electric mobile harbour crane rotator. Partnering with supplier, Bromma, our teams are excited to be involved in this new technology and exploring any potential impact on emissions reduction and increasing plant reliability.

Port operations are capital intensive with container-handling equipment, marine vessels and truck fleet all having a natural, long-term life, and it is critical the right environmental and investment decisions are made. As emerging technologies become more certain in terms of cost, supply and distribution of renewable electricity, our ability to adopt renewable energy equipment becomes increasingly feasible for our major emission sources such as cranes, container handlers, marine fleet and generators.

As we work towards the longer term goals, we aren't taking our eye off the things we can be doing year on year to being a more sustainable business.

Our annual Employee Recognition Scheme includes a measurable sustainability goal that all port employees work towards. This ensures we keep thinking and acting sustainably in our day to day work.

This year, every team was asked to identify initiatives they could implement during the year that would be ongoing. Our teams came up with 124 different initiatives, which were then consolidated by a cross-functional group and prioritised. By aligning these with our wider business strategy and utilising data and technology, some of these initiatives are already producing immediate, measurable results, for example:

- Marine Operations are maximising the use of lower consumption tugs where possible
- Container Operations are using data driven planning to reduce equipment idle time
- Warehouse Operations procured a battery electric sweeper used to mitigate pulp dust
- Fleet Services are segregating waste and using an aerosol puncture device to recycle used cans
- Infrastructure are replacing HID lights with LED units to lower consumption and reduce risk; and
- Corporate Office partnered with sustainable coastlines and litter intelligence to participate in community litter reduction initiatives; and segregated domestic waste to reduce total volume to landfill.

Emissions and climate change risk assessment

Our total carbon emissions for this financial year were 8,772 tonnes, a 10% reduction from last year's 9,744 tonnes. This was in line with reduced cargo following Cyclone Gabrielle.

Scope 1 emissions reduced from 7,155 tonnes to 6,278 tonnes, due to less fuel usage by forklifts, cranes and diesel generators. This was offset by the marine fleet (tugs and pilot boat) whose fuel usage increased due to the return of cruise ships as pandemic restrictions eased.

Scope 2, purchased electricity, reduced from 1,759 tonnes to 1,487 tonnes due to less refrigerated containers ('reefers') on power during the year.

Scope 3 emissions increased from 830 tonnes to 1,007 tonnes due to a range of factors. Our employee commuting data collection evolved which increased what is measured. Other smaller increases related to air travel as pandemic restrictions eased and container freight movements by road, while a key rail bridge was being repaired following Cyclone Gabrielle.

This year we published our third Climate Change Related Disclosure Report (this can be found on our website at: ***https://www.napierport.co.nz/investor-centre/).*** It has again been prepared in alignment with the Taskforce on Climate-Related Financial Disclosures (TCFD).

The main focus of our third disclosure report is to highlight updates to Napier Port's climate change 'physical risks' and 'transition impacts' following the refresh of our climate change risk assessment (CCRA). It adopts newly available climate change data which builds on the scenario modelling used in the previous two reports. The other key focus area is reporting and analysing our certified emissions output for FY23 against our benchmark FY22.

From the analysis undertaken, at this stage, we do not consider that the effects of climate change materially change our overall strategy. Sustainability will continue to be embedded into our ways of working. The more financially material infrastructure improvement actions are required over the medium to long-term to ensure that we continue to have a resilient and agile infrastructure network. Planning to address this is being embedded within our asset management plans and infrastructure Master Plan.

In the short-term, we will continue to complete more detailed investigations of climate-related effects and ensure these are considered in Napier Port's master planning process. We have included climate-change considerations within Napier Port's procurement processes and policies and work in these two respective areas is ongoing.

"In the short-term, we will continue to complete more detailed investigations of climate-related effects and ensure these are considered in Napier Port's master planning process."

Management commentary
(no financial statements)

10%

Reduction in Total Carbon Emissions

Fisheries survey shows impact of Cyclone Gabrielle

Each year we shine a spotlight on one of our sustainability activities. Last year, our focus was on decarbonisation and initiatives to reduce our carbon footprint. This year, we are highlighting one piece of work we do to protect and enhance our marine environment - the Fisheries Survey, which has also provided some insights into the impact of Cyclone Gabrielle on local fish species.

Background:

During the course of the Te Whiti wharf build, material from the dredging campaign was disposed within a new consented offshore disposal area (ODA). Commercial fisheries largely rely on a bottom trawling method around and within the area, and we wanted to ensure this wasn't disrupted during or after the wharf build.

To gain a better understanding of any effects of disposal dredging on fisheries, ongoing targeted monitoring around the ODA was implemented for key benthic species including; red gurnard, English/New Zealand sole, lemon sole, sand flounder, yellowbelly flounder and brill.

Method:

Surveys have been completed on a monthly basis since May 2020. Two three-hour long trawls are completed on a single day around the perimeter of the ODA. A cage designed to reduce bycatch is used, allowing smaller fish to pass through without any abrasions. Fish that are caught are then counted and measured by length. Since January this year, we have also started weighing fish, to gain an understanding of fish condition.

These surveys have been done with the support of the Fisheries Liaison Group (FLG) which includes representatives from Napier Port, commercial fishers, Fisheries Inshore New Zealand, LegaSea, Hawke's Bay Regional Council, NZ surf casting and Freedom Divers Club. Results from this monitoring to date support that dredging has not significantly impacted fisheries surrounding the ODA.

Cyclone Gabrielle Insights:

Having undertaken three years of surveys, we now have a substantial historic data set, and have been able to utilise this data to better understand the effects of Cyclone Gabrielle on these local fish stocks.

The Cyclone caused a large amount of silt, debris and logs to enter the marine environment, likely smothering food sources (small benthic invertebrates), and has caused significant reductions in CPUE (catch per unit of effort) across all species targeted. These results can be seen for a 6-month period following the cyclone. Findings verify local inshore fishers concerns about significant reduction in catches.

Seven months after the cyclone, following a period of Westerly (favourable) wind conditions, we have seen monitored stocks bounce back. We hope that this signals that small invertebrates that the targeted commercial species feed on have re-established on the sea floor, and that we can expect to see catches stabilise at this higher level again.

Management commentary (no financial statements)

S5

Our leaders

Management commentary
(no financial statements)

Board of Directors

Blair O'Keeffe

Independent Director and Chair

BBS (Hons), MInstD

Blair was appointed as a director of Napier Port in June 2019 and in December 2022 was appointed Chair. Blair is a Hawke's Bay based company director and board advisor, with governance experience in NZX listed, central and local government, and private entities. He is a former Port Chief Executive, with 25+ years of local and international senior executive experience, including infrastructure, energy, property and transport.

He is currently Chair of the Hawke's Bay Regional Recovery Agency, a director of Unison Networks Limited, Central Air Ambulance Rescue Limited, and is Chair of the Hawke's Bay Rescue Helicopter Trust. He also operates a board/commercial advisory business. He is a former director of NZX listed Z Energy, and former Chair of Crown Entity Maritime New Zealand.

Stephen Moir

Independent Director

Stephen was appointed as a director of Napier Port in December 2016 and is the Chair of the Audit and Risk Committee. Stephen brings an extensive background in institutional banking and financial markets, having held senior roles at Westpac Institutional Bank, Credit Suisse (Singapore) and Citibank (Singapore, Thailand and Australia).

Stephen is a director of Chubb Life Insurance New Zealand Limited and is the Chair of the Audit Committee, a director of the Todd Family Office, and Chair of the ASB Bank Investment Committee. He was previously a director of the Guardians of New Zealand superannuation, a non-executive director on the BNZ board, and Chair of both BNZ Life Insurance and BNZ Insurance Services, as well as the advisory board to the Victoria University Chair of Business in Asia. Stephen was previously a member of the NZ Markets Disciplinary Tribunal.

Diana Puketapu

Independent Director

FCA, CMInstD

Diana joined the Napier Port Board in December 2017, and has a background in commercial, iwi and sports governance. Diana is Chair of the New Zealand Olympic Committee, Deputy Chair of New Zealand Cricket, a director of Ngāti Porou Holding Company, Manawanui Support, , DNA Designed Communications, and Trade Window Holdings. She has previously served as a director of , Tāmaki Redevelopment Company, Auckland Council Investments, World Masters Games 2017, and was formerly the Chief Financial Officer of Ngāti Whātua Ōrākei Corporate.

Diana is a Fellow Chartered Accountant and a Chartered Member of the Institute of Directors.

John Harvey

Independent Director

BCom, FCA, CFInstD

John joined the Napier Port Board in February 2019. John has a background in financial services, including NZX listings, acquisitions, mergers and financial reporting, with over 35 years' professional experience as a Chartered Accountant. He was a Partner at PricewaterhouseCoopers for 23 years, including eight years as Managing Partner at the Auckland office.

John is a Chartered Fellow of the Institute of Directors in New Zealand and is currently a director of Heartland Bank. He previously served on the board of Port Otago for nine years, and has been a director of Kathmandu Holdings, Investore Property, Stride Property Group, Ballance Agri-Nutrients and APN News and Media.

Management commentary
(no financial statements)

Board of Directors

Vincent Tremaine AM

Independent Director

BBus, FCPA, FAICD, GAIST (Adv.)

Vincent joined the Napier Port Board in February 2019. He has broad experience in the port sector, having served for 16 years as CEO of Flinders Ports Holdings, which owns seven South Australian ports, the Adelaide Container Terminal and Flinders Logistics.

Vincent is currently Chair of Riverland Water Holdings and Chair of Southern Launch Space. He has served as Chair of Ports Australia and the South Australian Chamber of Commerce and Industry, and as a director of Geelong Port and Green Industries SA (South Australia Government Body Corporate) and Australia's National Heavy Vehicle Regulator. Vincent also worked for Toll Ports and Resources, managing the ports of Geelong and Hastings in Victoria. In 2020, Vincent was awarded Membership of the Order of Australia (AM) for 'significant service to shipping infrastructure and freight transport'.

Dan Druzianic

Director

BCom (Ag), PG Dip Com, FCA

Dan joined the Napier Port Board in August 2022. Dan is a chartered accountant, business advisor and professional director with broad experience across business sectors including agribusiness, health, infrastructure, property and investment. He holds a Commerce degree from Lincoln University, is a Fellow of the Institutes of Chartered Accountants of Australia and New Zealand (CAANZ), and is a member of the New Zealand Institute of Directors.

Dan was appointed to the Napier Port Holdings Limited Board in August 2022. He resides in Hawkes Bay and is also chairperson of the Hawkes Bay Regional Investment Company Limited (HBRIC). He also sits on the board of Unison Networks Limited and Bostock New Zealand Limited and was previously a Trustee of the Hawkes Bay Community Fitness Centre Trust.

Kylie Clegg

Independent Director

LLB, BCom, MInstD

Kylie joined the Napier Port Board in August 2022 and has a corporate legal background across a range of industries. Kylie is currently a director on Auckland Transport.

Her previous governance roles include a member of Waitematā Health New Zealand Capital Advisory Group, Waitematā District Health Board, Counties Manukau District Health Board, Sport New Zealand and High Performance Sport New Zealand.

Management commentary
(no financial statements)

Senior Management Team

Todd Dawson

Chief Executive

BSC, PGDipBus, MInstD, PMP, CMILT

Todd joined Napier Port as the Chief Executive in 2018, bringing broad commercial experience from across a range of industries and deep expertise across the supply chain, transport and logistics sectors. Prior to Napier Port, Todd led strategic partnerships and new ventures at Kotahi Logistics, working on the introduction of bigger ships to New Zealand and the establishment of intermodal freight hubs.

He has over 25 years' experience and has previously held senior roles at IBM NZ, Toll New Zealand, Sainsbury's Supermarkets (UK) and Mainfreight.

Todd holds a Bachelor of Science and a Postgraduate Diploma of Business in Operations Management from the University of Auckland. He is a member of the Institute of Directors in New Zealand and is Chair of the Manawatu Inland Port, Napier Port's intermodal joint venture with Halls Transport (Talley's Group).

Kristen Lie

Chief Financial Officer

BBS, CA, CFA, CMInstD

Kristen joined Napier Port as Chief Financial Officer in 2015. Kristen has more than 25 years' financial experience and strong commercial and strategic planning skills.

Kristen returned to Hawke's Bay after some 18 years working across London, Moscow and Oslo. His previous roles have been with the London-based office of listed shopping centre group Westfield, London-based property investment company Grosvenor, as well as Ernst & Young and PricewaterhouseCoopers.

Kristen holds a Bachelor of Business Studies from Massey University and is a Chartered Accountant, a Chartered Financial Analyst, and a Chartered Member of the Institute of Directors in New Zealand.

David Kriel

General Manager – Commercial

M.Prof.Studs. Transport Management (Dist), FCILT, MInstD

David joined Napier Port as General Manager – Commercial in 2018. David has an extensive background in transport and logistics and worked with Lodestar and Oji Fibre Solutions from 2005 to 2018.

David is a Fellow of the Chartered Institute of Logistics and Transport. He is a member of the Eastern Asian Society for Transport Studies and the Humanitarian Logistics Association. David sits on the board of the New Zealand Cruise Association as well as the advisory board of ExportNZ Hawke's Bay. David is a Member of the Institute of Directors in New Zealand.

Viv Bull

General Manager – People and Culture

MSc (Hons)

Viv brings 12 years' experience at senior management level, having joined Napier Port in 2011. She leads our human resources, employment relations, health and safety, and culture functions. Prior to joining Napier Port, she was a Director of Wellington based firm Hatton Consulting and has an extensive background in consultancy and senior management roles, including as an Associate Director with KPMG's management consulting practice and Strategic Human Resources Manager for the Department of Corrections.

Viv has been an independent member of the audit and risk committee of the Heretaunga Tamatea Settlement Trust since 2019. She holds a Master of Science in Organisational Psychology (Hons) from the University of Canterbury and is a registered psychologist (non-practicing).

Management commentary
(no financial statements)

Senior Management Team

Andrea Manley

General Manager – Strategy and Supply Chain

BSc/BCom, MZIMR I & II, DipBA

Andrea joined Napier Port in 2019. She is responsible for leading strategic planning and performance, identifying growth opportunities, implementing new strategic initiatives, developing digital solutions and leading Napier Port's supply-chain services. Andrea has previously worked with Kotahi Logistics, Goodman Fielder, Alcatel-Lucent, Brightstar, Vodafone and IBM.

Andrea holds a Bachelor of Science in Statistics, Management Science and Operations Research from the University of Auckland and a Diploma in Business Administration from Henley Management College. She is a Non-Executive Director of Manawatū Inland Port, Vice President of the Hawke's Bay Chamber of Commerce Board, a member of the University of Auckland Strategic Supply Chain Programme Advisory Group and a founding member of the Auckland Women in Supply Chain Network.

Adam Harvey

Chief Operating Officer

BA, BCA

As COO Adam has oversight across Napier Port's container terminal, marine and cargo operations. Adam joined Napier Port's human resources team in 2010 later becoming Container Terminal Manager and prior to his current position, was General Manager Marine and Cargo Operations.

Adam holds a Bachelor of Commerce in Management and Economics and a Bachelor of Arts in Geography and Psychology, both from the University of Otago. He is the immediate past Chairperson of the Port Industry Association.

Jo-Ann Young

Corporate Affairs Manager

BA (Hons), MA

Jo-Ann leads the corporate affairs function at Napier Port covering internal and external communications, community engagement and sponsorship, stakeholder relations and investor communications. She joined Napier Port in 2020 as Communications Manager and assumed the newly created Corporate Affairs Manager role in June 2022. Jo-Ann brings experience in communications, marketing, media, and public affairs across infrastructure, politics, health, education and FMCG sectors, spanning New Zealand, Australia, Turkey, South Korea and the United Kingdom.

Jo-Ann holds a Master of Arts in Political Communication from Victoria University.

David Broad

General Manager Assets and Infrastructure

David oversees various critical aspects of the port's operations including maintenance, planning, and construction of assets and infrastructure, as well as the environmental and sustainability programs.

David leads asset and master planning, which are instrumental in charting the course for future growth and development. Comprehensive in scope, this integrates and addresses capacity requirements, while placing a strong emphasis on emissions reduction and climate change management.

David's background is in operational and complex asset management. He joined Napier Port in June 2021 as Fleet Services Manager. Prior to this he held engineering leadership roles with Jetstar Airways Ltd, BAE Systems Ltd Australia. He holds a diploma in Aeronautical Engineering & is currently studying for an MBA through Otago University.

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Governance Matters & Financial Statements

Management commentary
(no financial statements)

Chief Financial Officer's Management Discussion and Analysis

The 2023 financial year saw a positive first half of the year with much improved trading volumes and operating financial results following the supply chain, labour shortages and pandemic challenges of recent years. Cyclone Gabrielle during February 2023 saw regional infrastructure, production facilities and crop damage and disruption leading to significantly reduced cargo volumes and earnings in the second half of the year.

Positively, while total cargo volume by weight fell 14.4% compared to the prior year, total Napier Port revenue grew by $3.9 million, or 3.4%, to $118.4 million.

Continued inflationary expense growth contributed to the result from operating activities decreasing by 7.1% to $37.2 million. A full year of increased depreciation and finance costs following the completion of the Te Whiti (6 Wharf) asset during 2022 reduced profits, whilst progress on insurance claims, partially compensating for lost revenues following Cyclone Gabrielle, resulted in additional income of $7.25m in the year.

Reported net profit after tax decreased by 18.8% to $16.6 million.

Our balance sheet remains in a strong position. At the end of the financial year, Napier Port had $130 million in outstanding loans and borrowings, in addition to $50 million in undrawn credit facilities.

In conjunction with this annual report, Napier Port has released Supplemental Trade Volume Data, Supplemental Selected Financial Information and an Annual Results Presentation, that together provide further trade and financial information and which form part of our 2023 reporting suite of information for investors and other stakeholders.

*All documents are available in the Napier Port investor centre at **www.napierport.co.nz/investor-centre***

Management commentary
(no financial statements)

Revenue

Revenue of $118.4 million increased by 3.4% from the prior year. A significant contributor in the year was the return of the cruise industry to Napier Port, with 64 vessel calls and $5.3m in revenue. Bulk cargo and container services both had volumes declines of nearly 13% compared to the prior year. Despite these volume decreases, bulk cargo revenue grew slightly by 0.9% to $41.8 million, while container services revenue of $67.8 million was 3.8% less than the prior year.

Total annual container volumes decreased by 12.7% to 222,000 TEU. Cargo laden full export and import containers decreased by 16.6% to 119,000 TEU, while empty and other container movements decreased 7.8% to 103,000 TEU.

Dry export cargo was down by 19.3% to 50,000 TEU. This reduction was mainly due to lower timber and pulp volumes from major cargo customer Pan Pac, which suffered significant Cyclone Gabrielle storm damage, closing their timber and pulp processing facilities for repairs.

Refrigerated and frozen reefer exports decreased 18.9% to 39,000 TEU mainly due to lower apple and pears and other chilled produce exports, as a result of crop losses following Cyclone Gabrielle.

Containerised imports decreased by 14.9% to 101,000 TEU primarily due to fewer import empty containers required for export cargo.

Other container movements, including Discharge, Load, Restows (DLR's) and transhipped containers, remained steady at 18,000 TEU with continued high levels of container repositioning by shipping lines.

Container services' average revenue per TEU increased by 10.2% compared to the prior year as a result of tariff increases, shipping line and container mix changes, and additional revenues earned as a result of increased vessel calls and higher container depot revenues.

Container vessel calls increased significantly to 251 ships from 203 ships in the prior year as a result of less schedule disruption and additional container shipping services calling Napier during the year.

Bulk cargo total volume of 3.2 million tonnes was 12.8% lower than the prior year. Log export volume decreased by 11.3% to 2.5 million tonnes due to adverse weather, damaged roading infrastructure post-cyclone, and a subdued log export market in China throughout the year.

Charter vessel calls similarly decreased to 272 from 310 last year due to the lower bulk volumes and larger average vessel load sizes for log charters.

Bulk cargo average revenue per tonne increased by 15.7% compared to the prior year primarily as a result of tariff increases and an increased contribution from the log debarking operation.

$118.4m

Revenue

↑ 3.4%

> "A significant contributor in the year was the return of the cruise industry to Napier Port, with 64 vessel calls and $5.3m in revenue."

Management commentary
(no financial statements)

Expenses

Total operating expenses grew by 9.0% to $81.1 million, compared to 2022, with employee benefit expenses increasing 8.9%, property and plant expenses increasing by 4.7%, and other operating expenses increasing 12.8%. Expense increases reflect continued high cost inflation across all expense categories. The revenue generating cost recoveries we introduced for some of our bigger expense items such as insurance and fuel are serving to offset some of the cost increases.

Employee benefit expenses increased due to general remuneration increases, the insourcing of some port services, and lower labour cost capitalisation to assets following the completion of Te Whiti.

Property and plant expenses increased as a result of electricity rate increases and increased site maintenance expenditure, partially offset by reduced plant and equipment repairs and maintenance expenditure. Lower cargo volumes also resulted in lower fuel consumption volumes for our mobile plant, cranes and diesel powered reefer generators. This also had the effect of decreasing our total greenhouse gas emissions by 10%. However, on a per cargo tonne basis, emissions increased 5% as overall cargo tonnage decreased by 14.4%, greater than the total emissions reduction. This is primarily attributable to the increase in vessel visits from 514 in 2022 to 587 during 2023, in particular, from the return of cruise vessels.

Other operating expenses increased due to another year of significant increases in insurance costs, in addition to increased administration expenses relating to projects, technology and the resumption of travel activity, with these partially offset by lower operational contract labour expenses and other staff expenses.

The result from operating activities of $37.2 million decreased by 7.1% compared to the prior year and as a percentage of revenue was down from 35.0% to 31.5%.

Depreciation, amortisation and impairment expenses increased by $2.7 million to $16.2 million which arose from recent asset additions, including from the completion of Te Whiti in the fourth quarter of 2022.

Net other income of $7.8 million compared to $2.0 million in the prior year. The current year benefitted from Cyclone Gabrielle insurance income of $7.25 million less post-cyclone and insurance claim expenses of $0.7 million. Insurance income recognised does not necessarily match, in quantum and timing, Napier Port's trading losses that are potentially recoverable under Napier Port's insurance policy. Napier Port expects to continue to submit claims to its insurers as and when it determines its recoverable losses, which is a process that is expected to continue beyond the end of the 2024 financial year given the business interruption indemnity period of 18 months. In addition, the unrealised investment property revaluation gain of $1.2 million compared to $1.8 million in the prior year.

Net finance costs increased to $6.7 million compared to $0.8 million in the prior year. Gross finance costs grew with increased average borrowings and significant increases in underlying market interest rates. Whilst market interest rates have risen, our interest rate risk hedging programme has provided significant protection from the market rate increases with a net benefit of $1.4 million of realised gains on hedges being included within net finance costs. Following the completion of the Te Whiti construction project, the majority of finance costs are recorded within net finance costs in the income statement rather than being capitalised. This difference accounts for $5.5 million of the increase in net finance costs in the year.

Income tax expenses decreased by $1.7 million to $5.5 million due to lower taxable profit in the current year. The effective tax rate of 25% for the year is lower than the statutory tax rate of 28% due to the non-assessable investment property revaluation gain included within profit before income tax, and as a result of adjustments to deferred tax expense relating to prior financial periods.

Reported net profit after tax for the period attributable to the shareholders of the Company of $16.6 million decreased 18.8% from $20.4 million in the prior year.

$81.1m
Total Operating Expenses
↑ 9.0%

$37.2m
Result from Operating Activities
↓ 7.1%

$16.6m
Net Profit After Tax
↓ 18.8%

Management commentary
(no financial statements)

Capital Expenditure

Capital investment spend in the year of $13.8 million included additional reachstacker and empty container handling mobile plant, post-cyclone restorative dredging, general asset management and replacement spend, in addition to development spend on log handling machinery to improve the log debarking operation and additional paving area to support new revenue initiatives.

Cashflow

Cashflow from operating activities increased to $37.2 million from $33.0 million year on year, with the lower operating result and increased working capital balances in the current year offset by lower cash tax payments and the receipt of business interruption insurance proceeds.

Dividend payments during the financial year of $12.8 million, including the final 2022 dividend paid in December 2022 and the interim 2023 dividend paid in June 2023, were $2.2 million less than the year before.

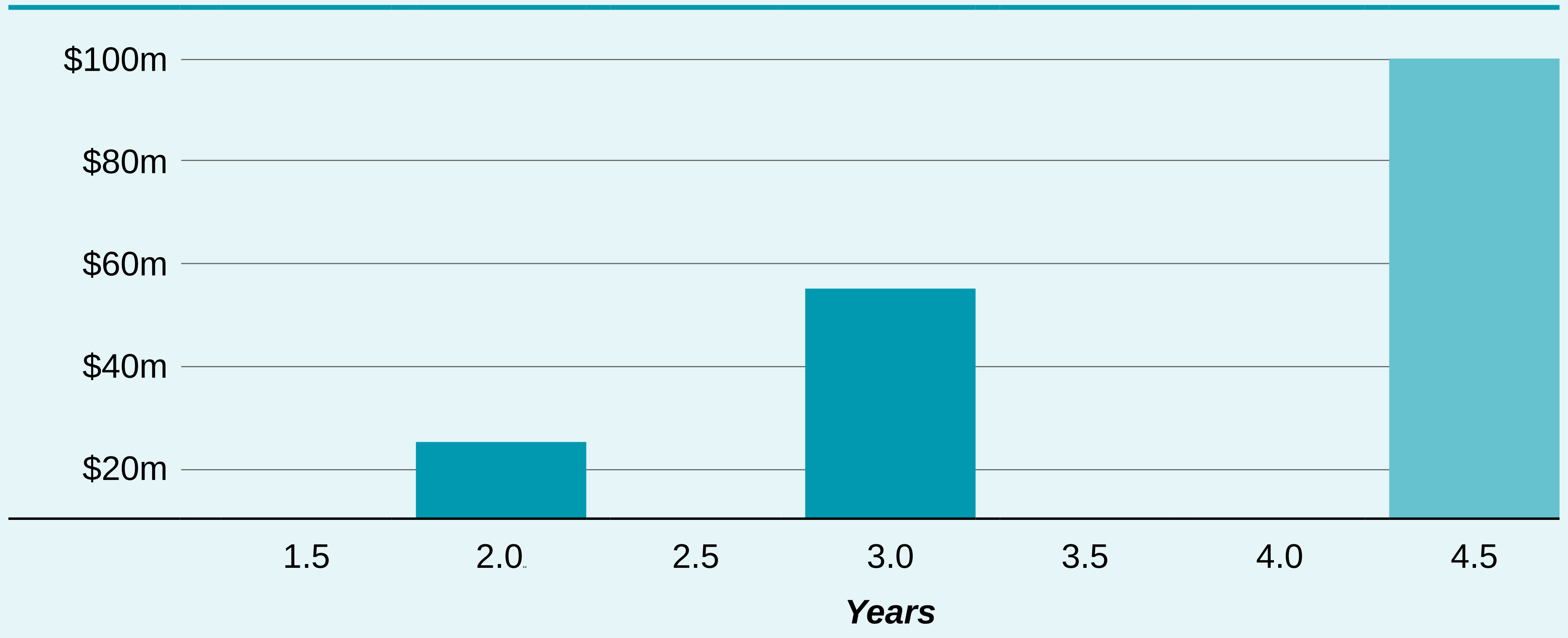
After the net spend on investing activities of $14.0 million, net payments on loans and borrowings of $4.3 million, and finance costs paid of $6.6 million, cash balances decreased by $0.8 million during the year.

Balance Sheet

Following the prior year debt refinancing activity, and as a result of our conservative approach to outgoings, our balance sheet remains in a strong position. At the end of the financial year, Napier Port had drawn bank lending of $30 million and $100 million of bonds issued, in addition to $50 million in undrawn credit facilities. The total of $130 million in outstanding loans and borrowings is reduced from $134 million in the prior year.

At the balance date, our weighted average term to maturity was a relatively healthy 3.69 years.

DEBT MATURITY PROFILE



Insurance risk management

Napier Port has experienced significant compounding increases in insurance costs over several years. These increases have accompanied insured asset value inflation and challenges with securing sufficient insurance coverage at commercially acceptable premium rates in what is described as a 'hard' insurance market globally. Making a sizeable insurance claim following Cyclone Gabrielle exacerbates such challenges. In addition to significant deductibles for natural catastrophe events Napier Port has maintained a total loss limit of $500 million under its material damage and interruption policy, when it targets a higher limit, and in addition has accepted additional self-insurance participation within the total loss limit, which increases Napier Port's total exposure to losses in natural catastrophe events. Napier Port continues to pursue avenues to improve its insurance position and has sought in recent years to generally mitigate insurance premium increases via cost recovery levies, which presents an increasing burden on port users.

Dividend

Subsequent to the balance sheet date, the Board approved a fully imputed final dividend of $7.1 million (3.55 cents per share) in respect of the 2023 financial year, payable on 14 December 2023 to those on the share register at close of business on 4 December 2023. Including the fully imputed interim dividend of $3.4 million (1.7 cents per share) paid in June 2023, dividends in respect of the 2023 financial year total 5.25 cents per share (2022: 7.5 cents per share).

Kristen Lie
Chief Financial Officer

Management commentary
(no financial statements)

Strategic Risk Overview

The Board of Directors of Napier Port oversees and monitors the risks to the business and operations of Napier Port and ensures appropriate risk management is applied.

The following provides a high-level summary of a number of significant strategic risks faced by Napier Port presently and our risk management response.

Strategic Risk	Potential impact	Response
Maintaining the health and safety of our people	Ports are inherently high risk work environments with the potential to seriously harm or cause death to people.	We seek to continuously improve our health and safety culture, practices and risk controls. We dedicate time and resources to health and safety governance, management, critical risk management, developing external relationships including with others conducting business at our port sites, supporting technology and reporting, site and plant asset management plans, and assurance activities.
Significant Asset Damage and Interruption	A major natural event, such as a tsunami or a significant earthquake, could destroy or damage our assets, our customers' assets or essential infrastructure linking our customers with our port or cause significant interruption to our business.	We consider and undertake measures to improve the resilience of our assets, however, there is limited ability to design or engineer our existing assets to account for such major natural events. We currently maintain insurance for material damage and business interruption, however these policies do not provide complete protection against financial loss and may not always be sufficiently available on acceptable commercial terms. We believe the likelihood of a total loss event is low.
Cargo Owner, Export market and Forestry Sector Concentrations	A significant proportion of our cargo exports and therefore revenue are derived from the forestry sector and/or are exported to China and other key Asian markets. Events could occur that result in the supply or demand for New Zealand or Hawke's Bay and surrounding areas' wood products reducing or that results in the potential loss of, or the reduction in demand from, key cargo owner customers, which make up a significant proportion of our revenue.	We have no ability to control reductions in supply or demand for wood products. We seek to maintain relationships with industry participants and our key customers to understand and monitor market developments and to integrate our operations with their supply chains. We expect that product owners would seek new markets if a prolonged downturn in key markets were to occur. Our close proximity to some of our key cargo owner customers' existing operations means we can continue to provide a cost effective and efficient route to market for our customers. Fluctuations in demand and supply are continuous; it is not possible to determine the likelihood of a material negative change or event.
Biosecurity	A significant biosecurity event (e.g. involving disease or pests) could negatively affect one or more primary industries in Hawke's Bay who export their produce through our port, including forestry, pipfruit or meat producers.	The New Zealand government seeks to prevent biosecurity events through strict import regulations. We work with the Ministry for Primary Industries to implement biosecurity controls and inspections related to imported containers, packaging and cargo that aim to reduce the likelihood of disease or pests entering the Hawke's Bay region via our port. However, the disease or pest many not be detected or could enter the region through other entry-points. We cannot predict the likelihood of a significant biosecurity event occurring
China and Other Asian Markets	Access to, or demand from, China and our other key Asian markets may be materially impaired resulting in demand for cargo being shipped from our port decreasing materially. The significant majority of cargo exports from our port are to China and Asian markets.	We seek to maintain relationships with industry participants to understand and monitor market developments. We expect product owners could locate new markets over time if a prolonged adverse situation were to occur. We cannot predict the likelihood of such events taking place.
Port and Harbour Blockage or Damage	Shipping access to our port may be restricted or may cease as a result of a disabled or sunk vessel within the port marine area or within port marine access channels. A vessel may also damage port infrastructure. A third-party seizure of a vessel berthed in our port may cease activity on that berth and wharf for a prolonged period. Road and rail links may temporarily become lost.	We support safe vessel maneuvering via our pilotage and towage marine services and ongoing risk management activity including operating protocols, staff training & simulations, working with third parties including the Harbour Master and Maritime NZ, the deployment of various navigation aids and technologies, maintenance dredging programmes, amongst other mitigations. Whilst we maintain insurance for infrastructure property damage and business interruption, the insurance cover available on acceptable terms for port blockage is limited. Following Cyclone Gabrielle during 2023, we experienced the temporary disablement of road and rail links to the port which negatively affected our trading activity.
Epidemic or Pandemic Disease	A community health event may cause workforce constraints, either within our or our cargo customers' workforces, and cause disruption to cargo flows through our port.	We have no ability to control the occurrence of a community health event. We undertake crisis management preparation including having joint agency protocols and a CIM framework. We have recent experience managing COVID-19 in our workplace and community where we adapted our controls and processes to maintain the health and safety of our people and to maintain our operating capability.
Physical and Transition Risks Associated with Climate Change	Climate change increases the likelihood of extreme weather events and trade volume impacts, and will require future adaptation measures to protect assets and our operations.	Our Climate Change Related Disclosure Report provides an understanding of the potential implications and management of climate change risks and opportunities on our business.

Management commentary
(no financial statements)

Corporate Governance Statement

The Board of Napier Port Holdings Limited (the Company) and its subsidiaries (collectively the Group) are responsible for the corporate governance of the Group. Corporate governance describes how a company looks after the interests of its shareholders and other stakeholders.

The Board is committed to maintaining best practice governance policies and behaviours. This Corporate Governance Statement sets out the corporate governance policies, practices, and processes of the Group as at 13 November 2023 and has been approved by the Board.

The Group's policies, practices and processes are reviewed against the best practice principles included in the NZX Corporate Governance Code (NZX Code). The Board's view is that the Group's corporate governance policies, practices and processes generally follow the recommendations of the NZX Code. This Corporate Governance Statement includes disclosure of the extent to which the Group has followed each of the recommendations in the NZX Code.

Further information about the Group's corporate governance framework is available on the Group's Investor Centre **(www.napierport.co.nz).**

Principle 1 – Ethical Standards

"Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation."

Code Of Ethics

Recommendation 1.1: *The Board should document minimum standards of ethical behaviour to which the issuer's directors and employees are expected to adhere (a code of ethics).*

The Board and management are committed to ensuring the Group adheres to best practice governance principles and maintains the highest ethical standards. The Group's code of ethics sets out the manner in which directors and employees should conduct themselves. The code of ethics incorporates the requirements set out in recommendation 1.1 of the Code and forms part of the induction process for all new employees.

The Board recognises good governance is not merely a matter of achieving legislative compliance but ensuring that exemplary standards and behaviour are maintained. This involves the establishment and maintenance of a culture at a Board and senior management level and throughout the Group to ensure that directors and employees deal fairly with others, with transparency, and protect the interests of shareholders and look after the rights of stakeholders.

Securities (Shares And Bonds Trading) Policy

Recommendation 1.2: *An issuer should have a financial product(s) dealing policy which applies to employees and directors.*

The Group has a Securities (Shares and Bonds Trading) Policy which sets out the responsibilities of all directors, officers, employees, personal services contractors, and secondees of Napier Port Holdings Limited and its subsidiaries for trading in the Company's securities within a listed company environment. The Securities (Shares and Bonds Trading) Policy is available on the Group's website. This policy is separate from, and in addition to, the legal prohibitions on insider trading in New Zealand, and does not replace legal obligations.

Insider trading is prohibited at all times. Directors and employees who possess material information must not trade in securities, advise or encourage another person to trade or hold the Company's securities, advise or encourage a person to advise or encourage another person to trade or hold the Company's securities, or directly or indirectly disclose or pass on the material information to anyone else, knowing that the other person will or is likely to use that information to trade in the Company's securities.

Restricted persons including the Directors, Chief Executive Officer, Senior Management Team, Trusts and Companies controlled by these persons, and anyone else notified by the Chief Financial Officer, have additional trading restrictions. Restricted persons are prohibited from trading in securities during specific "black-out" periods, from 30 days prior to the Group's interim and year-end balance dates to the first trading day after the release of the respective periods results to the NZX, 30 days prior to the release of a product disclosure statement for a general public offer, or such other period as determined by the Board.

During any other period restricted persons who do not possess material information may trade the Company's securities subject to notification and consent requirements. Restricted persons may not trade until this written consent has been received.

Principle 2 – Board Composition And Performance

"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Board Charter

Recommendation 2.1: *The Board of an issuer should operate under a written charter which sets out the roles and responsibilities of the Board. The Board charter should clearly distinguish and disclose the respective roles and responsibilities of the Board and Management.*

The Board has adopted a formal Board Charter which sets out the respective roles, responsibilities, composition and structure of the Board, and this is available on the Group's website.

The Board is ultimately responsible for setting the strategic direction of the Group, oversight of the management of the Group and direction of its business strategy, with the ultimate aim being to operate the Group as a successful business, while respecting the rights of other stakeholders. This includes establishing the strategies and financial objectives with the Senior Management Team, monitoring the performance of the Senior Management Team, monitoring compliance and risk management, and ensuring the Group has the appropriate controls and policies in place.

The Board delegates the day-to-day affairs and management responsibilities of the Group to the Chief Executive Officer and Senior Management Team to deliver the strategic direction and goals determined by the Board

Nomination And Appointment Of Directors

Recommendation 2.2 and 2.3: *Every issuer should have a procedure for the nomination and appointment of Directors to the Board. An issuer should enter into written agreements with each newly appointed Director establishing the terms of their appointment.*

The Board have delegated to the People and Remuneration Committee the responsibility to make recommendations to the Board in respect of Board and committee composition and, when required, identify individuals believed to be qualified to become Board members. Procedures for the appointment and removal of directors are set out in the People and Remuneration Committee Charter. To be eligible for selection the candidates must demonstrate appropriate qualities and experience, and the Committee must be satisfied that a candidate will commit the time needed to be fully effective in their role. The Committee will ensure proper checks as to the proposed Director's character, experience, education, criminal record and bankruptcy history are conducted and key information about the proposed Director is provided to shareholders to assist their decision as to whether or not to elect or re-elect the Director.

The whole Board will have the opportunity to consider candidates for appointment to the Board. Directors may be appointed by the Board or director nominations may be made by shareholders for election at the Annual Meeting of Shareholders. Directors appointed by the Board must stand for re-election at the next Annual Meeting of Shareholders. The NZX Listing Rules and the Group's constitution requires that all directors stand for re-election at the Annual Meeting of Shareholders within three years of last being elected. The Group enters into a written agreement with each newly appointed director establishing the terms of their appointment.

Principle 2 – Board Composition And Performance

"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Directors

Recommendation 2.4: *Every issuer should disclose information about each Director in its annual report or on its website, including:*

(a) a profile of experience, length of service, and ownership interests

(b) the Director's attendance at Board meetings; and

(c) the Board's assessment of the Director's independence, including a description as to why the Board has determined the Director to be independent if one of the factors listed in table 2.4 applies to the Director, along with the description of the interest, relationship or position that triggers the application of the relevant factor.

The Board currently comprises seven directors; an independent non-executive Chair, five independent non-executive directors, and one non-executive director. A profile of experience for each director, including length of service, is available on the Group's website and included in the Annual Report. Director's ownership interests are included in the Other Disclosures section of the Annual Report.

Board Skills And Experience

Our Board is diverse and our directors bring with them a wide range of skills and experience to the benefit of the Group. The Board has determined that, to operate effectively and meet its responsibilities and considering its business and strategic focus, it requires competencies in disciplines including governance, executive leadership, listed companies, legal and regulatory compliance, safety and high-risk operations, finance and accounting, engineering and asset management, relevant sector experience, commercial expertise, collectivised employment agreement environments, and sustainability.

The Board regularly reviews its collective skills and experience, including when considering Board appointments and as the operating environment or the Group's strategies evolve. The most recent review was in September 2023. The table below represents the Board's most recent self-assessment of its collective board skills and experience compared to the identified required competences. Where identified gaps exist, these are considered when making appointments to the Board.

Capability	Collective Board Skills and Experience
Governance	●
Previous Senior Executive	●
Listed Company	●
Infrastructure/ Port/ Transport	●
Safety and High Risk Operations	●
Commercial	●

Capability	Collective Board Skills and Experience
Finance and Accounting	●
Engineering/ Asset Management	◔
Collectivised Employment Agreement Environments	●
Legal	●
Sustainability	◔

● *Sufficient or Strong Coverage* ◔ *Some Gaps*

Management commentary
(no financial statements)

Attendance At Board And Committee Meetings

For the year ended 30 September 2023.

	Board	Audit and Risk Management Committee	People and Remuneration Committee	Health and Safety Committee	Sustainability Committee
Number of meetings held	13[7]	11	3	3	2[6]
Alasdair MacLeod	2[2]	3[1]	-	-	-
Diana Puketapu	11	9[3]	3	2	2
Stephen Moir	11	10	3[1]	3	2[1]
Vincent Tremaine	12	11	3[1]	3	-
John Harvey	13	11	3	3	2[5]
Blair O'Keeffe	13	10[1]	3	3	1[1]
Hon Rick Barker	2[2]	2[1]	-	-	-
Dan Druzianic	12	11[3]	3[1]	3	1[1]
Kylie Clegg	13	10[1]	3[4]	3	2[5]

1. *Non-committee members also in attendance.*
2. *Retired as a director of the Board from December 2022*
3. *D. Puketapu retired as committee member and D. Druzianic was appointed committee member effective December 2022*
4. *A. MacLeod retired as committee member and K. Clegg was appointed committee member effective December 2022*
5. *B. O'Keeffe and R. Barker retired as committee members and J. Harvey and K. Clegg were appointed committee members effective December 2022.*
6. *Note only two out of three Sustainability Committee meetings were held due to a cancellation following Cyclone Gabrielle in February 2023*
7. *Note the number of board meetings includes 9 scheduled and 4 supplemental meetings*

Independence Status Of Directors

The independence status of each director is included with the directors' profiles available on the Group's website and included in the Annual Report and has been determined by the Board in consideration of all relevant factors (including the director's interests, position and relationships), including those described by the factors set out in table 2.4 as applicable of the Corporate Governance Code.

Management commentary
(no financial statements)

Principle 2 – Board Composition And Performance

"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives."

Diversity And Inclusion

Recommendation 2.5: *An issuer should have a written diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving diversity (which, at a minimum, should address gender diversity) and to assess annually both the objectives and the entity's progress in achieving them. An issuer within the S&P/NZX 20 Index at the commencement of a reporting period should have a target for achieving board gender diversity which is to have at least 30% of its directors being female, within a specified period. An issuer should disclose its diversity policy or a summary of it.*

The Group has a diversity and inclusion policy which defines the approach of the Group towards diversity and inclusion. It also identifies the responsibilities of the Board, the Senior Management Team and all of the Group's employees. The diversity and inclusion policy is available on the Group's website and is reviewed annually by the Board. The Group recognises the value of a diverse and skilled workforce and is committed to embedding diversity and inclusion into employment practices and all aspects of the Group's operations. The Group will foster a culture of inclusion – where all are welcome and can bring their whole self to work and a variety of different viewpoints and backgrounds are supported. The Board, Senior Management Team, Managers and Supervisors, and People & Culture team will collectively and individually support these aspirations.

Diversity metrics encompassing the Board, Senior Management Team and the Group's employees are reviewed at a minimum annually.

The following is a breakdown of the gender composition of the Group at the balance date:

	30 September 2023				30 September 2022			
	Female		Male		Female		Male	
	No.	%	No.	%	No.	%	No.	%
Directors	2	29	5	71	2	22	7	78
Senior Management Team (SMT)	3	37	5	63	3	37	5	63
Permanent employees	51	16	262	84	55	17	278	83
Total	56	17	272	83	**60**	**17**	**290**	**83**
Permanent employees in leadership roles (non SMT)	11	21	41	79	10	17	48	83

Director Training

Recommendation 2.6: *Directors should undertake appropriate training to remain current on how to best perform their duties as Directors of the issuer.*

The Board seeks to ensure that any new Directors are appropriately introduced to the Senior Management Team and the Group's business, that all Directors are acquainted with relevant industry knowledge, and receive appropriate company documents to enable them to perform their role as a Director.

Directors will receive induction training upon appointment, and are expected to maintain appropriate levels of financial, legal and industry understanding throughout their appointment.

Board Evaluation

Recommendation 2.7: *The Board should have a procedure to regularly assess Director, Board and Committee performance.*

The Board undertakes a biennial performance evaluation of itself that discusses and assesses the performance of each Director and the Chair, compares the performance of the Board as a whole with the requirements of the Board Charter, reviews the performance of the Board's Committees, and effects any improvements to the respective Charters deemed necessary or appropriate. The performance evaluation is conducted in the manner the Board deems appropriate. The most recent evaluation was completed in April 2023.

Recommendation 2.8 and 2.9: *A majority of the Board should be independent directors. An issuer should have an independent Chair of the Board. If the Chair is not independent, the Chair and CEO should be different people.*

The Board currently comprises seven directors, six of whom have been determined to be Independent Directors by the Board under the NZX Listing Rules. The Chair of the Board is an Independent Director and is not the Chair of the Audit and Risk Management Committee.

Principle 3 – Board Committees

"The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility."

Audit and Risk Management Committee

Recommendation 3.1: *An issuer's audit committee should operate under a written charter. Membership on the audit committee should be majority independent and comprise solely of non-executive directors of the issuer. The chair of the audit committee should be an independent director and not be the chair of the Board.*

The Audit and Risk Management Committee operates under a written charter, which is available on the Group's website. The Committee is required to have a majority of independent non-executive directors, at least two must have an accounting or financial background, and the Committee is required to meet at least two times per year. The Chair of the Committee is an Independent Director who is not the Chair of the Board. The Audit and Risk Management Committee currently comprises Stephen Moir (Chair), Dan Druzianic, Vincent Tremaine and John Harvey – see the relevant qualifications and experience set out in the directors' profiles section of this Annual Report. All directors may attend the Committee meetings at their discretion.

The Audit and Risk Management Committee's purpose is to assist the Board in fulfilling its responsibilities to discharge its financial reporting and regulatory responsibilities, ensure the ability and independence of the external auditor to carry out its statutory audit role, ensure an effective internal audit and internal control system is maintained, and ensure an appropriate framework is maintained for the management of strategic and operational risk.

Recommendation 3.2: *Employees should only attend audit committee meetings at the invitation of the audit committee.*

The Chief Executive Officer, Chief Financial Officer and any other employees the Audit and Risk Management Committee considers necessary to provide appropriate information and explanations may attend the Committee on invitation. The Group's external auditor also attends selected meetings at the Committee's invitation.

People And Remuneration Committee

Recommendation 3.3 and 3.4: *An issuer should have a remuneration committee which operates under a written charter (unless this is carried out by the whole board). At least a majority of the remuneration committee should be independent directors. Management should only attend remuneration committee meetings at the invitation of the remuneration committee. An issuer should establish a nomination committee to recommend director appointments to the Board (unless this is carried out by the whole board), which should operate under a written charter. At least a majority of the nomination committee should be independent directors.*

The People and Remuneration Committee operates under a written charter, which is available on the Group's website. The Committee consists of at least three members of the Board, the majority of the committee which are required to be Independent Directors. The Committee is required to meet at least two times per year. The Chair of the Committee is an Independent Director. The People and Remuneration Committee currently comprises Diana Puketapu (Chair), Blair O'Keeffe, John Harvey and Kylie Clegg. All directors of the Board may attend the Committee meetings at their discretion. The Chief Executive will act as secretary to the Committee and other members of management may attend the Committee meetings on invitation.

The primary responsibilities of the Committee include, nominating and appointing directors to the Board, remuneration of directors, remuneration and evaluation of the Chief Executive Officer, review of the Chief Executive Officer's remuneration recommendations for the Senior Management Team, review of the overall Group's salary and incentive policies, and succession planning.

Recommendation 3.5: *An issuer should consider whether it is appropriate to have any other board committees as standing board committees. All committees should operate under written charters. An issuer should identify the members of each of its committees, and periodically report member attendance.*

Health And Safety Committee

The Group's ultimate aim is to ensure that everyone working at Napier Port returns safely to their families every day. This why health and safety is the top priority of the Napier Port Board of Directors and health and safety performance is actively reviewed at every board meeting. The Group also has a Health and Safety Committee whose purpose is to assist the Board in fulfilling its responsibilities in respect of the health, safety and wellness requirements within the Health and Safety at Work Act 2015 and regulatory framework. The Health and Safety Committee operates under a written charter, which is available on the Group's website. The Health and Safety Committee operates in the context of the vision that every person goes home safely every day, a culture of care, and strategic objectives relating to people, place and planet.

The Committee consists of all members of the Board, and is required to meet at least three times per year. The Chair of the Committee is Vincent Tremaine. The Committee may on invitation have in attendance members of management including the General Manager People and Culture, and other persons including senior health and safety staff, that it considers necessary to provide necessary information and explanations. The Chief Executive Officer and the General Manager People and Culture are responsible for drawing to the Committee's immediate attention any material matter that relates to notifiable events and significant near misses or incidents.

Sustainability Committee

The purpose of the Sustainability Committee is to identify and consider relevant environmental, social and governance (ESG) matters to provide strategic guidance and feedback to the Board and management on the Group's ESG related strategies, policies, frameworks, initiatives, performance and reporting. The objectives of the Committee include:

Management commentary
(no financial statements)

Principle 3 – Board Committees

“The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.”

- Oversee the development of Napier Port’s ESG strategy and ESG workplan and monitor progress;
- Make recommendations and report to the Board on material ESG matters requiring governance decisions;
- Act as a formal forum for free and open communication between the Board and management with respect to ESG matters;
- Facilitate a common and aligned Board understanding of what is within the scope of ESG matters;
- Ensure an appropriate framework is maintained for the management of ESG related risks; and
- Oversee and review ESG reporting processes, including relevant internal controls and external review and audit processes.

The Sustainability Committee operates under a written charter, which is available on the Group’s website. The Committee consists of at least three members of the Board and the Chair of the Committee is appointed by the Board. The Sustainability Committee currently comprises John Harvey (Chair), Diana Puketapu and Kylie Clegg. All directors of the Board may attend the Committee meetings at their discretion. The Committee may on invitation have in attendance members of management including the Chief Executive Officer, Chief Financial Officer, General Manager Assets and Infrastructure, and any relevant external parties determined by the Committee Chair.

Takeover Policy

Recommendation 3.6: *The Board should establish appropriate protocols that set out the procedure to be followed if there is a takeover offer for the issuer including any communication between insiders and the bidder. The Board should disclose the scope of independent advisory reports to shareholders. These protocols should include the option of establishing an independent takeover committee, and the likely composition and implementation of an independent takeover committee.*

Given the Group’s shareholding structure, with the Hawke’s Bay Regional Council (Council), indirectly controlling approximately 55% of the shares of the Group, the Board considers it highly unlikely that a third-party would make a takeover approach or proposal without the support of Council. Notwithstanding this, the Board consider it prudent to have protocols in place and has established formalised takeover response protocols to assist the Group to prepare for, and respond to any unsolicited approaches or proposals it may receive in relation to a takeover. These protocols would help to inform the Board of their roles and responsibilities with respect to any approach or proposal, assist the Board and its advisers in developing and executing a response strategy, and act as a basic guide on the process for any takeover offer.

In the event of a takeover offer, a Takeover Response Committee, would be convened comprising independent directors, management and appropriate financial, legal and strategic advisers.

Management commentary
(no financial statements)

Principle 4 – Reporting and Disclosure

"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."

Continuous Disclosure

Recommendation 4.1: *An issuer's board should have a written continuous disclosure policy.*

As a company listed on the NZX Stock Exchange, the Company is committed to keeping the market informed of all material information relating to the Group and its shares. In doing so, the Group will comply with its obligations in relation to continuous disclosure of material information under the NZX Listing Rules. The Group has a Continuous Disclosure Policy, which is available on the Group's website.

Charters and Policies

Recommendation 4.2: *An issuer should make its code of ethics, board and committee charters and the policies recommended in the NZX Code, together with any other key governance documents, available on its website.*

Information about the Group's corporate governance framework (including Code of Ethics, Board and Committee Charters, and other key governance policies) are available to view on the Group's website.

Financial And Non-Financial Reporting

Recommendation 4.3: *Financial reporting should be balanced, clear and objective.*

Financial Reporting

The Audit and Risk Management Committee oversees the quality and integrity of financial reporting ensuring the financial reporting is balanced, clear and objective. The Audit and Risk Management Committee's responsibility for the annual and interim financial statements includes, reviewing the quality and acceptability of accounting policies and practices, reporting disclosures and changes thereto, reviewing areas involving significant judgement, estimation or uncertainty, overseeing compliance with financial reporting standards, appropriate laws and regulations, assessing the overall performance of financial management, and approving all financial reporting to shareholders and other stakeholders.

The Group has adopted a Tax Governance Policy which sets out the Group's approach towards its tax strategy and the management of tax risks. The policy is available on the Group's website.

Recommendation 4.4: *An issuer should provide non-financial disclosure at least annually, including considering environmental, social sustainability and governance factors and practices. It should explain how operational or non-financial targets are measured. Non financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.*

Non-Financial Reporting

The Group is committed to collaborating with others to ensure our people, planet, and place thrive. Caring for our people, the local community and the environment is core to our Culture of Care, which is the foundation of our purpose and our business strategy.

Launched in 2021, our Sustainability Strategy and Action Plan is aligned to the United Nations Sustainable Development Goals (SDGs), reflecting globally agreed-upon urgent environmental, political, and economic challenges. We identified 14 SDGs that we can achieve locally to respond to global challenges like climate change, gender equality and ocean conservation. The Sustainability Strategy and Action Plan identified 100 time framed actionable workstreams that guide us in our direction and decision-making as we work towards meeting our sustainability goals.

Since its inception, we have made significant progress not only in targeted priority actions but also in broader development across a large number of work streams. As of 2023, 61% of all actions are now classified as "started and/or ongoing," up from 42% in the previous year. We have conducted multiple iterations of climate change risk modelling with each one enhancing our overall business maturity in managing potential future scenarios. Looking ahead, we are striving to gain a deeper understanding of available emissions reduction pathways. Through our Sustainability Strategy and Action Plan, we are committed to ongoing open and transparent disclosure of progress against our sustainability goals.

In November 2021, the Group released an initial Climate Change Related Disclosure Report prepared in accordance with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Our third TCFD report was released in November 2023 and is available on the Group's website.

Our Climate Change Related Disclosure Reports seek to provide stakeholders an understanding of the potential financial implications of climate change on our business. Within the report we set out our governance, strategy, risk management practices as well as our key metrics and targets, including our annual greenhouse gas (GHG) emissions, related to climate related risks and opportunities. The Sustainability Committee oversees and reviews our ESG reporting processes and relevant internal controls and external review and audit processes, including the preparation of our Climate Change Related Disclosure Report. Our GHG emissions reporting is externally certified.

We expect to further develop and improve our climate change related disclosures as we gather more information and knowledge, and continue to develop our sustainability goals and strategy.

This Annual Report includes reporting on our strategy and various sustainability initiatives undertaken by the Group during the current year.

Management commentary
(no financial statements)

Principle 5 – Remuneration

"The remuneration of directors and executives should be transparent, fair and reasonable."

Directors' Remuneration

Recommendation 5.1: *An issuer should have a remuneration policy for the remuneration of directors. An issuer should recommend director remuneration to shareholders for approval in a transparent manner. Actual director remuneration should be clearly disclosed in the issuer's annual report.*

The Group has adopted a Remuneration Policy which sets out the remuneration principles that apply to Directors. The policy is available on the Group's website.

The Group's policy states that all remuneration of Directors will be paid in cash and that they will not receive any performance-based remuneration or retirement benefits. All Directors (excluding the Chair) will be paid a base fee and additional fees will be payable to the Chairs of the Committees and the Board Chair a Chairs' fee, all as recommended by the Remuneration and Nomination Committee and subject to the aggregate director remuneration limit approved by Shareholders from time to time.

The Remuneration and Nomination Committee is responsible for a biennial review of Director remuneration to determine whether Director remuneration is appropriate. This review is required to consider benchmarking data from similar listed companies.

In respect of both their roles as directors of Napier Port Holdings Limited and Port of Napier Limited, fees in aggregate for all Directors are currently a maximum of $655,000 per annum.

Under Listing Rule 2.11.3, if the total number of Directors subsequently increases, the Directors are permitted (without seeking shareholder approval) to increase the total remuneration by the amount necessary to enable the Group to pay the additional Director or Directors remuneration not exceeding the average amount then being paid to each of the existing Directors (other than the Chair). On 1 August 2022, the number of directors increased by two to nine. The number of directors reduced to seven again at the December 2022 Annual Shareholders' Meeting when two existing directors retired from the Board. During the period of the temporary increase in number of directors the two new directors received the standard director's fee.

Actual remuneration of Directors is included in the Other Disclosures section of the Annual Report.

Remuneration Policy

Recommendation 5.2: *An issuer should have a remuneration policy for remuneration of executives, which outlines the relative weightings of remuneration components and relevant performance criteria.*

The Group has adopted a Remuneration Policy which sets out the remuneration principles that apply to the Chief Executive Officer and Senior Management team. The policy is available on the Group's website. The policy requires that remuneration decisions are fair and reasonable and based on merit, where appropriate. The Group will not discriminate on the grounds of gender, race, religion or belief, disability, age, sexual orientation or gender identity. Remuneration will be set at levels that recognise an individual's market value (i.e. level of skills and experience, the demand for skill and performance in the role, and the commercial environment). .

Chief Executive Officer (CEO) and Senior Management Team

Determination of remuneration for the CEO and Senior Management team is subject to a fair and thorough process. Remuneration will be determined by the scale and complexity of the relevant employee's role. A remuneration review is undertaken by the Remuneration and Nomination Committee annually.

Under the Group's remuneration framework, individual performance and market relativity are key considerations, balanced by the context in which the Group operates.

Remuneration of the CEO and Senior Management team, include a mix of fixed and variable components. A summary of the current provisions is as follows:

- Fixed remuneration – this includes the relevant employee's base salary and cash allowances and any direct non-cash benefits (e.g. Kiwisaver contributions, health insurance and annual leave);
- Other variable remuneration – some Senior Management team positions, including the CEO, are eligible for additional remuneration from Long-Term Incentive (LTI) and Short-Term Incentive (STI) plans. Eligibility is determined by the Board of Directors and, in the case of the Senior Management team, together with the CEO. The terms and conditions of any STI or LTI plan are identified in the individual employment agreements of the Senior Management team member to whom it applies;
- Total remuneration – this includes fixed and variable remuneration. Total target remuneration will typically be set within a range of 80% to 120% of the relevant median comparatives.
- STI remuneration is conditional upon the achievement of minimum financial targets in relation to EBITDA and certain banking covenants, along with a series of non-financial objectives, and is subject to the Board's discretion.

The remuneration policy is reviewed by the Board annually.

Chief Executive Officer (CEO Remuneration

Recommendation 5.3: *An issuer should disclose the remuneration arrangements in place for the CEO in its annual report. This should include disclosure of the base salary, short-term incentives and long-term incentives and the performance criteria used to determine performance-based payments.*

The remuneration of the CEO for the year ended 30 September 2023 is included in the Other Disclosures section of the Annual Report.

The remuneration of the CEO includes a mix of fixed and variable components. Fixed remuneration includes a base salary, life insurance and superannuation contributions. Variable components include a Short-Term Incentive (STI) linked to objectives set annually and performance assessed by the Board, and a Long-Term Incentive (LTI).

Management commentary
(no financial statements)

Principle 5 – Remuneration

“The remuneration of directors and executives should be transparent, fair and reasonable.”

Short Term Incentives

The STI is based on the achievement of both financial and non-financial objectives with an actual opportunity in the range of 0 - 30% of the CEO’s current base salary. Strategic objectives are set each year by the Remuneration Committee (and approved by the Board) and closely align to Napier Port’s strategic goals. STI remuneration is conditional upon set financial objectives for the year being met or exceeded. Non-financial objectives for 2023 included strategic objectives in relation to health and safety, revenue growth, operational improvement including alignment with our sustainability strategy, people development, and investor engagement.

The Remuneration Committee assesses the CEO’s performance against these objectives and recommends the STI for approval by the Board. The Board retains complete discretion over paying a STI and may determine, despite the actual performance against objectives, that a reduced STI or no STI will be paid in any given year.

Long Term Incentives

The LTI grants share rights to the CEO that will vest at the completion of a three year vesting period. The proportion of share rights that will actually vest depends on the CEO’s continuous employment during the vesting period and the achievement of total shareholder return (TSR) hurdles over the vesting period.

The TSR hurdles over the vesting period are as follows:

Napier Port’s TSR	Percentage of the relevant share rights that vest
Is not positive	0%
Less than or equal to the NZX 50 Peer Group median TSR	0%
Greater than the NZX 50 Peer Group median TSR	50%
Exceeds the NZX 50 Peer Group median TSR, but does not exceed the 75th percentile of the NZX 50 Peer Group	50% - 100% (pro rata)
Equal to or greater than the 75th percentile TSR of the NZX 50 Peer Group	100%

Any vesting shares under the LTI are eligible for additional dividend shares based on any cash dividends paid by the Group during the vesting period.

Management commentary
(no financial statements)

Principle 6 – Risk Management

"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."

Risk Management

Recommendation 6.1: *An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed.*

The Board and Senior Management Team are committed to managing risk to protect our people, the environment, financial business risks, company assets and our reputation. The Group has a comprehensive risk management system in place which is used to identify and manage business risks. The system identifies the key risks facing the Group and the status of initiatives employed to reduce them. Management report to the Board periodically, on the effectiveness of the Group's management of these material risks.

As part of its risk management the Group has a comprehensive treasury policy that sets out procedures to minimise financial market risk. The Group maintains insurance policies that address insurable risks.

The Audit and Risk Management Committee is responsible for ensuring that management is implementing the Group's risk management framework and policies.

The Sustainability Committee ensures an appropriate framework is maintained for the management of ESG risks, including climate-related risks and opportunities. The Committee reviews and monitors ESG related risk assessments and the effectiveness of the related risk management process.

Health and Safety

Recommendation 6.2: *An issuer should disclose how it manages its health and safety risks and should report on its health and safety risks, performance and management.*

The Group aims to ensure that everyone working at Napier Port returns safely to their families every day. To ensure a safe and healthy work environment, the Group has developed, and seeks to continuously improve a health and safety management system that is managing safety performance and promotes a safety culture.

Managing safety performance is achieved by:

- Setting health and safety objectives and performance criteria for all work areas, tracking performance through lead and lag indicators, identifying trends and implementing appropriate responses;
- Ensuring the health and safety framework is reviewed at least annually;
- Actively encouraging accurate and timely reporting of all accidents, incidents, near misses and unsafe conditions;
- Ensuring all serious accidents, incidents, near misses are investigated and root cause analyses conducted;
- Ensuring risk assessments are conducted, controls are identified and implemented based on those assessments and where necessary updated where risks or controls may have changed;
- In the event of an injury ensuring the Group takes an active role in employee's safe and early return to work;
- Ensuring the Group meets its obligations under the Health and Safety at Work Act 2015, associated regulations, codes of practice and standards and guidelines regulating worker health and safety.

Promoting a health and safety culture is achieved by:

- Supporting a "Just Culture" philosophy where health and safety is supported and promoted through enabling worker participation, ensuring adequate resources are allocated to health and safety initiatives and providing training and information about specific health and safety risks; and
- Promoting continuous improvement and good practice in health and safety.

To promote a best practice approach to health and safety the Group has introduced a safety implementation road map consisting of three strategic projects. The road map includes:

- A Safety Management System to align to best practice standard for Occupational Health and Safety practice (ISO45001);
- A Critical Risk Control Management program focusing on the management and control of the port critical risks;
- A replacement health and safety information management system (SAI360) to support streamlined reporting, compliance, and structured assurance activity.

The initial foundational safety implementation roadmap phase has recently been completed and planning is now underway for a safety maturity programme including further development of critical risk controls, learning and development, and our health framework, amongst other objectives.

Every Director, Senior Manager, Manager, Team Leader/Supervisor and worker is expected to share in this commitment to the Health and Safety Policy by following the duties and responsibilities specified in the Napier Port Health and Safety Duties and Responsibilities Policy.

Principle 7 – Auditors

"The Board should ensure the quality and independence of the external audit process."

External Audit

Recommendation 7.1 and 7.2: *The Board should establish a framework for the issuer's relationship with its external auditors. This should include procedures prescribed in the NZX Code. The external auditor should attend the issuer's annual meeting to answer questions from shareholders in relation to the audit.*

The Audit and Risk Management Committee is responsible for the oversight of the Group's external audit arrangements. These arrangements include procedures for the matters described in Recommendation 7.1 of the NZX Code.

Subject to any requirements of the Auditor General, the Audit and Risk Management Committee is responsible for, recommending the appointment and removal of the independent auditor. The Committee is also responsible for reviewing the independence of the external auditors and the appropriateness of any non-audit services they undertake, having direct communication with, and unrestricted access to, the independent auditor, and ensuring that the key audit partner (as defined in the NZX Listing Rules) is rotated every five years.

Napier Port has an External Auditor Relationship Framework Policy which complements the Audit and Risk Management Committee Charter by outlining requirements in relation to the provision of services to Napier Port by any external auditor on behalf of the Auditor General. The purpose of this framework is to ensure that the independence of Napier Port's external auditor is not impaired, or put in a position where it could reasonably be perceived to be impaired, such that Napier Port's external financial reporting is viewed as highly reliable and credible.

The auditor of the Group is the Auditor General. The Auditor General may approve external audit firms to undertake the external audit of the Group. The Group's external auditor is EY. The total fees paid to EY in their capacity as auditor are disclosed in the Annual Report.

The group invites EY to attend the Annual Meeting of Shareholders and the audit partner is available to answer shareholder questions about the conduct of their audit and the preparation and content of the auditor's report.

Internal Audit

Recommendation 7.3: *Internal audit functions should be disclosed.*

The Audit and Risk Management Committee is responsible for ensuring an effective internal audit programme and internal control system is maintained. These responsibilities include reviewing the objectives and scope of the internal audit programme, ensuring these are aligned with Napier Port's overall risk management framework, and reviewing significant matters reported by the internal audit programme and how management is responding to them.

The Group engages external providers to undertake internal audits.

Principle 8 – Shareholder Rights and Relations

"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."

Shareholder information

Recommendation 8.1: *An issuer should have a website where investors and interested stakeholders can access financial and operational information and key corporate governance information about the issuer.*

The Group is committed to providing shareholders with all information necessary to assess the Group's direction and performance.

This is done through a range of communication methods, including continuous disclosure to NZX, interim and annual reports and the Annual Shareholders' Meeting. The Group's website provides company and financial information, information about its directors, and copies of its governance documents for shareholders and other interested stakeholders to access at any time.

Recommendation 8.2: *An issuer should allow investors the ability to easily communicate with the issuer, including by designing its shareholder meeting arrangements to encourage shareholder participation and by providing shareholders the option to receive communications from the issuer electronically.*

Shareholders have the option of receiving their communications electronically, including by email, and participating in the annual shareholders "hybrid" meeting which allows shareholders to attend either in person or participate virtually and vote online. The Group is committed to open dialogue with shareholders and welcomes investor enquiries.

Recommendation 8.3 and 8.4: *Quoted equity security holders should have the right to vote on major decisions which may change the nature of the issuer in which they are invested. If seeking additional equity capital, issuers of quoted equity securities should offer further equity securities to existing equity security holders of the same class on a pro rata basis, and on no less favourable terms, before equity securities are offered to other investors.*

In accordance with the Companies Act 1993, the Company's constitution, the NZX Listing Rules, and other applicable laws, the Group refers any significant matters to Shareholders for approval at a Shareholders' meeting.

Recommendation 8.5: *The Board should ensure that the notices of annual or special meetings of quoted equity security holders is posted on the issuer's website as soon as possible and at least 20 working days prior to the meeting.*

The Group posts any Notices of Shareholder Meetings as soon as possible and seeks, where possible, to provide these at least 20 working days prior to the Shareholders' meeting.

Management commentary
(no financial statements)

Other Disclosures

Principal Activities

The other disclosure information below has been prepared for Napier Port Holdings Limited and its subsidiaries (the Group).

The Group's principal activities remain the commercial operation of Napier Port. There has been no significant change in the nature of the Group's business during the year.

Directors' Interests

The Company is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded. The matters set out below were recorded in the Interest Register of the Company during the financial year.

The Directors of the Company have declared interests in the following identified entities as at 30 September 2023:

Director	Interest	Entity
Blair O'Keeffe	Chair	Hawke's Bay Regional Recovery Agency
	Chair	Hawke's Bay Rescue Helicopter Trust
	Director	Central Air Ambulance Rescue Limited
	Director	Unison Networks Limited
	Managing Director	Endzone Commercial Limited
	Board Advisor	Z Energy Limited
	Board Advisor	TW Group
	Shareholder	Napier Port Holdings Limited
Diana Puketapu	Chair	New Zealand Olympic Committee
	Deputy Chair	New Zealand Cricket
	Director	Ngati Porou Holding Company Limited and subsidiaries
	Director	DNA Designed Communications Limited
	Director	Manawanui Support Limited
	Director	Trade Window Holdings Limited
	Shareholder	Napier Port Holdings Limited
Stephen Moir	Chair	ASB Bank Investment Committee
	Director	IJAP Limited
	Director	Todd Family Office Limited
	Director	Chubb Life Insurance New Zealand Limited

Director	Interest	Entity
Vincent Tremaine	Chair	Riverland Water Holdings Pty Limited
	Chair	Riverland Water Pty Limited
	Chair	SouthernLaunch.Space Pty Limited
John Harvey	Director	Heartland Bank Limited
Kylie Clegg	Director	Auckland Transport
	Trustee & Beneficiary	M&K Investments Trust
	Trustee & Beneficiary	Mickyla Trust
Dan Druzianic	Chair	Hawke's Bay Regional Investment Company Limited
	Director	Unison Networks Limited
	Director	Unison Contracting Services Limited
	Director	Bostock New Zealand Limited

Share Dealings By Directors

During the year, no Directors, or entities related to them, disclosed in respect of section 148(2) of the Companies Act 1993 that they acquired or disposed of a relevant interest in company shares:

Directors' Shareholdings

At 30 September 2023 the following Directors, or entities related to them, had interests in company shares:

Share Transaction	Number of Ordinary Shares
Diana Puketapu	5,393
Blair O'Keeffe	6,630

Directors' Insurance

All directors are beneficiaries of a company indemnity and directors' liability insurance provided by the company in relation to any personal liabilities and associated costs incurred while acting in their capacity as a director of the company, other than arising from criminal liability, where precluded by statute, or from a breach of a director's fiduciary duty to the company.

Remuneration

Employee Remuneration

The number of employees and former employees of the Group who, during the year, received total annual remuneration greater than $100,000 are shown in the table to the right.

The annual remuneration of employees includes salary, redundancy, and short-term incentive payments on achievement of targets, and employer's contribution to superannuation when earned, the value of share-based payment awards when they vest, and any other sundry benefits received in their capacity as employees.

Remuneration range	Number of employees 2023
$100,000 - $109,999	27
$110,000 - $119,999	29
$120,000 - $129,999	40
$130,000 - $139,999	31
$140,000 - $149,999	22
$150,000 - $159,999	11
$160,000 - $169,999	8
$170,000 - $179,999	9
$180,000 - $189,999	6
$190,000 - $199,999	3
$200,000 - $209,999	2
$210,000 - $219,999	3
$220,000 - $229,999	3
$290,000 - $299,999	2
$300,000 - $309,999	2
$310,000 - $319,999	1
$330,000 - $339,999	2
$390,000 - $399,999	1
$470,000 - $479,999	1
$630,000 - $639,999	1
Total	**204**

Management commentary
(no financial statements)

Directors’ Remuneration

The aggregate pool of fees able to be paid to Directors is subject to shareholder approval and is currently $655,000 per annum.

Directors received the following fees and remuneration during the year:

Director	2023 $000
Blair O’Keeffe (Chair)[1]	133
Alasdair MacLeod[2]	31
Vincent Tremaine	86
Diana Puketapu	86
John Harvey	84
Stephen Moir	86
Hon Rick Barker[2]	16
Kylie Clegg	76
Dan Druzianic	76
Total	674[3]

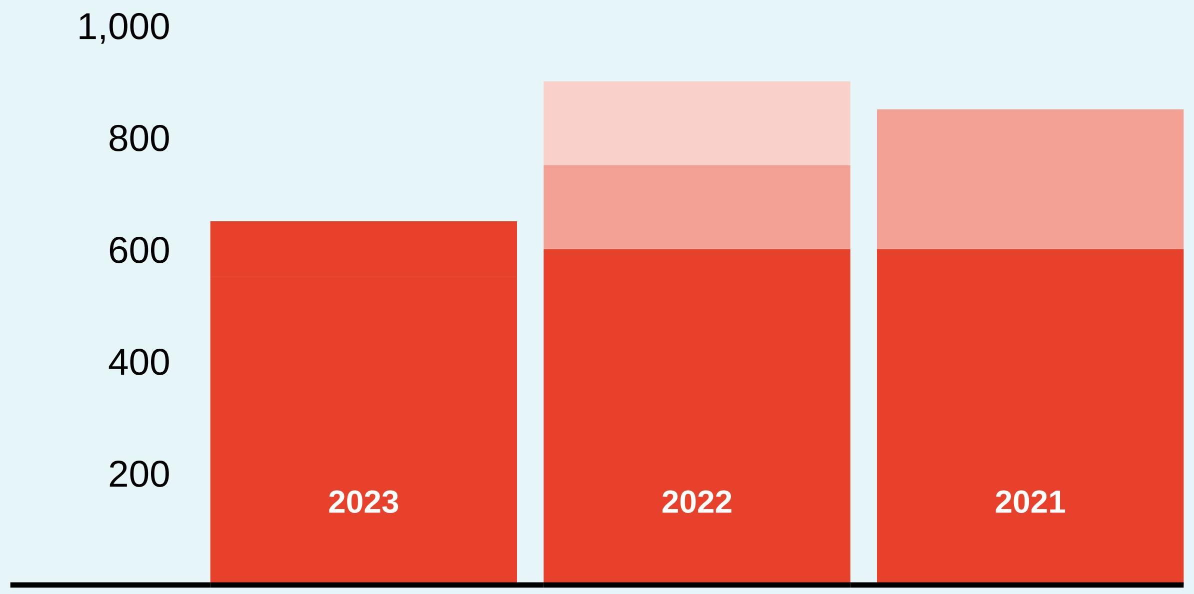
1. *Chair from 16 December 2022*
2. *Retired from the Board on 16 December 2022*
3. *Two new directors were appointed from 1 August 2022 temporarily increasing the number of directors to nine. At the Annual Shareholders Meeting in December 2022, two directors retired from the Board reducing the total number of directors back to seven. In accordance with the Listing Rule 2.11.3 the new directors were paid no more than the average amount being paid to each of the existing directors (other than the Chair).*

Chief Executive Officer’s (CEO’s) Remuneration

The CEO received the following remuneration and other benefits earned during the year[1]:

	2023 $000	2022 $000	2021 $000
Base salary	613	583	558
Other benefits	23	26	17
Short Term Incentive (STI)[2]	-	138	294
Long Term Incentive (LTI)[3]	-	160	-
Total	**636**	**907**	**869**

THREE YEAR SUMMARY – CEO REMUNERATION



1. *The CEO’s base salary and other benefits are based on the amounts earned during the year. Other benefits comprise superannuation and life insurance benefits.*
2. *STI’s are disclosed in the financial year they are earned. STI payments are generally paid to recipients at the beginning of the following financial year after the year in which they were earned. The STI target is based on the achievement of objectives set annually and performance assessed by the Board in respect of the financial year. For 2023 a target STI of 30% of fixed annual remuneration (FAR) was set by the Board based on the achievement of both financial and non-financial objectives. Financial objectives for 2023 were based on the achievement of a minimum Board approved EBITDA target. Non-financial objectives for 2023 included strategic objectives in relation to health and safety, revenue growth, operational improvement including alignment with our sustainability strategy, people development, and investor engagement. The Board has not approved any STI payment for the CEO in respect of 2023.*
3. *LTI’s are disclosed in the financial year they vest. No share rights vested during 2023. During August 2022 share rights issued in August 2019 vested and as a result 55,271 Napier Port Holdings Limited ordinary shares were transferred to the CEO during November 2022. In December 2022 the CEO was granted 67,137 share rights under the Executive LTI plan. The number of share rights granted to the CEO was determined based on 30% of FAR. The total fair value of LTI plan share rights granted to the CEO during 2023 was $90,286 (2022: $85,000), which is expensed to the Group’s Consolidated Income Statement on a straight-line basis over the vesting period. These share rights have a three year vesting period and entitle the CEO to the receipt of one Napier Port Holdings Limited ordinary share per share right at nil cost, plus additional shares to the value of any dividends which would have been paid on the underlying shares during the vesting period. Vesting is subject to the CEO remaining employed by the Group during the vesting period and the achievement of total shareholder return (TSR) hurdles over the vesting period. The proportion of share rights that actually vest depends on the Group’s TSR performance ranking relative to the NZX50 index. To the extent that performance hurdles are not met or the CEO leaves employment of the Group prior to vesting, the share rights will be forfeited. Further information on the Executive LTI plan is available in the document titled “Other Material Information” forming part of the Company’s IPO documents available on the Disclose Register operated by the New Zealand Companies Office.*

Shareholder Information

The ordinary shares of Napier Port Holdings Limited are listed on the NZX. The information in the disclosures below has been taken from the Company's registers as at 30 September 2023:

Twenty Largest Shareholders at 30 September 2023

Holder	Number of Shares Held	% of Issued Equity
Hawke's Bay Regional Investment Company Limited	110,000,000	55.0
Citibank Nominees (NZ) Limited[1]	15,751,758	7.88
Tea Custodians Limited[1]	9,717,071	4.86
Accident Compensation Corporation[1]	9,103,694	4.55
Custodial Services Limited <4 A/C>	5,612,416	2.81
JP Morgan Chase Bank[1]	3,204,434	1.60
Premier Nominees Limited[1,2]	2,161,061	1.09
JB Were (NZ) Nominees Limited	1,944,769	0.97
FNZ Custodians Limited[2]	1,867,784	0.93
New Zealand Permanent Trustees Limited[1]	1,551,592	0.78
New Zealand Depository Nominee	1,524,131	0.76
Tatau Tatau Commercial Limited Partnership	1,442,307	0.72
Cogent Nominees (NZ) Limited[1]	1,219,793	0.61
BNP Paribas Nominees NZ Limited[1]	1,100,035	0.55
Forsyth Barr Custodians Limited	1,053,455	0.53
Wairahi Investments Limited	927,053	0.46
Private Nominees Limited[1]	811,760	0.41
New Zealand Superannuation Fund Nominees Limited[1]	810,100	0.41
Heretaunga Tamatea Pou Tahua Limited Partnership	576,923	0.29
Masfen Securities Limited	553,416	0.28
Total	**170,933,552**	**85.49**

1. *Shareholdings held in New Zealand Central Securities Depository Limited (NZCSD) and the total holding at 30 September 2023 in NZCSD was 45,915,306.*
2. *Legal entity that constitutes several CSN accounts*

Distribution of Ordinary Shares

Holder	Number of Holders	Number of Shares Held	% of Issued Equity
1 – 5,000	7,266	13,318,208	6.66
5,001 – 10,000	552	4,107,271	2.05
10,001 – 100,000	334	7,944,881	3.98
100,001 and over	27	174,629,640	87.31
Total	**8,179**	**200,000,000**	**100.00**

Geographic Distribution

Holder	Number of Holders	Number of Shares Held	% of Issued Equity
New Zealand	8,128	199,490,560	99.75
Australia	29	386,768	0.19
Other	22	122,993	0.06
Total	**8,179**	**200,000,000**	**100.00**

Substantial Security Holders

The following information is given in accordance with sub-part 5 of Part 5 of the Financial Markets Conduct Act 2013. According to notices received, the following persons were substantial product holders in the Company as at 30 September 2023.

Holder	Number of Shares Held	Date of substantial product holder notice	% of Issued Equity
Hawke's Bay Regional Investment Company Limited	110,000,000	20 August 2019	55.00%
National Nominees New Zealand Limited ACF Australian Ethical Investment Limited[1]	12,879,049	17 December 2021	6.44%

1. *National Nominees Limited ACF Australian Ethical Investment Limited is the registered holder and beneficial owner of the products. Citibank Nominees (NZ) Limited is the custodian of registered managed investment schemes; Australian Ethical Investment Limited is the responsible entity.*

Bond Holder Information

Napier Port's $100 million corporate bonds were issued on 23 September 2022 and are listed on the NZX Debt Market.

Ten Largest Registered Bond Holders as at 30 September 2023

Holder	Number of Corporate Bonds	% of Corporate Bond
Custodial Services Limited	36,559,000	36.56
Forsyth Barr Custodians Limited[2]	9,604,000	9.61
FNZ Custodians Limited[2]	9,121,000	9.12
BNP Paribas Nominees NZ Limited[1]	8,600,000	8.60
HSBC Nominees (New Zealand) Limited[1]	6,822,000	6.82
Pt (Booster Investments) Nominees[1]	3,125,000	3.13
Investment Custodial Services Limited	1,636,000	1.64
Tea Custodians Limited[1]	1,500,000	1.50
Public Trust[1]	1,300,000	1.30
Hobson Wealth Custodian Limited	670,000	0.67
Total	**78,937,000**	**78.95**

1. *Bond holdings held in New Zealand Central Securities Depository Limited (NZCSD). The total holding at 30 September 2023 in NZCSD was 23,858,000.*
2. *Legal entity that constitutes several CSN accounts*

Distribution of bondholders and holdings as at 30 September 2023

Size of holding	Number of Bondholders	Number of Bonds Held	Holding quantity %
1 – 5,000	122	610,000	0.61
5,001 – 10,000	186	1,782,000	1.78
10,001 – 100,000	366	11,551,000	11.55
100,001 and over	28	86,057,000	86.06
Total	**702**	**100,000,000**	**100.00**

Geographic Distribution

Holder	Number of Holders	Number of Shares Held	% of Issued Equity
New Zealand	697	99,805,000	99.80
Australia	1	25,000	0.03
Other	4	170,000	0.17
Total	**702**	**100,000,000**	**100.00**

Subsidiary Company Directors

All directors of Napier Port Holdings Limited are also directors of Port of Napier Limited (the subsidiary of the Company).

Donations

During the year the Company made no donations (2022: $nil) and subsidiaries made no donations (2022: $4,000).

Waivers From NZX Listing Rules

Napier Port Holdings Limited has not obtained or relied on any waivers from NZX Listing Rules in the financial year ended 30 September 2023.

Audit Fees And Other Services

Under Section 19 of the Port Companies Act 1988, the Auditor-General is the auditor of the Company. The Auditor-General has appointed Ernst & Young to undertake the audit on its behalf, pursuant to Section 15 of the Public Act 2001.

Fees paid to the auditors are disclosed in the financial statements within note 5.

Credit Rating

Napier Port Holdings Limited does not have a credit rating at the date of this Annual Report.

Exercise Of NZX Disciplinary Powers

NZX did not exercise any of its powers under Listing Rule 9.9.3 in relation to the Company in the financial year ended 30 September 2023.

NAPIER PORT
Te Herenga Waka o Ahuriri

CLIMATE CHANGE RELATED DISCLOSURE REPORT

NOVEMBER 2023

TCFD

THIS REPORT IS PREPARED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD).

THE NEW ZEALAND EXTERNAL REPORTING BOARD (XRB) IN DECEMBER 2022 ISSUED THE AOTEAROA NEW ZEALAND CLIMATE STANDARDS (NZ CS), WHICH ARE EFFECTIVE FOR REPORTING PERIODS COMMENCING ON OR AFTER 1 JANUARY 2023. THESE NEW MANDATORY CLIMATE STANDARDS ARE BASED ON THE TCFD FRAMEWORK SO NAPIER PORT EXPECTS TO ISSUE A NZ CS COMPLIANT REPORT IN 2024.

INTRODUCTION

This is the third report produced by Napier Port Holdings Limited (Napier Port) which seeks to provide stakeholders an understanding of the potential financial implications of climate change on its business.

The main focus of the third report is to highlight updates to Napier Port's climate change 'physical risks' and 'transition impacts' after a refresh of its Climate Change Risk Assessment (CCRA) report. A key driver for the update is adopting newly available climate change data which builds on the scenario modelling used in the previous two reports. The other key focus area is reporting and analysing our certified emissions output for the 2023 financial year (FY23) against our benchmark 2022 financial year (FY22).

Napier Port's sustainability journey is one of continuous improvement and the people of Napier Port are committed to improving its environmental, social and economic performance by identifying and managing risks and finding opportunities to use our resources more efficiently.

Napier Port expects to further develop and improve its climate change related disclosures as we gather more information and knowledge and continue to deliver against our publicly disclosed sustainability strategy.

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DISCLAIMER: *Quantifications in this report of financial impacts of climate change are estimates only and are not intended to constitute earnings guidance. No representation is made as to their accuracy, completeness or reliability. These risks and opportunities may not eventuate and if they do the actual impact may differ materially from these estimates. Other material risks and opportunities may exist or eventuate that are not included within this report.*

1. GOVERNANCE

TCFD REQUIREMENTS:

- **DESCRIBE THE BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES**
- **DESCRIBE MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES**

The Napier Port Board of Directors are ultimately responsible for identifying the principal risks faced by Napier Port and taking reasonable steps to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent reasonably possible, reduce the impact of these risks, including material climate-related risks. The Board reviews Napier Port's Risk Management Policy annually.

The Audit and Risk Management Committee supports the Board in this function by ensuring that management is implementing Napier Port's overall risk management framework and policy and monitoring corporate risk assessments and internal controls implemented. The Audit and Risk Management Committee reviews Napier Port's overall risk management framework on a six-monthly basis and the Committee proceedings are reported back to the Board.

The Sustainability Committee reviews a separate climate-related risk register specifically for the management of climate-related risks. This is part of the Sustainability Committee's wider role to identify and consider relevant environmental, social and governance (ESG) matters to provide strategic guidance and feedback to the Board and management on Napier Port's ESG related strategies, policies, frameworks, initiatives, performance and reporting. The Sustainability Committee meets at least two times per year to review progress on the implementation of Napier Port's sustainability strategy, including the assessment of climate-related risks and actions, and the Committee proceedings are reported back to the Board.

The Chief Executive and senior management team are responsible for ensuring that risks to the business, including climate-related risks, are identified and evaluated, effective responses and control activities developed, and appropriate monitoring and timely re-evaluation conducted, in accordance with Napier Port's Risk Management Policy. The General Manager – Assets and Infrastructure has overall responsibility for the development and implementation of the sustainability strategy, including assessment of climate-related risks, and reports on progress to the Sustainability Committee.

The different levels of responsibilities and the supporting Risk Management Policy that governs the management of climate-related risks at Napier Port are illustrated in figure 1.

FIGURE 1. GOVERNANCE OF CLIMATE-RELATED RISKS AT NAPIER PORT

RISK MANAGEMENT POLICY

- Provides the overarching framework for identifying, assessing, managing and monitoring risk at Napier Port, including climate-related risks.
- Objectives of the policy include ensuring that Napier Port operates in a sustainable manner and protects the Port environment in accordance with its sustainability strategy.

BOARD OF DIRECTORS

- The Board is ultimately responsible for identifying the principal risks faced by Napier Port and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks, including material climate-related risks.
- The Board receives reports and recommendations from, and has access to management reports provided to, the Audit and Risk Management Committee, in relation to Napier Port's overall risk management framework, and reviews the Risk Management Policy annually.
- The Board is also responsible for setting the strategic direction of Napier Port. This includes ensuring that the environmental, social and governance (ESG) risks and opportunities in Napier Port's sustainability strategy, including climate-related risks and opportunities, are integrated into the Group's long-term strategy and investment decision making.
- The Board receives reports and recommendations from, and has access to management reports provided to the Sustainability Committee, and reviews the Sustainability Committee Charter annually.

AUDIT AND RISK MANAGEMENT COMMITTEE

- Ensures that management is implementing Napier Port's overall risk management framework and policy.
- Monitors corporate risk assessments and internal controls implemented.
- Reports to the Board whether Napier Port's overall risk management framework and processes are sufficient.

SUSTAINABILITY COMMITTEE

- Makes recommendations and reports to the Board on material ESG matters requiring governance decisions.
- Ensures the integration of ESG considerations into business planning and strategy, risk management, key policies, processes and culture.
- Oversees the development of Napier Port's ESG sustainability strategy and workplan.
- Monitors progress against the goals and actions included in Napier Port's sustainability strategy, including climate-related goals and actions.
- Ensures an appropriate framework is maintained for the management of ESG risks, including climate-related risks and opportunities. Reviews and monitors ESG related risk assessments and the effectiveness of the related risk management processes.
- Oversees and reviews ESG reporting processes, including relevant internal controls and external review and audit processes.

CHIEF EXECUTIVE AND SENIOR MANAGEMENT TEAM

- The Chief Executive and senior management team are responsible for ensuring that risks to the business, including climate-related risks, are identified and evaluated, effective responses and control activities developed, and appropriate monitoring and timely re-evaluation conducted, in accordance with Napier Port's Risk Management Policy.
- The Chief Financial Officer, working with senior management, updates Napier Port's overall risk management framework and reports to the Audit and Risk Management Committee on a six-monthly basis.
- The General Manager – Assets and Infrastructure has overall responsibility for the development and implementation of the sustainability strategy, including assessment of climate-related risks, and reports on progress to the Sustainability Committee.

KEY STAFF TASKED WITH RISK MANAGEMENT ACTIVITIES (from infrastructure, finance and operations teams)

- Provide support with identifying, monitoring and assessing climate change risks and ensuring appropriate management actions are taken in relation to them.
- Responsible for maintaining the safety, performance and capability of Napier Port's infrastructure assets and plant and equipment over their projected economic lives.
- Maintain a 50-year property asset management plan.

2. RISK MANAGEMENT

TCFD REQUIREMENTS:

- **DESCRIBE THE ORGANISATION'S PROCESSES FOR IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS**
- **DESCRIBE THE ORGANISATION'S PROCESSES FOR MANAGING CLIMATE-RELATED RISKS**
- **DESCRIBE HOW PROCESSES FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE-RELATED RISKS ARE INTEGRATED INTO THE ORGANISATION'S OVERALL RISK MANAGEMENT**

Napier Port's Risk Management Policy provides the overarching framework for identifying, assessing, managing and monitoring risk at Napier Port, including climate-related risks. Each Napier Port business unit is responsible for establishing and maintaining risk documentation to monitor and report risks that threaten achievement of business objectives. The Chief Executive and senior management team are responsible for ensuring that risks to the business are identified and evaluated, that effective responses and control activities are developed, and appropriate monitoring and timely re-evaluation is conducted. The Chief Financial Officer, working with senior management, updates the Napier Port enterprise risk register, drawing on business units' documentation, and reports this register to the Audit and Risk Management Committee at least on a six monthly basis.

In addition to this process, for climate-related risks Napier Port has benchmarked against recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) for identifying and assessing climate-related risks. The Napier Port Assets & Infrastructure team which includes environmental & sustainability subject matter experts, supported by others as required, are tasked with staying up-to-date with the latest climate-related research, facilitating regular risk assessments and performing detailed climate change analysis. The Board and Management of Napier Port are also continually monitoring developments to existing and emerging regulatory requirements related to climate change as part of their risk assessment processes.

In November 2020, Envirolink, Gisborne District Council, and Hawke's Bay Regional Council collaborated to commission a review of climate change projections and their impacts on the Tairawhiti (Gisborne) and Hawke's Bay regions. This was conducted by the National Institute of Water and Atmospheric Research (NIWA)[1] and used as the basis for the scenario analysis contained within our FY21 and FY22 reports. For the 2023 report, Napier Port has drawn upon the findings of our previous reports and data sources and has incorporated recently released data from various sources, including the Intergovernmental Panel on Climate Change (IPCC), to determine potential shifts in sea levels, wind patterns, temperatures, and extreme weather events. These data inputs enable us to analyse a range of potential future scenarios and assess how they may affect Napier Port's assets, operations, financial plans, and business model.

Future climate projections strongly depend on estimates for future global mean temperature rise resulting from greenhouse gas concentrations. In turn, those concentrations depend on global greenhouse gas emissions that are driven by factors such as economic activity, population changes, technological advances and policies for mitigation and sustainable resource use. This range of uncertainty has been considered by the IPCC. The IPCC Fifth Assessment Report considered 'scenarios' that describe concentrations of greenhouse gases in the atmosphere. These scenarios were called Representative Concentrations Pathways (RCPs)[2]. The IPCC's more recent Sixth Assessment Report provides updated future climate change findings and projections. The IPCC Sixth report refers to Shared Socioeconomic Pathways (SSPs)[3] for future projected socioeconomic global changes used to derive greenhouse gas emissions scenarios based on different climate policies. Differences between RCP findings and projections from SSPs stem from using improved models as well as a more precise estimate of historical warming[4]. While the scenarios represent the same amount of radiative forcing (i.e. RCP4.5 and SSP2-4.5 both represent 4.5Wm-2 radiative forcing), the emissions pathway and socio-economic drivers to achieve this are slightly different, and predictions generally show higher levels of warming associated with SSP's than RCP's.

Timelines for warming have also changed; SSPs are focused around "pre-industrial" times which refers to 1850-1900, which is in line with the Paris Agreement. These pre-industrial levels are now what temperature increases are based off rather than the period between 1986-2005 as used in RCPs.

Therefore, a move to SSPs from RCPs is considered an evolutionary step given SSPs provide the most up to date climate change information and data for future climate scenarios.

For the IPCC global scale modelling to be useful for Napier Port's climate change risk assessment process the results need to be downscaled to a localised level. While some work has been done to downscale the IPCC's Sixth Assessment Report findings to a NZ and Napier Port regional level, regional downscaling is not yet fully available. However, for risks and hazards associated with sea level rise and tropical cyclone intensity, relevant information from the IPCC Sixth Assessment Report has been downscaled to local levels and made available.

Interim guidance from the Ministry for the Environment (MfE) recommends using existing data that has been based on modelling from the IPCC's Fifth Assessment Report with reasonable confidence, until newer data becomes available for areas where IPCC's Sixth Assessment Report findings have not yet been downscaled[5].

The use of the 2020 NIWA report and the RCPs scenarios was central to modelling future climate change projections and impacts in our prior two Climate Change Related Disclosure Reports and are still relevant in this year's report where regional downscaling of the IPCC's Sixth Assessment Report findings has not yet been completed. In this year's report we adopt the IPCC's recently released Sixth Assessment Report where regional downscaling has been completed. This sees the introduction of three SSP scenarios for the climatic effects of sea level rise, temperature increase, and tropical cyclone.

Our climate-related risk assessment process continues to consider the following RCP's:

- RCP4.5 is a 'stabilisation' pathway that stabilises radiative forcing at 4.5W m-2 in the year 2100 without ever exceeding that value.
- RCP8.5 represents continuing high global emissions without effective mitigation, which will lead to high greenhouse gas emissions (a high-end pathway).

The reason for choosing these two scenarios was to present a 'high-end' scenario if atmospheric greenhouse gas concentrations continue to rise at high rates (RCP8.5) and a scenario which could be realistic if moderate global action is taken towards mitigating greenhouse gas emissions (RCP4.5).

Where regional downscaling has been completed, our climate-related risk assessment process now considers three SSP scenarios identified as plausible outcomes.

- SSP1-1.9 is the 'sustainable' pathway (where global warming is limited to 1.5 degrees by 2100),
- SSP2-4.5 is the 'middle of the road' pathway (where socio-economic factors follow their trends, with no significant change in reducing current temperature rise projections)
- SSP5-8.5 represents 'the highway' pathway (effectively the worst case scenario where the world economy grows rapidly, but this growth is driven by fossil fuel exploitation and very energy intensive lifestyles).

These three scenarios were chosen to align with NZ CS, which requires three scenarios to be analysed:

- one where global temperature increase is limited to 1.5 degrees Celsius (with an emissions pathway aligned to SSP1-1.9),
- another where the temperature is 3 degrees Celsius or greater (aligned to SSP5-8.5)
- a third scenario of the reporting company's choice. Napier Port has chosen a scenario which looks to limit global temperature increases to a range between 2.1 and 3.5 degrees Celsius (aligned to SSP2-4.5). The reason for choosing this pathway is that SSP2-4.5 has been recognised by members of the climate science community as a most likely pathway to eventuate out of the five SSPs[6].

Our climate-related risk management spans 50 years, aligning with asset management and scenario-based likelihood of risk occurring.

For climate-related risk management, we believe a medium to long-term horizon is appropriate. This time frame is aligned with the economic lives of our infrastructure assets and Napier Port's asset management plan. As a result, we have used the following timeframes to assess the likelihood of climate-related risks occurring under each scenario: Short-term 0-20 years (using RCP & SSP scenarios up until 2040); Medium-term 20-70 years (using RCP scenarios up until 2090 and SSP scenarios up until 2070); and Long-term 70 plus years (using SSP scenarios up until 2100). We regularly monitor whether climate science requires us to reassess this approach.

In accordance with Napier Port's Risk Management Policy, we assess the significance of each identified climate-related risk using a likelihood and consequence matrix. The climate-related risk register assesses the likelihood of risks occurring during the short-term, medium-term and long-term timeframes outlined above, to recognise the longer-term nature of climate-related risks. This varies from the overall risk management framework which assesses the likelihood of a risk occurring based on whether it is probable to occur within the next 12 months. For both, the consequence of the identified risk is assessed based on the potential level of impact on our people, assets/ infrastructure, operations and systems, environment, reputation and financial planning. Based on the likelihood and consequence, levels of risk are categorised as either very high, high, moderate or low. This allows us to determine the appropriate response for each issue identified. Climate-related risks are reviewed at least annually to ensure they reflect material changes in our knowledge, business strategy, and operating environment.

During the 2023 financial year, using the process described above, we completed an update to our 'Whole of Port' Climate Change Risk Assessment – looking at infrastructure resilience, trade forecasting, land levels, weather conditions, emergency preparedness and habitat modification. We identified 71 climate-related physical and transition risks and 24 opportunities. An overview of the top physical and transition impacts is contained in our strategy disclosures section.

3. STRATEGY

TCFD REQUIREMENTS:

- **DESCRIBE THE CLIMATE-RELATED RISKS AND OPPORTUNITIES THE ORGANISATION HAS IDENTIFIED OVER THE SHORT, MEDIUM AND LONG-TERM**
- **DESCRIBE THE IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON THE ORGANISATION'S BUSINESSES, STRATEGY, AND FINANCIAL PLANNING**
- **DESCRIBE THE RESILIENCE OF THE ORGANISATION'S STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS, INCLUDING A 2 DEGREE OR LOWER SCENARIO**

Napier Port's purpose is very clear: together we build a thriving region by connecting our customers, people and community to the world. This drives everything we do and sets the scene for our business strategy, which provides a robust and comprehensive direction for the future. Our strategic goals are Customer Connection, Harnessing Data and Technology, Networked Infrastructure and Collaborative Partnerships, all underpinned by our Culture of Care and Sustainability foundations.

Our business is exposed to climate-related risks outside our port gate, including transport links and the impact of climate change on our community and customers. We intend to work collaboratively with relevant territorial authorities and community groups, sharing information and developing solutions, to deliver a more resilient business and region. For example, during FY23 Napier Port has been actively sharing climate related information with Hawke's Bay Regional Council's Climate Action Hub.

Napier Port recognises that climate change is currently impacting the way we operate in the following ways:

CURRENT IMPACTS OF CLIMATE CHANGE

CURRENT PHYSICAL CLIMATE IMPACTS

Tropical Cyclone Gabrielle in February 2023 caused widespread flooding and property damage to the Hawke's Bay region. Although the physical impact on Napier Port's infrastructure was not significant it was a timely reminder of the devastating impact severe weather events can have and the potential consequential effects arising from such events, as flooding and infrastructure damage outside the port gate resulted in decreases in cargo being exported from the region via our port. Such losses represent millions of dollars of lost earnings in 2023 for Napier Port*.

Along with cyclone events, more extreme weather conditions during 2023 have also directly and indirectly affected Napier Port as higher than average rainfall across the region and longer periods of swell events have impacted crop yields and marine berthing availability, respectively, with a financial flow on affect for Napier Port.

CURRENT TRANSITION CLIMATE IMPACTS

As part of its asset management programme, Napier Port is considering how it can utilise technological advancements and alternative equipment choices to shift its fuel intensive heavy equipment and marine fleet assets towards lower emission and more energy efficient options. However, much of this technology is still at an early development stage and therefore carries additional cost premiums when compared with the traditional fuel consuming equivalent. For example, this year Napier Port acquired two new Eco Reachstackers (container handling mobile plant), which carried a cost premium of approximately 15% over the price of the base model reachstacker. Napier Port will continue to consider a broad range of objectives including the financial implications and its obligations as a lifeline asset and significant regional infrastructure as it considers pathways and the timeframes it adopts to transition its mobile plant equipment and marine assets.

The impacts of severe weather events such as extreme rainfall and tropical cyclones (like Cyclone Gabrielle) are having an adverse impact on our insurance renewal programme for our material damage and business interruption policies. As a result of Cyclone Gabrielle trading losses incurred by Napier Port, policy premiums and insurance capacity have been negatively affected, however the direct financial impact is not determinable.

* *The amount of insurance proceeds to compensate for Napier Port's lost earnings as a result of Cyclone Gabrielle are disclosed in the 2023 annual financial statements of Napier Port Holdings Limited.*

FUTURE IMPACTS OF CLIMATE CHANGE

For Napier Port, a warmer world in 2100 consistent with the RCP8.5 and the SSP5-8.5 scenario would result in potential physical impacts on our infrastructure, create uncertainties as to how our region would be affected and be required to adapt, and affect what our business may look like as a result. The transition impacts of climate change caused by strong climate action policy will also create a mix of risks and opportunities for our business. We have identified and assessed these risks and opportunities, undertaking analysis of the potential impacts for our business.

The physical and transition risks included below are from Napier Port's 'Whole of Port' Climate Change Risk Assessment (dated June 2023) and are rated very high, in accordance with the risk management policy and specific climate-related timeframes noted above. This assessment is based on the likelihood of the risk occurring (likely or almost certain) and consequence (greater than $5 million), in at least the RCP8.5 or SSP5-8.5 scenario in the medium to long-term. Under the RCP4.5 (2 degrees or lower scenario) or SSP2-4.5 (3 degrees or lower scenario), these risks are also present, although they would manifest themselves at a later date.

From the analysis undertaken, at this stage, we do not consider that the effects of climate change materially change our overall strategy. Sustainability will be embedded into our ways of working as we continue to collaborate to look after people, planet and place, including completing the actions contained in our sustainability strategy. The more financially material infrastructure improvement actions are required over the medium to long-term to ensure that we continue to have a resilient and agile infrastructure network. Planning to address this is being embedded within our asset management plans and infrastructure masterplan. In the short-term, we will continue to complete more detailed investigations of climate-related effects and ensure these are considered in Napier Port's master planning process. We have included climate-change considerations within Napier Port's procurement processes and policies. Work in these two respective areas is ongoing.

PHYSICAL RISKS

Climate change related effects result in several risks to Napier Port infrastructure, due to its coastal location and susceptibility to sea level rise. Our assets are susceptible to physical risks today, including from acute weather and natural disaster events. Climate change modelling indicates that higher temperatures will increase the likelihood of extreme weather events that may affect operations and damage infrastructure and there will be the ongoing impacts of sea-level rise, extreme rainfall, and intensifying tropical cyclones which may cause coastal inundation, erosion and flooding.

The physical impacts of climate change considered most material to Napier Port are described below:

I) INCREASE IN RELATIVE SEA LEVEL

One of the major and most certain consequences of increasing concentrations of atmospheric greenhouse gases and associated warming is the rising sea level. SSP scenario modelling has confirmed the pace of sea level rising is also accelerating.

Interim guidance on the use of sea level rise projections from the Ministry for the Environment[7] recommends using data from the NZSeaRise research programme, which uses SSP sea level data on a localised scale across New Zealand. This is a shift away from the RCP sea level rise based data used in the 2020 NIWA report. These projections include not only sea level rise (SLR) (relative to 2005), but also vertical land movement (VLM), from satellite data, at 2km spacing across all of NZ's coastlines. By combining both SLR and VLM, we can understand relative sea level rise (RSLR). Adopting RSLR is a pivotal departure from last year's Climate Change Risk Disclosure report, the results of which now show a heightened level of risk to Napier Port's infrastructure.

There are three sites in NZSeaRise within the Napier Port footprint and these sites are reportedly subsiding at an average rate of 3.01mm/year (2.93-3.14mm/year). When this rate of VLM is combined with the various rates of SLR, dependent upon the emissions scenario, overall RSLR is higher.

With sea levels continuing to rise, even under low emission scenarios, there is high confidence in the increased frequency and severity of coastal flooding[8].

In respect of extreme coastal flooding, in the short term (2040), there is no difference seen between different SSP pathways and inundation risk remains manageable. However, projected inundation in a one in one-hundred-year event shows the previously identified northern log yard areas experiencing more prolific inundation in line with escalating temperature over time. This trend expands under all SSPs in 2070, and eventually, in 2100 under all SSPs, coastal flooding projections show a large portion of the Napier Port site could be potentially impacted during a one in one-hundred-year event.

Furthermore, as sea levels rise, high-energy waves that strip sediment can reach higher up the shoreline and cause erosion[9]. Due to the nature of Napier Port, being built directly on the coast, coastal erosion could cause loss of usable land area and damage to existing infrastructure if not prepared for carefully. Among the three beach areas within the port boundaries, risk exposure is materially present within the two easternmost stretches. Whilst these areas undergo continuous natural movements due to wave action, these areas serve as inherent natural sea defences, safeguarding critical structures and operational zones from potential inundation.

Erosion has been managed using ad-hoc shore protection where key infrastructure is situated, such as the Plant Services workshop, near the East Beach area of Napier Port. Climate-related risks such an anticipated rise in RSLR, coupled with heightened cyclone/rainfall intensity are expected to increase erosion in this area. In the long-term a hard structure may be required to provide long-term protection in this area with a preliminary estimated cost of $10 - $15 million.

Note in this year's report erosion is treated as one of the possible outcomes of the RSLR risk rather than a separate direct weather event.

RISK DRIVER: INCREASE IN SEA LEVEL (RSLR)	
SCALE	High to Very High
LIKELIHOOD	Almost certain
TIMEFRAME	Medium to Long-term
FINANCIAL IMPLICATIONS	Inundation: $10-$15 million Erosion: $10-15million
METHODOLOGY	Potential financial impact is estimated capital expenditure required, based on current civil construction costs in today's money
RISK MITIGATION	▪ Northern log yards will need to be re-developed to raise the level of pavement ▪ Ensure the western reclamation area is developed to levels to meet future extreme sea levels due to climate change ▪ Detailed investigation and potential design of sea defences to provide long-term protection in the East Beach area

II) EXTREME RAINFALL EVENTS

Climate change is expected to result in an increase in the frequency and intensity of extreme rainfall events. The NIWA report notes that short duration rainfall events have the largest relative increases compared with longer duration rainfall events. Rainfall depths for 1-in-50 year and 1-in-100 year events are projected to increase across the greenhouse gas concentration scenarios and future time periods.

Napier Port has seen minor issues with storm water management in recent years due to extreme rainfall events that the systems were not designed for. The storm water system will be further compromised by sea level rise with more outlets likely to be below sea level which impacts the system's ability to discharge effectively resulting in backing up of storm water. This is likely to result in inundation if the extreme rainfall coincides with extreme sea levels. Detailed modelling is to be completed to better understand the system capacity both currently and under future scenarios so appropriate plans can be put in place. Likely options include additional drainage networks or pumping stations.

RISK DRIVER: EXTREME RAINFALL EVENTS	
SCALE	High to Very High
LIKELIHOOD	Almost certain
TIMEFRAME	Long-term
FINANCIAL IMPLICATIONS	Still being determined
RISK MITIGATION	▪ Modelling of the stormwater system capacity under future scenarios ▪ Assess capacity of the outer breakwater drain under future scenarios and frequency of drain cleaning

III) TROPICAL CYCLONES

Tropical cyclones are predicted to be more severe under all temperature scenarios, yet there is still a huge amount of uncertainty on the changes in frequency of tropical cyclones[10]. Potential damage caused by tropical cyclones can be quantified using the power dissipation index (PDI), which considers maximum sustained wind speeds, and the distance/time the cyclone has travelled. Projections for future severity of cyclones aligned with SSP findings show increases across all scenarios, with the greatest increase in PDI seen in SSP5-8.5 (24%).

The implications of Cyclone Gabrielle provided insight into the susceptibility of Napier Port's breakwaters and sea defences to damage. Anticipated synergies between relative sea level rise and the amplification of cyclone PDI appear to forecast an uptick in the magnitude of damage sustained per event. Such powerful weather events have the potential to dislodge or displace the armour units (akmons) that help protect the breakwater structure.

With a projected increase in cyclone PDI for storms arriving at Napier, proactive maintenance is required, not only for dissipating wave energy and upholding the structural integrity of the breakwater itself, but also for the preservation of the infrastructure sheltered behind its protection.

RISK DRIVER: TROPICAL CYCLONES	
SCALE	High to Very High
LIKELIHOOD	Almost certain
TIMEFRAME	Medium to Long-term
FINANCIAL IMPLICATIONS	$5-$10 million
METHODOLOGY	▪ Potential financial impact is estimated capital expenditure required, based on current civil construction costs for shore protection in today's money
RISK MITIGATION	▪ The akmon unit "top-up" program, already embedded within the Asset Management Plan

TRANSITION IMPACTS

The transition impacts of climate change caused by strong climate action policy are also a mix of risks and opportunities for our business.

Government regulation to encourage a shift to a low carbon economy (like the Aotearoa New Zealand Emission Reduction Plan) may result in:

- increased fuel costs particularly for Napier Port's mobile plant;
- requirements to invest in new technologies, equipment and supporting infrastructure to move away from diesel powered plant; and
- policies to increase the use of rail which may require additional infrastructure investment and changes to Napier Port's operating model.

The transition impacts considered most material to Napier Port are:

I) GOVERNMENT REGULATION TO ENCOURAGE A SHIFT TO A LOW CARBON ECONOMY RESULTING IN HIGHER FUEL COSTS

Government policy may increase emissions taxes on fuel by greater amounts to encourage the significant reduction in emissions required to achieve net zero emissions by 2050. This will likely significantly increase diesel fuel costs and operating costs for Napier Port which is currently reliant on diesel fuel to power tugs, mobile harbour cranes, and container handling equipment.

The higher fuel costs may encourage the shift to alternative fuels throughout the region which may ultimately reduce the fuel imported through Napier Port and the revenue that this generates.

RISK DRIVER: GOVERNMENT REGULATION TO ENCOURAGE A SHIFT TO A LOW CARBON ECONOMY RESULTING IN HIGHER FUEL COSTS	
SCALE	High to Very High
LIKELIHOOD	Moderate risk in short term. Almost certain in medium to long term
TIMEFRAME	Short to Medium term
FINANCIAL IMPLICATIONS	To be determined
RISK MITIGATION	▪ Ensure fuel price escalation risk is considered in forecasting

II) GOVERNMENT REGULATION TO ENCOURAGE SHIFT TO ALTERNATIVE FUELS

Combined with the above it is highly likely there will be government regulation to ban or limit the procurement of, and reduce the use of, diesel powered machines and encourage the shift to machines powered by alternative fuels (e.g. electricity, hydrogen). It is expected that import bans will precede the outright ban of diesel equipment, which will provide some time to adapt.

Napier Port is expected to transition in a planned orderly way with emission reduction pathways under development as part of the wider sustainability strategy. The transition triggers are likely to be a mix of fuel and other price pressures, investment cycles, and equipment and alternative energy availability and reliability.

The development of the required infrastructure is expected to occur over a longer period and require additional capital investment.

Napier Port currently has an Electrical Master Plan under development which shows that electrical capacity at Napier Port will likely need to more than double to meet all the future anticipated electrical demands. The Electrical Master Plan will provide an effective pathway to meet future electrical demand. There are, however, numerous policy risks which may affect the electrification programme:

- A ban on the importation of diesel equipment within a short timeframe may result in the need to accelerate infrastructure investment, uneconomically extending the lifetime of existing plant or affecting expansion aspirations;
- An early ban in the importation of diesel equipment may result in effective and reliable alternative low emission options not being readily available;
- Policy that results in dramatic increase in fuel price may result in earlier than expected move to an electric fleet. If electrical infrastructure is not ready this may result in higher than desired operating costs.

The decision making process for investing in low emission versus diesel technology poses a risk when considering the lifespan of equipment, in particular key plant with relatively longer lifespans such as tugs and mobile harbour cranes. Decisions today are relatively simple due to costs and available technology and will likely be in 20 years' time when low emissions technology will be more established and cost effective. In the intervening period the decision making process is more complex and where policy risk could have a significant effect. Higher fuel costs may result in an earlier than expected move to alternative technologies that could result in existing equipment becoming redundant before the end of its expected useful life.

This is not an issue where equipment can be retro-fitted such as mobile harbour cranes or for equipment that has a relatively low remaining lifespan (< 10 years) but may pose an issue for the tugs with a long remaining useful life and limited ability to retro-fit.

Actions Napier Port are taking to mitigate these risks are considering future fuel cost risk in equipment purchasing and investment decisions, considering whether equipment can be retro-fitted in investment decisions and regularly assessing the remaining life and residual value of key equipment as a result of climate change pressures.

RISK DRIVER: GOVERNMENT REGULATION TO ENCOURAGE SHIFT TO ALTERNATIVE FUELS	
SCALE	High to Very High
LIKELIHOOD	Almost certain
TIMEFRAME	Medium to Long-term
FINANCIAL IMPLICATIONS	Still being determined as options continue to be assessed
RISK MITIGATION	▪ Consider flexibility in electrical infrastructure development as part of the Electrical Master Plan ▪ Consider future fuel cost risk in equipment purchasing and investment business cases ▪ Consider equipment that can be retro-fitted in investment decision making process ▪ Regularly assess the remaining life and residual value of key equipment because of climate change pressures

III) RAIL

Notwithstanding New Zealand's topography and lack of rail infrastructure compared to other countries, currently rail has significantly lower emissions per tonne compared to road freight, and provides other benefits, in particular reducing the number of trucks on New Zealand's roads. In the short-term, a lack of national and regional rail infrastructure is and will remain a major hindrance to a significant step change in the use of rail. In the medium term, it is likely that road transport will continue or accelerate the adoption of green energy technology to reduce their emissions

Under the long-term (50+ years), it is expected that New Zealand's rail network will be effectively emission free, running on alternative fuels such as hydrogen for long haul routes or potentially a fully electrified network, which may result in a significant uptake of rail. A significant increase in cargo transported by rail would require changes in Napier Port's operational layout and associated infrastructure investment.

RISK DRIVER: GOVERNMENT REGULATION TO ENCOURAGE INCREASED USE OF RAIL	
SCALE	High to Very High
LIKELIHOOD	Almost certain
TIMEFRAME	Long-term
FINANCIAL IMPLICATIONS	Greater than $10 million
METHODOLOGY	Potential financial impact is high-level estimate of capital expenditure required, in today's money
RISK MITIGATION	▪ Changes to Napier Port's operational layout in line with existing provisions in the Master Plan to increase our on-Port rail infrastructure ▪ Further consideration of climate change related effects will be included in Napier Port's Master Planning process

IV) COMMERCIAL IMPACTS

While the full extent of climate change's direct impacts remains uncertain, available data suggests potential negative effects on Hawke's Bay's primary industry with potential for crop production disruption, heightened pest and disease spread, and destabilised growing conditions. Forestry, agriculture and horticulture are all significant primary industries within the Hawke's Bay region, and Napier Port plays an important role within these industries, by connecting suppliers with international customers. These sectors are vulnerable to the impacts of climate change (i.e. potential increases in rainfall intensity, mean temperatures and drought severity) while changes in production may not directly affect Napier Port, there is a significant indirect risk to revenue should these industries suffer from the effects of a changing climate.

Drought, in particular, has been highlighted as one of the key risks for Hawke's Bay, with some of the largest increases to the annual number of days of soil moisture deficit compared to other parts of the country.
The largest impact is expected to be in the meat industry with increased drought frequency resulting in changes to pasture composition. Increased droughts coupled with occasional heavy rainfall could have major adverse effects on soil stability.

The meat industry is a significant exporter through Napier Port and drought therefore poses a risk to revenue in the medium term and almost certainly in the long term. Other industries such as horticulture and forestry are in a better position to manage the risk of drought through various practices, although horticulture will have an increased reliance on water security.

RISK DRIVER: DROUGHT	
SCALE	High to Very High
LIKELIHOOD	Almost certain
TIMEFRAME	Medium to Long-term
FINANCIAL IMPLICATIONS	$5 million
METHODOLOGY	Potential financial impact is an estimate of the annualised impact on trade volume in today's dollars.
RISK MITIGATION	▪ Napier Port has limited direct control in managing this risk. Napier Port will keep an active interest on potential impacts and how that might change export volumes, shipping patterns and changes in exports through the regular master planning process

TRANSITION OPPORTUNITIES

Addressing climate change potentially offers various chances for growth and improvement. These include the opportunity for Napier Port to become more resource-efficient, using cleaner energy sources, creating innovative service offerings, and enhancing supply chain resilience.

Opportunities may include a reduction in recurring expenses over the long term or additional revenue streams from requirements for ships to use shore power while in Port and opportunities to partner in the supply chain to provide low carbon or zero emission solutions for customers.

Additionally, climate change might create new opportunities as crop dynamically shift, allowing the horticulture sector to cultivate new thermally resistant species and varieties. Napier Port assumes that if climate change alters the primary sector, crop substitution will be considered until more relevant data prompts a shift in perspective.

4. METRICS AND TARGETS

TCFD REQUIREMENTS:

- **DISCLOSE THE METRICS USED BY THE ORGANISATION TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES IN LINE WITH ITS STRATEGY AND RISK MANAGEMENT PROCESS**
- **DISCLOSE SCOPE 1, SCOPE 2, AND, IF APPROPRIATE, SCOPE 3 GREENHOUSE GAS (GHG) EMISSIONS, AND THE RELATED RISKS**
- **DESCRIBE THE TARGETS USED BY THE ORGANISATION TO MANAGE CLIMATE-RELATED RISKS AND OPPORTUNITIES AND PERFORMANCE AGAINST TARGETS**

GREENHOUSE GAS (GHG) EMISSIONS

Napier Port has been measuring their Scope 1, 2 and limited Scope 3 emissions for several years which have been reported in the Annual Report and on the Napier Port website. During FY21, we reviewed and redefined our GHG inventory to enable a better understanding of our emissions profile. During FY22, we took this expanded GHG inventory and collected the associated data to create a new base year for emissions reporting. Reported emissions for FY22 included a wider range of scope 3 emissions and was externally certified by Toitū Envirocare. The additional scope 3 emissions now include freight and employee commuting. Reported emissions for FY23 have been collected and certified on the same basis as FY22. The FY23 audit certification can be found on our website at: **napierport.co.nz/environment/environmental-monitoring**

The certification means we've measured and managed the operational emissions of our organisation in accordance with ISO 14064-1:2018 and the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).

DEFINING OUR (GHG) EMISSIONS INVENTORY

We worked with an external consultant, BraveGen, to define our GHG inventory scope to reflect best practice including identifying a wider range of Scope 3 emissions. This expanded definition of our GHG inventory is being used to determine and report Napier Port's emissions from FY22. This provides a better understanding of Napier Port's emissions profile, identifies where opportunities for reductions are, enables setting of GHG targets and measures, and reporting overall progress. The GHG emissions sources included in this inventory were identified with reference to the methodology in the GHG Protocol and ISO 14064-1:2018 standards. We are also now using BraveGen's GHG emissions inventory software to record and report these emissions. With a robust emissions inventory in place the same GHG emission sources were able to be reported on in FY23 and compared to our FY22 base year.

Under the GHG Protocol, these emissions are classified under the following categories:

Scope 1 – Direct GHG emissions occurring from sources that are owned or controlled by the company.

Scope 2 – Indirect GHG emissions occurring from the generation of purchased electricity, heat and steam consumed by the company.

- Reported by both location and market-based emission factors
- Total emissions are reported using the market-based approach

Scope 3 – emissions that occur because of the company's activities, but from sources not owned or controlled by the company. These have been further categorised using the Scope 3 standard categories:

- Purchased goods and services (category 1);
- Business travel (category 3);
- Employee commuting (category 3);
- Capital goods (category 4);
- Fuel and energy-related activities not included in Scope 1 or 2 (category 4);
- Waste generated in operations (category 4);
- Upstream transportation and distribution - Electricity (category 4);

Additional Scope 3 categories are not reported where they are not relevant to our business. The *excluded* scope 3 categories include:

- Upstream leased assets (category 4);
- Downstream transportation and distribution (category 3);
- Processing of sold goods (category 5);
- Use of sold products (category 5);
- End-of-life treatment of sold products (category 5) and
- Franchises (category 5)

GHG EMISSIONS REPORTING

In FY23, our total carbon emissions were 8,772 tonnes which was down from 9,744 tonnes in FY22.

This is shown in figure 1 below.

The decrease in total emissions correlates with a decrease in annual cargo volumes during FY23 compared to FY22. This is largely due to the impacts of Cyclone Gabrielle which struck the Hawke's Bay in February 2023.

FY23 has seen a decrease in scope 1 emissions to 6,278 tonnes from 7,155 tonnes in FY22. The lower volumes resulted in a decrease in fuel usage for forklifts, cranes, and diesel generators. Offsetting these reductions was the marine fleet (tugs and pilot boat) whose fuel usage increased due to the return of cruise ships during FY23, as the FY22 cruise season was effectively cancelled due to the impact of COVID-19 and which had an impact on the FY22 fuel emissions result.

The acquisition during FY23 of two Eco Reachstackers, which are classified as forklifts in our emissions analysis, has demonstrated the benefits of improving technologies on our emissions and have contributed to the decrease in fuel usage for the forklift fleet during FY23. Fuel usage data collected so far has shown the Eco Reachstackers fuel usage averaging 17 litres of diesel fuel per hour compared with the legacy reachstackers which average 25 litres per hour - this represents a 32% reduction. Offsetting these reductions was the marine fleet (tugs and pilot boat) whose fuel usage increased due to the return of cruise ships during FY23.

Our purchased electricity (scope 2) emissions decreased to 1,487 tonnes from 1,759 tonnes in FY22. Contributing to this was a 16% reduction in the number of refrigerated ('reefer') containers on power during the year, again largely due to cyclone affected lower cargo volumes.

Partially offsetting this scope 1 and scope 2 decrease is an increase in scope 3 emissions.

Scope 3 emissions increased to 1,007 tonnes from 830 tonnes in FY22. The main contributor to this increase was employee commuting as our FY23 data collection has evolved increasing the scope of measurement. Other smaller increases related to air travel due to increased air travel undertaken after the easing of COVID-19 restrictions, and container freight movements. The latter increase was due to temporarily needing to use truck road transport post cyclone Gabrielle while a key rail bridge was being repaired.

Our 'per cargo tonne' intensity metric increased from 0.00181 t/CO2e in FY22 to 0.00190 t/CO2e in FY23 as shown in the below chart. This is primarily attributable to the increase in vessel visits from 514 in FY22 to 587 during FY23, in particular the return of cruise vessels, and the resulting additional marine fleet movements required for pilotage and safe berthage of these vessels.

FIGURE 1: TOTAL CARBON EMISSIONS tCO2e

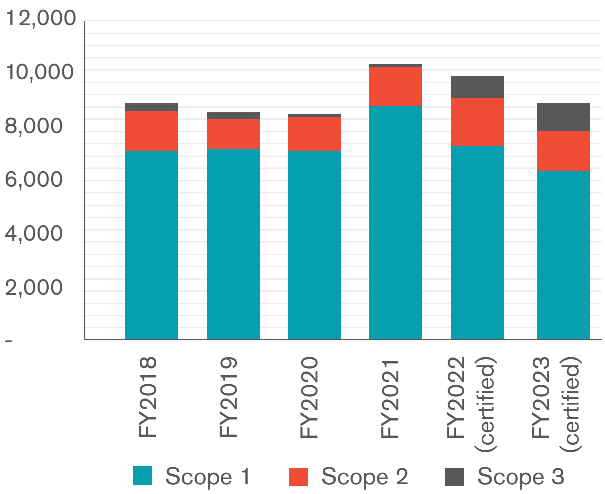
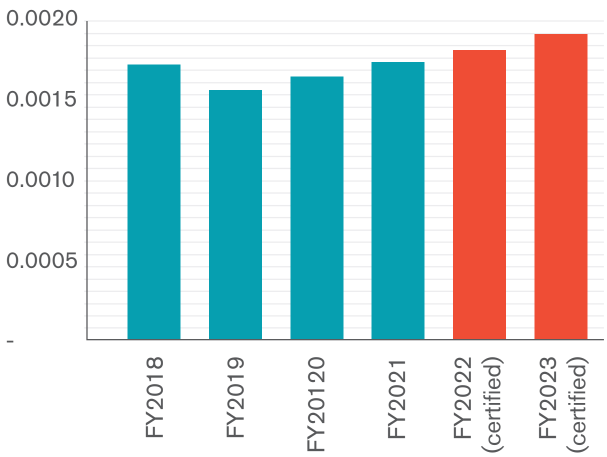


FIGURE 2: CARBON EMISSIONS tCO2e PER TONNE



Key insights into our carbon footprint and our FY23 emissions are represented by the charts below:

1) TOTAL EMISSIONS BROKEN DOWN BY SCOPE

T/CO2e (FY23)

Scope 1	6,278
Scope 2	1,487
Scope 3	1,007

T/CO2e (FY22)

Scope 1	7,155
Scope 2	1,759
Scope 3	830

2) SCOPE 1 EMISSIONS BROKEN DOWN BY TOP EMISSION SOURCES

72% of Napier Port's total FY23 emissions related to scope 1 emissions which is consistent with FY22 (73%). This is due to its large fleet of mobile plant and marine assets. These machines are all diesel consumers and are utilised across day and night shifts throughout the financial year.

To help improve annual diesel usage a move to more eco-efficient machinery is underway with two new Eco Reachstackers purchased and operational during FY23 and another is on order and due to arrive in FY24.

Other fuel reduction initiatives arise from our engagement of our people with ways to identify and reduce our emissions in practical ways. During FY23 this has been supported by the inclusion of a emissions reduction component to our annual staff recognition programme which incentivises and rewards our people for achieving objectives aligned with Napier Port's strategic objectives. As a result of this, during FY23 our people have identified a number of practical initiatives to help reduce our emissions. A sample of these initiatives that are being progressed involves the investigation of the possible use of flow meters on our tugs so that the Tug Masters can see in real time the amount of fuel they are using during marine manoeuvres and, secondly, investigating the possibility of switching to synthetic shorelines to reduce the amount of pushing required by tugs during berthing manoeuvres. Additionally, various workstreams are underway to reduce the fuel usage of our vehicle fleet e.g. reducing mobile plant idling times, increasing the availability of existing electric/hybrid vehicles to name a few.

The make-up of Scope 1 emissions is represented in the charts below:

SCOPE 1 (tCO2e) (FY23)

Forklift	2,406
Marine Plant (incls Tugs)	1,961
Crane	1,126
Stationary Energy	170
Light Vehicle	615

SCOPE 1 (tCO2e) (FY22)

Forklift	2,946
Marine Plant (incls Tugs)	1,538
Crane	1,412
Stationary Energy	763
Light Vehicle	496

3) SCOPE 2 EMISSIONS BROKEN DOWN BY TOP EMISSION SOURCES

17% of Napier Port's total FY23 emissions related to scope 2 emissions (FY22: 18%) which arise from purchased electricity off the national electricity grid. Consistent with FY22, the top emission sources within this category are powering reefer containers, operational wharf and street lighting towers, and tug shore power and related infrastructure.

4) SCOPE 3 EMISSIONS BROKEN DOWN BY TOP EMISSION SOURCES

11% of Napier Port's total FY23 emissions related to scope 3 emissions (up from 9% in FY22). Breaking down the scope 3 emissions data further 39% of total scope 3 emissions are attributable to employee commuting and 32% is attributable to freight (trains and trucks) operating between Napier Port and Manawatū Inland Port.

SCOPE 3 (tCO2e) (FY23)

Waste – landfill with gas recovery	76
Container Freight – diesel tkm*	325
Electricity T&D* losses kWh	137
Employee commuting	396
Other, including air travel/water supply m^3	73

**tkm = tonnes per kilometre*

**T&D = transmission and distribution*

SCOPE 3 (tCO2e) (FY22)

Waste – landfill with gas recovery	123
Container Freight – diesel tkm*	278
Electricity T&D* losses kWh	161
Employee commuting	217
Other, including air travel/water supply m^3	51

**tkm = tonnes per kilometre*

**T&D = transmission and distribution*

SETTING TARGETS – DE-CARBONISING NAPIER PORT

Napier Port is committed to decarbonisation and reaching net zero greenhouse gas emissions by 2050 and intends to achieve this incrementally over time whilst considering all the potential impacts.

Our sustainability strategy includes the development and adoption of an emissions reduction strategy to support Napier Port's goal of net zero emissions by 2050. During FY22, a draft emissions reduction strategy was developed to provide the framework for those charged with governance to outline the most effective emissions reduction pathway for Napier Port. At a high level the strategy aims to:

- Focus on the reduction of diesel consumption given it is the primary source of our current emissions
- Align investment in low emissions technology with
  - Our asset renewal program
  - Any future transformation of Napier Port container terminal operating modes
  - The availability of emerging technology
- Grow our electrical infrastructure through potential electrical capacity upgrades.
- Establish a decision-making framework that considers low emission technologies and incorporates emission considerations in investment or business development decisions

This strategy framework will continue to be further developed and involves further investigations into the viability of alternative fuel sources and the array of new low emissions technology.

Current emission reduction initiatives integrated within our business:

- The operation of two Eco Reachstackers with a further one on order with delivery due during FY24
- A continual program of light retrofitting with low energy consumption LED alternatives to our light towers and storage sheds
- Replacement of clear lite cladding systems to reduce the need for interior lighting during daylight hours
- Deliberate prioritisation of lower fuel consuming tugs
- Reduction in unproductive usage (idle) hours across our container handling mobile plant through the leveraging of IOT data and technology systems
- Procurement policy commitments to consider and evaluate renewable energy technologies and outcomes as a step within the procurement of higher value assets.

Underpinning our existing Emissions Reduction Strategy and supporting our wider Sustainability Strategy, Napier Port currently has the following initiatives underway, each with the potential to support the decarbonisation of our operation:

- Undertaking a decarbonisation and alternate energies assessment to evaluate in further detail, potential future pathways of reaching net zero emissions
- On site solar generation installation scoping study
- Tendering of battery electric forklifts to partially replace equipment within our Warehouse Operations container packing division
- Identification of potential alternative future operating modes and the ongoing refinement of existing operating modes to extract improved working efficiency
- Tendering of potential replacement mobile harbour cranes with integrated renewable energy sources embedded within the design
- Partnering with equipment suppliers to evaluate proof of concept renewable energy alternative equipment.

The decarbonisation and alternate energies assessment will evaluate currently available renewable energy alternatives, their wider adoption for use, and the whole-of-life cost and impact to integrate. Aligned with broader industry momentum and appreciating economic factors, a key output is expected to be the delivery of a multifaceted plan for progressing decarbonisation within our operations.

Napier Port's Sustainability Strategy and Action Plan is available on our website at:

napierport.co.nz/wp-content/uploads/2021/08/Napier-Port-Sustainability-Strategy-and-Action-Plan.pdf

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Financial Statements

Consolidated Income Statement

For the Year Ended 30 September 2023	Notes	2023 $'000	2022 $'000
Revenue	4	**118,384**	**114,523**
Employee benefit expenses		43,513	39,968
Property and plant expenses		16,093	15,377
Other operating expenses	5	21,533	19,084
Operating expenses		**81,139**	**74,429**
Result from operating activities	24	**37,245**	**40,094**
Depreciation, amortisation and impairment expenses	16,17	16,234	13,580
Other (income) and expenses	5	(7,784)	(1,991)
Profit before finance costs and tax		**28,795**	**28,505**
Net finance costs	6	6,715	846
Profit before income tax		**22,080**	**27,659**
Income tax expense		5,493	7,238
Profit for the period attributable to the shareholders of the Company		**16,587**	**20,421**
Basic Earnings Per Share:			
Basic earnings per share	9	0.08	0.10
Diluted earnings per share	9	0.08	0.10

The above income statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the Year Ended 30 September 2023	Notes	2023 $'000	2022 $'000
Profit for the period attributable to the shareholders of the Company		16,587	20,421
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Changes in fair value of cash flow hedges		2,510	5,757
Cash flow hedges transferred to profit or loss		(1,906)	(301)
Deferred tax on changes in fair value of cash flow hedges	8	(169)	(1,528)
Items that will not be reclassified to profit or loss:			
Changes in fair value of cash flow hedges		-	(83)
Cash flow hedges transferred to property, plant and equipment		-	83
Revaluation of sea defences	17	-	28,709
Deferred tax on revaluation of sea defences	8	-	(1,498)
Other comprehensive income for the period, net of tax		435	31,139
Total comprehensive income for the period attributable to the shareholders of the Company		**17,022**	**51,560**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONTENTS

Consolidated Statement Of Changes In Equity

For the Year Ended 30 September 2023	Notes	Share Capital $'000	Revaluation Reserve $'000	Hedging Reserve $'000	Share-based Payment Reserve $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 October 2022		**246,209**	**97,519**	**4,642**	**729**	**42,878**	**391,977**
Profit for the period		-	-	-	-	16,587	16,587
Other comprehensive income		-	-	435	-	-	435
Total comprehensive income for the period		**-**	**-**	**435**	**-**	**16,587**	**17,022**
Dividends	10	22	-	-	-	(12,797)	(12,775)
Fair share loans - employee repayments	11	97	-	-	-	-	97
Share-based payments	20	-	-	-	211	-	211
Acquisition of treasury shares	11	(352)	-	-	-	-	(352)
Long term incentive plan vesting	11	174	-	-	(174)	-	-
Total transactions with owners in their capacity as owners		**(59)**	**-**	**-**	**37**	**(12,797)**	**(12,819)**
Total movement in equity		**(59)**	**-**	**435**	**37**	**3,790**	**4,203**
Balance at 30 September 2023		**246,150**	**97,519**	**5,077**	**766**	**46,668**	**396,180**
Balance at 1 October 2021		**245,850**	**70,308**	**714**	**525**	**37,450**	**354,847**
Profit for the period		-	-	-	-	20,421	20,421
Other comprehensive income		-	27,211	3,928	-	-	31,139
Total comprehensive income for the period		**-**	**27,211**	**3,928**	**-**	**20,421**	**51,560**
Dividends	10	28	-	-	-	(14,993)	(14,965)
Transfer from treasury stock - employee recognition scheme	11	249	-	-	-	-	249
Fair share loans - employee repayments	11	82	-	-	-	-	82
Share-based payments	20	-	-	-	204	-	204
Total transactions with owners in their capacity as owners		**359**	**-**	**-**	**204**	**(14,993)**	**(14,430)**
Total movement in equity		**359**	**27,211**	**3,928**	**204**	**5,428**	**37,130**
Balance at 30 September 2022		**246,209**	**97,519**	**4,642**	**729**	**42,878**	**391,977**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 September 2023	Notes	2023 $'000	2022 $'000
EQUITY			
Share capital	11	246,150	246,209
Reserves	11	103,362	102,890
Retained earnings		46,668	42,878
		396,180	**391,977**
NON-CURRENT LIABILITIES			
Loans and borrowings	14	125,027	131,180
Deferred tax liability	8	22,797	22,552
Lease liabilities	19	2	197
Derivative financial instruments	23	2,791	1,405
Provision for employee entitlements	13	524	490
		151,141	**155,824**
CURRENT LIABILITIES			
Taxation payable		1,845	-
Lease liabilities	19	196	200
Derivative financial instruments	23	1,260	319
Trade and other payables	12	14,149	14,394
		17,450	**14,913**
		564,771	**562,714**

As at 30 September 2023	Notes	2023 $'000	2022 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	519,825	523,248
Intangible assets	16	700	1,191
Investment properties	18	13,501	12,200
Derivative financial instruments		4,505	4,791
Investment in joint venture		250	-
		538,781	**541,430**
CURRENT ASSETS			
Cash and cash equivalents		1,104	1,942
Derivative financial instruments	23	2,546	1,619
Taxation receivable		-	739
Trade and other receivables	15	22,340	16,984
		25,990	**21,284**
		564,771	**562,714**

On behalf of the Board of Directors, who authorised the issue of these financial statements on the **13 November 2023.**

Chairman

Director

The above statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended 30 September 2023	Notes	2023 $'000	2022 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		120,570	114,430
GST received		554	2,122
Cash was applied to:			
Payments to suppliers and employees		(81,050)	(74,982)
Income taxes paid		(2,833)	(8,530)
Net cash flows generated from operating activities		**37,241**	**33,040**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from disposal of property, plant and equipment		45	201
Cash was applied to:			
Investment in joint venture		(250)	-
Acquisition of property, plant and equipment and intangible assets		(13,752)	(72,071)
Net cash flows used in investing activities		**(13,957)**	**(71,870)**

For the Year Ended 30 September 2023	Notes	2023 $'000	2022 $'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Net proceeds from issuance of fixed rate bonds		(314)	99,204
Repayment of fair share loans by employees		119	110
Cash was applied to:			
Repayment of bank loans and borrowings		(4,000)	(44,000)
Acquisition of treasury shares		(352)	-
Dividends paid		(12,797)	(14,993)
Repayment of lease liabilities		(199)	(239)
Finance costs paid		(6,579)	(713)
Net cash flows generated from/(applied to) financing activities		**(24,122)**	**39,369**
Net increase/(decrease) in cash and cash equivalents		**(838)**	**539**
Cash and cash equivalents at beginning of the year		1,942	1,403
Cash and cash equivalents at end of the year		**1,104**	**1,942**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Reconciliation of profit for the period to cash flows from operating activities

For the Year Ended 30 September 2023	Notes	2023 $'000	2022 $'000
Profit for the period		**16,587**	**20,421**
Adjust for non-cash items:			
Fair value gains		(1,301)	(1,800)
Depreciation and amortisation		16,234	13,580
Net gain on disposal of property, plant and equipment		(35)	(195)
Share-based payments		211	204
Other non-cash items		(27)	4
Deferred tax		65	1,601
		15,147	**13,394**
Other adjustments:			
Finance costs classified as financing activities		6,715	846
Increase/(decrease) in current taxation payable		2,584	(2,894)
Increase in non-current provision		34	25
		9,333	**(2,023)**
Movements in working capital:			
Decrease/(increase) in trade and other receivables		(5,356)	1,145
Increase in trade and other payables		1,530	103
		(3,826)	**1,248**
Net cash flows generated from operating activities		**37,241**	**33,040**

Notes To The Consolidated Financial Statements

For the Year Ended 30 September 2023

1. Reporting Entity

The financial statements presented are those of Napier Port Holdings Limited and its subsidiaries (together 'the Group'). Napier Port Holdings Limited is incorporated under the Companies Act 1993 and domiciled in New Zealand. Napier Port Holdings Limited's shares are publicly traded on the New Zealand Stock Exchange (NZX) and has bonds quoted on the NZX Debt Market (NZDX).

2. Basis Of Preparation

The financial statements have been prepared in accordance with the Financial Markets Conduct Act 2013.

Statement Of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The Group is a for-profit entity for NZ GAAP purposes. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other Financial Reporting Standards as applicable to the Group as a for-profit entity, and International Financial Reporting Standards (IFRS).

Basis Of Measurement

The financial statements have been prepared on a historical cost basis, except for sea defences, investment properties and derivative financial instruments, which are measured at fair value.

Functional And Presentation Currency

The financial statements are presented in New Zealand Dollars (NZD), which is the Group's functional and presentation currency and are rounded to the nearest thousand dollars ($'000), unless otherwise stated.

Use Of Judgements And Estimates

In applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In particular, significant areas of estimation and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are as follows:

- Valuation of sea defences (note 17)
- Estimation of useful lives and residual values for depreciation expense (note 17)
- Deferred taxes (note 8)
- The effects of Cyclone Gabrielle and insurance matters

Assessments of materiality require judgement and includes consideration of relevant qualitative and quantitative factors. Information that is considered material and relevant to understanding these financial statements is included within the notes accompanying the financial statements.

The effects of Cyclone Gabrielle and insurance matters

During February 2023, Cyclone Gabrielle struck New Zealand causing widespread damage and disruption to the Hawke's Bay region and its infrastructure. Whilst Napier Port did not experience significant property damage, many cargo customers of the Group have experienced damage and reduced output, which impacts the Group's trading. The economic consequences of this event is negatively impacting and increases uncertainty regarding the Group's future trading results.

The Group had an insurance policy in place at the time of the cyclone that its lead insurer has confirmed, in principle, will respond to the material damage and business interruption losses of the Group arising from Cyclone Gabrielle, subject to the terms and limitations of the insurance policy. The Group expects to submit claims to its insurers as and when it determines its recoverable losses. Under the Group's policy, the relevant business interruption indemnity period is 18 months following the loss. The Group's claims are subject to review and adjustment by the Group's insurers.

The Group's policy is to recognise insurance recovery income when it is virtually certain insurance proceeds will be received and the amount receivable can be reliably estimated.

In relation to the Group's progress insurance claims for business interruption losses sustained since the cyclone event, the Group has recognised total insurance recovery income of $7,250,000 within Other Income and Expenses (note 5) in the Consolidated Income Statement for the year ended 30 September 2023, of which $3,855,000 remained receivable and recorded within Trade and Other Receivables (note 15) within the Consolidated Statement of Financial Position as at 30 September 2023.

3. Summary Of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below or, where an accounting policy is directly related to an individual note, within the accompanying notes to the financial statements. These policies have been consistently applied to the years presented unless otherwise stated.

Basis Of Consolidation

The consolidated financial statements comprise the financial statements for the Group for the year ended 30 September 2023 with comparative information for the year ended 30 September 2022.

Subsidiaries are those entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its investment in the entity, and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. The effects of intercompany transactions are eliminated in preparing the consolidated financial statements.

Other Taxes

Revenue, expenses, assets and liabilities are recognised net of the amount of GST, except receivables and payables, which are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a basis net of the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the IRD which is classified as part of operating cash flows.

Cash And Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, and bank deposits and other highly liquid investments that are readily convertible to cash and have a maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Foreign Currency Translation

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these are included in the Income Statement.

New And Amended Standards

There are no new accounting standards and interpretations that are issued but not yet adopted that are expected to have a material impact on the Group.

4. Revenue And Segment Reporting

	2023 $'000	2022 $'000
Disaggregation of revenue		
Container services	67,756	70,457
Bulk cargo	41,761	41,370
Cruise	5,321	12
Sundry income	995	277
Port operations	115,833	112,116
Property operations	2,551	2,407
Operating income	**118,384**	**114,523**

Rental income on investment properties within property operations was $26,850 during the year (2022: $24,000).

Accounting Policies:

Port Operations

Port operations represents a series of services including marine, berthage and port infrastructure services to the Group's customers which are accounted for as a single performance obligation. Revenue is recognised over-time using the percentage of completion method.

Revenue is measured based on the service price specified in the relevant tariffs or specific customer contract. The contract price for the services performed reflects the value transferred to the customer.

Property Operations

Property lease income is recognised on a straight-line basis over the period of the lease term.

Operating Segments

The Group determines its operating segments based on internal information that is regularly reported to the Chief Executive, who is the Group's Chief Operating Decision Maker (CODM).

The Group operates in one reportable segment being Port Services. This consists of providing and managing port services and cargo handling infrastructure through Napier Port. Within the Port Services reportable segment the following operating segments have been identified: marine services, general cargo services, container services, port pack services and depot services. These have been aggregated on the basis of similarities in economic characteristics, customers, nature of services and risks.

The Group operates in one geographic area, that being New Zealand. During the year the Group had two customers which comprised 14% and 12% of total revenue respectively (2022: three customers comprising 16%,13% and 11% of total revenue respectively).

5. Other Income And Expenses

	Notes	2023 $'000	2022 $'000
Included within other operating expenses are:			
Auditor remuneration - audit fees		265	206
Auditor remuneration - non audit services		37	28
Directors' fees		674	656

Auditor remuneration - non audit services comprises of fee for interim reviews and agreed upon procedures in relation to vote scrutineering.

Included within other income and expenses are:	Notes	2023 $'000	2022 $'000
Asset retirement costs		18	-
(Gain)/loss on disposal of property, plant and equipment		(35)	(195)
Cyclone Gabrielle costs incurred		708	-
Cyclone Gabrielle insurance income		(7,250)	-
Fair value gain on investment property		(1,225)	(1,800)
Changes in expected credit loss allowance	15	-	4
Other (income) and expenses		**(7,784)**	**(1,991)**

6. Net Finance Costs

	Notes	2023 $'000	2022 $'000
Interest income		(128)	(19)
Finance income		**(128)**	**(19)**
Interest and finance charges on borrowings		8,274	6,497
(Gain)/loss realised on cash flow hedges transferred from other comprehensive income		(1,868)	(92)
(Gain)/loss realised on fair value hedges		513	-
Change in fair value of fair value hedges		2,328	1,723
Change in fair value of loans and borrowings subject to fair value hedges		(2,328)	(1,723)
Lease imputed interest	19	18	26
Less: Interest capitalised to property, plant & equipment		(94)	(5,566)
Finance expenses		**6,843**	**865**
Net finance costs		**6,715**	**846**

Accounting Policies: Borrowing costs are expensed as incurred except when they are directly attributable to the acquisition of a qualifying asset. When this is the case borrowing costs are capitalised during the period of time that is required to complete the asset for its intended use.

7. Income Tax Expense

	Notes	2023 $'000	2022 $'000
Reconciliation between income tax expense and tax expense calculated at the statutory income tax rate:			
Profit before income tax		22,080	27,659
Income tax at 28%		6,182	7,745
Adjustment to prior year tax		(394)	1
Tax effect of non-deductible items		128	11
Tax effect of non-assessable items		(423)	(519)
Income tax expense		**5,493**	**7,238**
The income tax expense is represented by:			
Current tax on profits for the year		5,445	5,210
Adjustments for current tax of prior periods		(17)	427
Current income tax expense		5,428	5,637
Deferred income tax expense for the period	8	441	2,027
Adjustments for deferred tax of prior periods		(376)	(426)
Deferred income tax expense		65	1,601
Income tax expense		**5,493**	**7,238**

Accounting Policies:

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted for changes in deferred tax assets and liabilities attributable to temporary differences.

The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

8. Deferred Tax Liability

	2023 $'000	2022 $'000
Balance 1 October	(22,552)	(17,924)
Adjustment to prior year provision	376	426
Deferred portion of current year tax expense	(441)	(2,027)
Amounts credited and charged direct to equity	(180)	(3,027)
Balance at 30 September	**(22,797)**	**(22,552)**
Deferred tax is represented by:		
Deferred tax asset		
Other	1,763	1,656
	1,763	**1,656**
Deferred tax liability		
Property, plant and equipment - other	(12,936)	(11,187)
Property, plant and equipment - sea defences	(9,658)	(11,188)
Other	(1,966)	(1,831)
	(24,560)	**(24,206)**
Net deferred tax liability	**(22,797)**	**(22,552)**
Imputation credit account		
Balance at 30 September	**12,617**	**10,484**

The above amounts represent the balance of the imputation account as at the end of the reporting period, adjusted for:

- *Imputation credits that will arise from the payment of the amount of the provision for income tax;*
- *Imputation debits that will arise from the payment of dividends recognised as a liability at the reporting date.*

Accounting Policies:

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for where the initial recognition of assets or liabilities does not affect neither accounting nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and subsequently reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured based on the tax consequences that follow from the manner of their expected recovery or settlement, the determination of which requires the application of judgement and estimates. Deferred tax liabilities are not recognised for fair value adjustments to land, including the estimated residual portion of revalued sea defence assets and investment properties, as their value is deemed to be recoverable through eventual sale. Whether the residual portion of revalued sea defence assets are non-depreciable and recoverable through eventual sale is a significant judgment in the determination of deferred tax balances as is the estimation of this non-depreciable amount.

9. Earnings per share

	2023 CENTS	2022 CENTS
Basic earnings per share		
Basic earnings per share	0.08	0.10
Diluted earnings per share		
Diluted earnings per share	0.08	0.10

	2023 $'000	2022 $'000
Reconciliation of earnings used in calculating earnings per share:		
Basic and diluted earnings per share		
Net profit attributable to the ordinary shareholders of the Company	16,587	20,421

	2023 Number (000)	2022 Number (000)
Weighted average number of shares used as the denominator:		
Weighted average number of ordinary shares (excluding treasury stock) used as the denominator in calculating basic earnings per share	199,583	199,568
Adjustments for calculation of diluted earnings per share:		
Executive Long-Term Incentive Plan share rights	487	332
Executive Long-Term Incentive Plan share rights vested but not yet issued	-	114
Fair Share Plan	370	391
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	200,440	200,405

Accounting policies:

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

10. Dividends

	2023 $'000	2022 $'000
Dividends paid	12,797	14,993
	12,797	**14,993**

Accounting Policies:

Provision is made for dividends when they have been approved by the Board of Directors on or before the end of the reporting period but not distributed at the end of the reporting period.

11. Capital And Reserves

Share Capital	2023 Number of Shares $'000	2023 Nominal Value $'000	2022 Number of Shares $'000	2022 Nominal Value$'000
Balance at 1 October	199,568	246,209	199,452	245,850
Treasury shares acquired	(125)	(352)	-	-
Treasury shares issued to employees	124	343	83	217
(Loss)/Gain on issue of treasury stock	-	(169)	-	32
Fair Share plan	38	119	33	110
Balance at 30 September	**199,605**	**246,150**	**199,568**	**246,209**

All ordinary shares have no par value, equal voting rights and share equally in dividends and surplus on winding up.

Accounting Policies:

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Treasury Shares	2023 Number of Shares $'000	2023 Nominal Value $'000	2022 Number of Shares $'000	2022 Nominal Value $'000
Balance at 1 October	41	106	124	323
Treasury shares acquired	125	352	-	-
Fair Share Plan forfeitures	4	9	-	-
Issued to employees	(124)	(343)	(83)	(217)
Balance at 30 September	**46**	**124**	**41**	**106**

Fair Share Plan	2023 Number of Shares $'000	2023 Nominal Value $'000	2022 Number of Shares $'000	2022 Nominal Value$'000
Balance at 1 October	391	952	424	1,062
Fair share loan repayments	(38)	(97)	(33)	(82)
Fair Share plan forfeitures	(4)	(9)	-	-
Dividends paid	-	(22)	-	(28)
Balance at 30 September	**349**	**824**	**391**	**952**

Accounting Policies:

Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in fair value of derivatives that are designated and qualify as cash flow hedge instruments, related to hedged transactions that have not yet occurred.

Revaluation Reserve

The revaluation reserve relates to the revaluation of the port sea defences.

Share-Based Payment Reserve

The employee equity reserve is used to record the value of share-based payments.

Treasury Shares

The Group's own equity instruments, which are reacquired for later use in share-based payment arrangements, are deducted from share capital.

12. Trade And Other Payables

	2023 $'000	2022 $'000
Trade payables	3,565	4,142
GST payable	1,279	725
Trade accruals	3,902	4,355
Employee entitlement accruals	5,305	5,170
Amounts payable to related party	98	2
	14,149	**14,394**

Accounting Policies:

Trade and other payables are initially recorded at fair value and subsequently at amortised cost using the effective interest method.

Liabilities for wages, salaries and performance payments, including annual leave, expected to be settled within 12 months of the reporting date are recognised in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

13. Provision For Employee Entitlements

	2023 $'000	2022 $'000
Balance at 1 October	490	465
Additional provision made	101	127
Amount utilised	(67)	(102)
Balance at 30 September - Non-current	**524**	**490**

Accounting Policies:

The liability for long service leave is recognised and measured at the present value of the expected future entitlements to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

14. Loans and borrowings

The note below provides information about the contractual terms of the Group's interest bearing loans and borrowings:

2023 Non-current	Coupon	Committed Facilities/Bond Face Value NZ$'000	Undrawn Facilities NZ$'000	Drawn Facilities/ Bonds Issued NZ$'000	Capitalised Loan Costs NZ$'000	Fair Value Adjustments NZ$'000	Carrying Value NZ$'000
Bank facilities	Floating	80,000	50,000	30,000	-	-	30,000
Fixed rate NZD Bonds	Fixed	100,000	-	100,000	(922)	(4,051)	95,027
Total non-current		**180,000**	**50,000**	**130,000**	**(922)**	**(4,051)**	**125,027**

2022 Non-current	Coupon	Committed Facilities/Bond Face Value NZ$'000	Undrawn Facilities NZ$'000	Drawn Facilities/ Bonds Issued NZ$'000	Capitalised Loan Costs NZ$'000	Fair Value Adjustments NZ$'000	Carrying Value NZ$'000
Bank facilities	Floating	80,000	46,000	34,000	-	-	34,000
Fixed rate NZD Bonds	Fixed	100,000	-	100,000	(1,097)	(1,723)	97,180
Total non-current		**180,000**	**46,000**	**134,000**	**(1,097)**	**(1,723)**	**131,180**

The Group has facilities with Westpac New Zealand Limited and with Industrial and Commercial Bank of China (New Zealand) Limited (ICBC New Zealand) which provide total available facilities of $80 million to fund general corporate purposes. Of the total facilities, $25 million matures September 2025 and $55 million matures September 2026.

The Group has issued $100 million of unsecured, unsubordinated, 5.52% fixed rate bonds maturing 23 March 2028.

The Group's loans and borrowings require that certain covenants are met and will require the Group to maintain or better specified Debt Coverage, Interest Coverage, Equity and Group Coverage ratios.

Security for loans and borrowings is by way of negative pledge over the assets of the Group in respect of both the sale of assets and other security interests.

Accounting Policies:

On initial recognition all borrowings are recognised at the fair value of consideration received less directly attributed transaction costs. Borrowings are subsequently measured at amortised cost using the straight line method. The carrying value of borrowings that are designated as hedged items in fair value hedges are adjusted for changes in fair values attributable to the hedged risk in effective hedging relationships..

15. Trade And Other Receivables

	Note	2023 $'000	2022 $'000
Trade receivables		11,443	9,942
Cyclone Gabrielle insurance receivable	2	3,855	-
Prepayments		7,042	7,042
		22,340	**16,984**

The aging of trade receivables at reporting dates is set out below:	2023 $'000	2022 $'000
Not past due	10,995	10,045
Past due 0 - 30 days	548	79
Past due 30 - 60 days	48	8
Past due > 60 days	42	-
	11,633	**10,132**

The carrying value of trade and other receivables includes an expected credit loss allowance of $190,000 in respect of trade receivable balance at 30 September 2023 (2022: $190,000). To measure the expected credit loss allowance amount, historical loss rates are adjusted to reflect forward-looking information. Trade receivables are grouped in accordance with their shared credit risk characteristics and global credit rating historical industry information applied to estimate future default and loss percentage rates. There are no trade receivable balances written-off during the period (2022: $4,000).

Accounting Policies:

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any lifetime expected credit losses.

16. Intangible Assets

	2023 $'000	2022 $'000
Computer software		
Cost		
Opening balance at 1 October	7,652	8,011
Additions	85	581
Transfers	(12)	-
Disposals	(578)	(940)
Closing balance at 30 September	**7,147**	**7,652**
Accumulated amortisation		
Opening balance at 1 October	6,461	6,866
Amortisation for the period	577	535
Transfers	(13)	-
Disposals	(578)	(940)
Closing balance at 30 September	**6,447**	**6,461**
Closing net book value at 30 September	**700**	**1,191**

Accounting Policies:

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives of between 3 to 10 years.

17 - Property, Plant And Equipment

	Port Land	Sea Defences	Site Improvements	Wharves and Jetties	Buildings	Plant and Equipment	Dredging	Work in Progress	Total
Cost or fair value									
At 1 October 2022	38,655	140,658	91,619	137,332	31,720	138,920	60,644	8,004	647,552
Additions	-	-	774	90	585	10,330	1,425	(953)	12,251
Transfers	-	5	4,920	(40)	694	(5,810)	2	-	(229)
Disposals	-	-	(1,151)	(189)	(819)	(1,491)	-	-	(3,650)
At 30 September 2023	**38,655**	**140,663**	**96,162**	**137,193**	**32,180**	**141,949**	**62,071**	**7,051**	**655,924**
Accumulated depreciation and impairment									
At 1 October 2022	-	197	29,846	12,225	12,722	65,220	4,094	-	124,304
Depreciation	-	486	2,992	2,332	997	8,015	834	-	15,656
Transfers	-	5	1,219	(1)	111	(1,575)	2	-	(239)
Disposals	-	-	(1,151)	(189)	(819)	(1,463)	-	-	(3,622)
At 30 September 2023	**-**	**688**	**32,906**	**14,367**	**13,011**	**70,197**	**4,930**	**-**	**136,099**
Closing net book value 2023	**38,655**	**139,975**	**63,256**	**122,826**	**19,169**	**71,752**	**57,141**	**7,051**	**519,825**

17 - Property, Plant And Equipment (Continued)

	Port Land	Sea Defences	Site Improvements	Wharves and Jetties	Buildings	Plant and Equipment	Dredging	Work in Progress	Total
Cost or fair value									
At 1 October 2021	38,655	82,407	71,569	51,591	31,164	135,682	18,119	146,825	576,012
Additions	-	31,077	21,429	85,820	1,871	11,093	47,138	(138,821)	59,607
Additions - Leases	-	-	-	-	-	90	-	-	90
Revaluations	-	27,174	-	-	-	-	-	-	27,174
Disposals	-	-	(1,379)	(79)	(1,315)	(7,945)	(4,613)	-	(15,331)
At 30 September 2022	**38,655**	**140,658**	**91,619**	**137,332**	**31,720**	**138,920**	**60,644**	**8,004**	**647,552**
Accumulated depreciation and impairment									
At 1 October 2021	-	1,367	28,824	11,260	13,149	64,766	7,998	-	127,364
Depreciation	-	366	2,401	1,044	888	7,637	709	-	13,045
Revaluations	-	(1,536)	-	-	-	-	-	-	(1,536)
Disposals	-	-	(1,379)	(79)	(1,315)	(7,183)	(4,613)	-	(14,569)
At 30 September 2022	**-**	**197**	**29,846**	**12,225**	**12,722**	**65,220**	**4,094**	**-**	**124,304**
Closing net book value 2022	**38,655**	**140,461**	**61,773**	**125,107**	**18,998**	**73,700**	**56,550**	**8,004**	**523,248**

Plant and Equipment includes right-of-use assets relating to leased plant and equipment (see note 19).

Sea defences were revalued to fair value as at 31 March 2022 by AECOM New Zealand Ltd. The valuation has been prepared on an optimised depreciated replacement cost basis and in accordance with the NZ Infrastructure Asset Valuation and Depreciation Guidelines published by the NAMS group of IPWEA.

Significant Estimates – Valuation Of Sea Defences

The valuation of sea defences is subject to assumptions and judgements which materially affect the resulting valuation. Such factors include replacement quantities and unit values (including breakwater replacement costs of $90,000 to $131,000 per square metre and seawall replacement costs (per square metre) of $16,000 for demolition, $26,000 for rock, and $66,000 for rock revetment). Other factors include the condition and performance of assets, estimated total and remaining effective lives of 70 to 161 years and 5 to 80 years, respectively, and estimated residual values of 20% of replacement cost. Other inputs incorporated into the valuation process include an allowance for project on-costs of 5-6%. An increase in the remaining useful life, the residual value assumption, or in replacement quantities and unit values for sea defence assets will result in an increase in the valuation and vice versa.

The historical cost of the sea defence asset class is $35,774,000 (2022: $35,774,000).

The fair value measurement has been categorised as a Level 3 fair value based on inputs which are not based on observable market data.

Accounting Policies:

Recognition And Measurement Of Assets

Sea defences are measured at fair value, based on periodic valuations by suitably qualified and experienced professionals, less accumulated depreciation and impairment. Revaluations are performed with sufficient regularity to ensure that the carrying value does not differ materially from its fair value. Differences between the valuations and the preceding carrying values are taken to the revaluation reserve. If the net balance of a revaluation reserve was to become a debit this would be charged to the income statement.

All other property, plant and equipment assets are accounted for at historical cost less accumulated depreciation and impairment. This is the value of the consideration given to acquire the assets and the value of other directly attributable costs that have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of assets constructed by the Group includes the cost of all materials used in construction, associated borrowing costs, direct labour on the project and an appropriate amount of directly attributable costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group. All other costs are recognised in the income statement as an expense as incurred.

Work in progress are costs incurred in the course of bringing assets to the location and condition necessary for their intended service and includes costs of obtaining resource consents where required to proceed with capital projects.

Depreciation

Depreciation is provided on all tangible property, plant and equipment other than freehold land and capital dredging, at rates calculated to allocate the assets' cost less estimated residual value, over their estimated useful lives.

The following main classes of property, plant and equipment are depreciated on a straight-line basis and their estimated useful lives are:

	Years
Site Improvements	**10-80**
Vehicles, Plant and Equipment	**3-25**
Floating Plant	**30**
Maintenance Dredging	**8**
Wharves and Jetties	**10-80**
Buildings	**10-60**
Sea Defences	**100-200**

Depreciation on crane assets is calculated on a unit-of-production basis with estimated useful lives of 33,000-36,000 operating hours.

Land and capital dredging are not depreciated as they are considered to have indefinite useful lives.

The residual values and useful economic lives adopted for depreciation purposes are key assumptions in determining depreciation of sea defences.

Impairment

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

18. Trade And Other Receivables

	2023 $'000	2022 $'000
Balance at 1 October	12,200	10,400
Additions	76	-
Gain from fair value adjustments	1,225	1,800
Balance at 30 September	**13,501**	**12,200**

Investment properties were externally valued at 31 March 2023 by a registered valuer with relevant experience of the property type and location.

The fair value has been determined by the valuer using a market approach based on comparable property sales within the area. The fair value measurement has been categorised as a Level 2 fair value based on inputs which are observable but not quoted prices.

19. Leases

As Lessee	2023 $'000	2022 $'000
Right-of-use assets – plant and equipment		
Balance at 1 October	368	484
Additions	-	90
Depreciation	(186)	(206)
Balance at 30 September	**182**	**368**
Lease liabilities		
Balance at 1 October	397	521
Additions	-	90
Imputed interest expense	18	25
Lease payments - cash	(217)	(239)
Balance at 30 September	**198**	**397**
Lease liabilities		
Current	196	200
Non-current	2	197
	198	**397**

The Group leases plant and equipment for port operations typically for fixed periods of 5 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Accounting Policies:

The Group recognises a right-of-use asset and a lease liability at the commencement date of a lease except for short-term operating leases, where the lease term is less than 12 months, or related to low value assets, which are expensed on a straight-line basis over the term of the lease

On initial recognition lease liabilities are recognised at the net present value of the lease payments discounted using the interest rate implicit in the lease. Lease liabilities are subsequently measured at amortised cost.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability. Right-of-use assets are included within property, plant and equipment in the statement of financial position and are subsequently measured on the same basis.

As Lessor

The Group leases land and buildings to port users for terms of 1-30 years. The Group manages the risk associated with leased land and buildings by having formal contracts which include obligations on tenants to observe relevant laws, regulations, port operating requirements, and the right to conduct contaminant testing and require reinstatement to agreed standards.

Future minimum lease payments receivable under non-cancellable operating leases as at 30 September 2023 are as follows:

	2023 $'000	2022 $'000
Receivable within one year	2,128	2,087
Between one and two years	1,806	2,073
Between two and five years	3,537	4,706
Over five years	6,929	9,890
	14,400	**18,756**

Accounting Policies:

Lease income from operating leases is recognised as income on a straight-line basis over the term of the lease.

20. Share-Based Payments

Fair Share Plan

At the time of the initial public offering employees of the Group were offered an interest-free limited recourse loan to purchase up to $5,000 worth of ordinary shares at the price that the shares initially listed on the NZX. The shares are held in Trust on behalf of the employees until the employee's loans are settled in full. The employee loans are repayable on the earlier of the 10th anniversary of Napier Port Holdings Limited listing on the NZX, the date an employee ceases employment with the Group, or when an employee voluntarily repays their loan balance. Any dividends paid by the Group while the employee loans are outstanding are credited against the employees' loan balance. If at the time employees are required to repay their loans the shares are worth less than the loan, the employees are not required to repay the loan balance but they will forfeit their shares.

As the conditions of the Fair Share plan give the employee the right, but not necessarily the obligation, to subscribe to shares the arrangement is considered for accounting purposes, an in-substance share option plan, and is accounted for under NZ IFRS 2 Share-Based Payments. Because the employees can leave at any time and repay their loans, or early repay their loans at any time, and take legal ownership of their shares, there is no vesting period and the full amount of the fair value of the award has been recognised in the consolidated income statement at the grant date (2019) and there will be no further adjustment.

Executive Long-Term Incentive (LTI) Plan

The Group maintains an equity-settled Executive Long-Term Incentive (LTI) plan. Under this LTI plan, share rights are issued to participating executives with a three year vesting period. The vesting of share rights entitle the executive to the receipt of one Napier Port Holdings Limited ordinary share per share right at nil cost, plus additional shares to the value of any dividends which would have been paid on the underlying shares during the vesting period. Vesting is subject to the executive remaining employed by the Group during the vesting period and the achievement of total shareholder return (TSR) hurdles over the vesting period.

The proportion of share rights that vests depends on the Group's TSR performance ranking relative to the NZX50 index during the vesting period.

To the extent that performance hurdles are not met or executives leave employment of the Group prior to vesting, the share rights are forfeited.

Number of Share Rights Issued: 2023

Grant Date	Vesting Date	Balance at 30 September 2022	Granted during the year	Lapsed during the year	Vested during the year	Balance at 30 September 2023
2-Dec-20	2-Dec-23	146,309	-	(14,253)	-	132,056
30-Nov-21	30-Nov-24	185,791	-	(17,815)	-	167,976
30-Nov-22	30-Nov-25	-	196,756	-	-	196,756
Total LTI Plan		**332,100**	**196,756**	**(32,068)**	**-**	**496,788**

Number of Share Rights
Issued: 2022

Grant Date	Vesting Date	Balance at 30 September 2021	Granted during the year	Lapsed during the year	Vested during the year	Balance at 30 September 2022
19-Aug-19	19-Aug-22	139,613	-	(25,130)	(114,483)	-
2-Dec-20	2-Dec-23	160,977	-	(14,668)	-	146,309
30-Nov-21	30-Nov-24	-	203,642	(17,851)	-	185,791
Total LTI Plan		**300,590**	**203,642**	**(57,649)**	**(114,483)**	**332,100**

Share rights are valued as zero cost in-substance options at the date at which they are granted, using a Monte Carlo Option Pricing model. The following table lists the key inputs into the valuation:

	2023 $'000	2022 $'000
Grant Date	30-Nov-22	30-Nov-21
Vesting Date	30-Nov-25	30-Nov-24
Grant Date Share Price	$2.78	$3.08
Risk Free Interest Rate	0.94%	0.94%
Expected Dividends	$0.26	$0.26
Valuation per Share Right	$1.34	$1.49

The weighted average remaining contractual life of the share rights at 30 September 2023 is 1.30 years (2022: 1.73 years).

During the year ended 30 September 2023, an expense of $211,000 (2022: $204,000) has been recognised in respect of the LTI plan in the Consolidated Income Statement.

Accounting Policies:

The cost of share-based payment transactions are spread over the period in which the employees provide services and become entitled to the awards.

The cost of the equity-settled share-based transactions are measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity settled transactions is recognised in the income statement, together with a corresponding increase in the share-based payment reserve in equity.

21. Related party transactions

Transactions with owners		2023 $'000	2022 $'000
RELATED PARTY	NATURE OF TRANSACTIONS	VALUE OF TRANSACTIONS	
Hawke's Bay Regional Council	Rates, levies, consents and services	361	359
	Cost recoveries	(13)	(8)
	Lease income	(34)	(22)
	Accounts payable by the Group	(494)	(319)
Hawke's Bay Regional Investment Company	Dividends	7,040	8,250
	Cost recoveries	(361)	(53)

Hawke's Bay Regional Investment Company Limited owns 55% of the ordinary shares of Napier Port Holdings Limited. Hawke's Bay Regional Investment Company Limited is wholly owned by Hawke's Bay Regional Council, which is the ultimate controlling party of the Group.

The amounts owing to related parties are paid in accordance with the Group's normal commercial terms of trade.

Certain directors of the Group are also directors of other companies with whom the Group transacts. All such transactions are on normal commercial terms.

Key management compensation

Compensation of directors and executives, being the key management personnel is as follows:	2023 $'000	2022 $'000
Short-term employee benefits	3,650	3,761
Share-based payments	211	204
	3,861	**3,965**

22. Commitments And Contingencies

Capital Expenditure Commitments

At balance date there were commitments in respect of contracts for capital expenditure totalling $2,456,000 (2022: $846,000).

Contingent Liabilities

There were no material contingent liabilities at balance date (2022: $nil).

Financial Guarantees

The Group has financial performance guarantees in place. The maximum callable under the guarantees at 30 September 2023 is $112,000 (2022: $99,000).

23. Financial Risk Management and Financial Instruments

Capital Management

The Board's policy is to maintain a strong capital base, which the Group defines as total shareholder's equity, so as to maintain shareholder and banker confidence and to sustain the future development of the Group. The Group has established policies in capital management, including specific requirements relating to minimum interest cover, minimum debt to debt plus equity, and minimum total committed funding to maximum debt over the next 12 months.

Financial Risk Management

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, and market risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

23.1 Credit Risk

In the normal course of its business the Group incurs credit risk from accounts receivable, bank balances and derivative financial assets. The Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers. Counterparties to cash and derivative financial assets are major banks, approved by the Directors. The Group's maximum credit risk exposure at the end of the reporting period are the carrying values recorded in the statement of financial position for these items. The Group's maximum daily credit risk to a single trade debtor during the reporting period was $3.4 million (2022: $4.7 million). Collateral or other security is not held.

23.2 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored.

The following table sets out the contractual cash flows for all financial liabilities/(financial assets):

Contractual maturity analysis	Carrying Amount $000	Cash flow to maturity $000	Less than 1 year $000	1-2 Years $000	2-5 Years $000	More than 5 years $000
2023						
Trade payables	4,843	4,843	4,843	-	-	-
Lease liabilities	198	203	201	2	-	-
Loans and borrowings	125,027	163,818	7,846	7,846	148,126	-
Interest rate swaps - fair value hedges	4,051	4,507	1,309	1,395	1,803	-
Interest rate swaps - cash flow hedges	(7,051)	(7,745)	(2,641)	(2,427)	(2,677)	-
	127,068	**165,626**	**11,558**	**6,816**	**147,252**	**-**
2022						
Trade payables	4,867	4,867	4,867	-	-	-
Lease liabilities	397	420	217	201	2	-
Loans and borrowings	131,180	171,559	7,320	7,320	54,159	102,760
Interest rate swaps - fair value hedges	1,723	1,932	476	626	739	91
Interest rate swaps - cash flow hedges	(6,410)	(7,088)	(1,668)	(1,875)	(3,521)	(24)
	131,757	**171,690**	**11,212**	**6,272**	**51,379**	**102,827**

	2023 $'000	2022 $'000
At balance date the Group had bank facilities of:		
Overdraft	1,000	1,000
Credit facilities	80,000	80,000
Total	**81,000**	**81,000**
At balance date the utilisation of bank facilities was:		
Overdraft	-	-
Credit facilities	30,000	34,000
Total	**30,000**	**34,000**

23.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and fuel prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

The Group's main interest rate risk arises from loans and borrowings with variable interest rates. The Group utilises interest rate caps and swaps to manage variable interest rate exposures for future periods. Generally, the Group enters into long-term borrowings at floating rates and swaps a portion of them into fixed rates. The Group's treasury policy defines the use of approved hedging instruments to manage interest rate exposures within minimum and maximum bands of fixed interest rate cover.

The notional principal amounts (including forward starting swaps) and the expiry period of interest rate swaps at the end of the reporting period were:

Interest rate swaps - cash flow hedges (pay fixed)	2023 $'000	2022 $'000
1 - 2 years	-	-
2 - 5 years	80,000	50,000
Greater than 5 years	-	30,000
	80,000	80,000
The effects of the interest rate swaps on the Group's financial position and performance are as follows:		
Carrying amount (asset)	(7,051)	(6,410)
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments	(7,051)	(6,410)
Change in value of hedged item used to determine hedge effectiveness	7,051	6,410
Weighted average hedged (index) rate	2.50%	2.50%

Interest rate swaps - fair value hedges (receive fixed)	2023 $'000	2022 $'000
1 - 2 years	-	-
2 - 5 years	95,000	-
Greater than 5 years	-	95,000
	95,000	95,000
The effects of the interest rate swaps on the Group's financial position and performance are as follows:		
Carrying amount (asset)	4,051	1,723
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments	4,051	1,723
Change in value of hedged item used to determine hedge effectiveness	(4,051)	(1,723)
Weighted average hedged (index) rate	4.07%	4.07%

Sensitivity:

At the reporting date, if bank interest rates had been 100 basis points higher/lower with all other variables held constant, it would increase/(decrease) profit or loss and other comprehensive income by the amounts shown below.

	Profit or Loss		Other Comprehensive Income	
	100bp Increase $'000	100bp Decrease $'000	100bp Increase $'000	100bp Increase $'000
Variable rate loans	(300)	300	-	-
Interest rate swaps - fair value hedges	(3,139)	3,279	-	-
Interest rate swaps - cash flow hedges	-	-	2,240	(2,321)
30 September 2023	**(3,439)**	**3,579**	**2,240**	**(2,321)**
Variable rate loans	(340)	340	-	-
Interest rate swaps - cash flow hedges	(3,718)	3,957	-	-
Interest rate swaps - cash flow hedges	-	-	2,879	(2,344)
30 September 2022	**(4,058)**	**4,297**	**2,879**	**(2,344)**

(ii) Foreign Exchange Rate Risk

The Group undertakes transactions denominated in foreign currencies from time to time which exposes the Group to changes in foreign exchange rates until such transactions are settled. It is the Group's policy to hedge highly probable foreign currency risks above a certain value threshold as they arise and use forward foreign exchange contracts or foreign currency cash purchases to manage these exposures.

There were no forward foreign exchange contracts in place at 30 September 2023 (2022: nil).

(iii) Commodity Price Risk

The Group utilises commodity swap contracts to reduce the impact of market price changes on fuel costs used in operations.

There are no commodity swap contracts in place at 30 September 2023 (2022: nil).

23.4 Fair Values

Financial Assets And Liabilities	2023 $'000	2022 $'000
Financial assets at amortised cost		
Cash and cash equivalents	1,104	1,942
Trade and other receivables	15,298	9,942
	16,402	**11,884**
Financial assets at fair value		
Interest rate swaps - cash flow hedges	7,051	6,410
	7,051	**6,410**
Total financial assets	**23,453**	**18,294**
Financial liabilities at amortised cost		
Trade payables	4,843	4,867
Fixed rate bond	95,949	97,089
Bank borrowings	30,000	34,000
Lease liabilities	198	397
	130,990	**136,353**
Financial liabilities at fair value		
Interest rate swaps - fair value hedges	4,051	1,723
	4,051	**1,723**
Total financial liabilities	**135,041**	**138,076**

The carrying value of all financial assets and liabilities approximates their fair value except for fixed rate bonds.

Fair value hierarchy – estimation of the fair value of financial instruments

The fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial instruments recognised on the Group's statement of financial position at fair value sit within Level 2.

Accounting Policies: Derivative Financial Instruments

(I) Classification Of Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments.

(Ii) Measurement Of Derivatives

"Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each balance date. The fair value of derivative financial instruments are determined by reference to market values for similar instruments. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement.

For derivative financial instruments that are designated and qualify as cashflow hedges, the effective hedge portion of changes in fair value are recognised in other comprehensive income in the hedging reserve within equity. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecasted transaction occurs. The gain or loss relating to any ineffective portion of the hedge is recognised in the income statement.

For derivative financial instruments that are designated and qualify as fair value hedges, changes in fair value are recognised in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to any ineffective portion is recognised in the income statement.

(Iii) Hedging And Hedge Ineffectiveness

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Forward Contracts/Foreign Currency Cash Balances

For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

Interest Rate Swaps

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge all of its borrowings, therefore the hedged item is identified as a proportion of the outstanding loans and borrowings up to the notional amount of the swaps. When all critical terms are matched, the economic relationship are considered to be 100% effective.

Hedge ineffectiveness for interest rate swaps may arise if there is a difference in the critical terms between the swaps and the hedged borrowings or as a result of fluctuations in interest rate swap Credit/Debit or funding valuation adjustments.

Commodity Swaps

For hedges of diesel fuel commodity purchases, the Group enters into derivative hedge relationships where the critical terms of the hedging instrument match the terms of the hedged item. The price of diesel fuel purchases includes a variable SingGasOil component, despite SingGasOil not being specified in any contractual agreement. Based on the evaluation of the market structure and refining process, this market price risk component is separately identifiable and reliably measurable. Fuel commodity hedging instruments are designated as a hedge of the market price risk in the SingGasOil component of highly probable diesel purchases. There is 1:1 hedging rate of the hedging instrument to the SingGas Oil component identified as the hedged item. The Group does not hedge 100% of its diesel fuel commodity purchases, therefore the hedged item is identified as a proportion of diesel fuel commodity purchases up to the notional amount of the swaps. In addition, the diesel fuel commodity hedging instrument is in NZD and therefore also hedges foreign exchange rate risk in relation to these purchases.

In hedges of commodity purchases, ineffectiveness may arise if the timing of the commodity purchases differs from the derivative settlement date or if there are changes in the credit risk of the Group or the derivative counterparty.

24. Alternative Non-NZ GAAP Performance Measure

The result from operating activities reported on the face of the consolidated income statement is a non-NZ GAAP measure that is not required by nor defined by relevant reporting standards. The Group considers this metric useful as it provides the result from core operating activities for comparison from period to period.

The result from operating activities is intended to be calculated as operating income less operating expenses. The measure excludes income and expenses related to finance costs, taxes, the depreciation, amortisation, impairment and retirement of operating and other assets, and the income and expenses arising from fair value changes, non-recurring and abnormal, and joint-venture and other investment activity.

The result from operating activities measure includes certain non-cash income and expenses related to core operating activities such as accrued income and expenses and share-based payments.

25. Events Subsequent To Balance Date

Subsequent to the balance sheet date, a fully imputed dividend of $7.1 million (3.55 cents per share) was approved by the Board of Directors.

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Independent auditor's report to the Shareholders of Napier Port Holdings Limited

The Auditor-General is the auditor of Napier Port Holdings Limited and its subsidiaries (the Group). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to carry out the audit of the consolidated financial statements of the Group on his behalf.

Opinion

We have audited the consolidated financial statements of the Group on pages 71 to 93, that comprise the consolidated statement of financial position as at 30 September 2023, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and New Zealand Equivalents to International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements section of our report*. We are independent of the Group in accordance with the Auditor-General's Auditing Standards, which incorporate Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In addition to the audit, we have carried out engagements to provide interim reviews and agreed upon procedures to the Group which are compatible with those independence requirements. Other than the audit and these engagements we have no other relationship with, or interest in, Napier Port Holdings Limited or any of its subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of the audit report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Port Operations Revenue Recognition

Why significant	How our audit addressed the key audit matter
The Group generates 97% of its revenue from port operations. Revenue is a key determinant of the Group's operating result. Disclosures regarding revenue are included in Note 4 of the Group financial statements.	Our audit procedures included: ► assessing the Group's revenue recognition accounting policies and procedures against the requirements of NZ IFRS 15 *Revenue from Contracts with Customers*; ► analysing the correlation between the Group's recorded revenue and movements in accounts receivable and cash using data analysis techniques; ► selecting a sample of revenue transactions and vessel movements recorded around period end and assessing whether the revenue had been recorded in the correct period; and ► assessing the adequacy of the Group's disclosures in relation to revenue. We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole.

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Insurance Revenue Recognition – Cyclone Gabrielle

Why significant	How our audit addressed the key audit matter
Cyclone Gabrielle, the most intense cyclone to have ever hit New Zealand, impacted a broad area of the North Island between 12 and 16 February 2023 with a national state of emergency declared on 14 February 2023. The direct impact on the Group has resulted in steps being undertaken to file a business interruption claim with their insurers. Judgement was exercised by management in determining the amount of revenue to recognise as at 30 September 2023 based on claims made to date and communication on these matters with the insurers. Disclosures regarding the cyclone and management's judgements and estimates in relation to insurance revenue is included in Note 2 of the Group financial statements.	Our audit procedures included: ► assessing the Group's revenue recognition for insurance proceeds in accordance with NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; ► holding discussions with key individuals from management to obtain an update on the progress of claims made to date; ► verifying management's understanding to supporting correspondence between the Group, the loss adjuster and the insurers. ► assessing the adequacy of the Group's disclosures in relation to insurance revenue recognition. We considered the results of the procedures above satisfactory in forming our opinion on the financial statements as a whole

Other information

The Directors are responsible on behalf of the Group for the other information. The other information comprises the information included in the Annual Report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

The Directors' responsibilities arise from the Financial Markets Conduct Act 2013.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- conclude on the appropriateness of the use of the going concern basis of accounting by the directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Our responsibilities arise from the Public Audit Act 2001.

Stuart Mutch

Ernst & Young

On behalf of the Auditor-General

Wellington, New Zealand

13 November 2023

Trade and Financial Five Year Summary

	2023	2022	2021	2020	2019
Total Cargo (million tonnes)	**4.61**	5.39	5.87	5.05	5.46
Container Volumes (TEU)	**222,027**	254,438	276,129	268,266	271,221
Bulk Cargo (million tonnes)	**3.18**	3.65	3.95	3.12	3.40
Cruise vessel calls	**64**	1	-	76	70
Revenue ($m)	**118.4**	114.5	109.5	100.4	99.6
Result from Operating Activities* ($m)	**37.2**	40.1	43.8	41.2	42.0
Net Profit After Tax ($m)	**16.6**	20.4	23.2	22.0	6.8
Dividends paid ($m)	**12.8**	15.0	15.6	5.0	54.0
Capital Investment ($m)	**13.8**	72.1	103.7	46.1	17.6
Net Debt ($m)	**123.9**	129.2	75.7	-	-
Equity Ratio	**70%**	70%	74%	90%	91%
Debt Coverage Ratio	**2.98**	3.36	1.79	n/a	n/a
Interest Coverage Ratio	**4.5**	6.2	31.7	n/a	11.6
Return on Operating Assets %**	**7.2%**	9.8%	14.4%	13.6%	13.3%
Return on Shareholder's Funds %***	**4.2%**	5.5%	6.6%	6.5%	2.5%

* Profit from operating activities before finance costs, tax, depreciation, amortisation and impairments, other income & expenses, joint venture results, and IPO transaction costs

** Result from operating activities divided by average non-current assets used in operations (excluding work in progress)

*** Net profit after tax divided by average shareholders' funds

Management commentary
(no financial statements)

Directory

Directors

Blair O'Keeffe (Chair)

Stephen Moir

Diana Puketapu

John Harvey

Vincent Tremaine

Kylie Clegg

Dan Druzianic

Senior Management Team

Todd Dawson – **Chief Executive**

Kristen Lie – **Chief Financial Officer**

Adam Harvey – **Chief Operating Officer**

Viv Bull – **General Manager People and Culture**

David Kriel – **General Manager Commercial**

Andrea Manley – **General Manager Strategy and Supply Chain**

Jo-Ann Young – **Corporate Affairs Manager**

David Broad – **General Manager Assets and Infrastructure**

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Level 11
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Solicitors

Bell Gully
171 Featherston Street
Wellington
New Zealand

Auditors

Ernst & Young
PO Box 490
Wellington 6140
On behalf of the Auditor-General

Share Registry

For enquiries about share transactions, dividend payments, or to change your address, please get in touch with:

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Victoria Street West
Auckland 1142

Phone: **+64 9 375 5998**

Fax: **+64 9 375 5990**

Email: **napierport@linkmarketservices.co.nz**

Copies of the annual report are available at ***napierport.co.nz***

Financial Calendar

14 December 2023 - **Final dividend payment**

15 December 2023 - **Annual meeting**

31 March 2024 - **Half-year balance date**

May 2024 - **Interim results announced**

June 2024* - **Interim dividend payment**

30 September 2024 - **Financial year end**

November 2024 - **Annual results announcement**

** Subject to board approval*

Management commentary
(no financial statements)

Te Herenga Waka o Ahuriri

Management commentary
(no financial statements)