

# Sustainability Report 2022

Delivering a  
sustainable future



**Channel**

Infrastructure NZ



# Welcome to this report

## Our reporting

Channel Infrastructure NZ Limited (Channel Infrastructure) is proud to present the company's 2022 environmental, social, and governance (ESG) disclosures, which comprise this Sustainability Report (report), the 2022 Annual Report, and its Governance Statement. These documents form an integrated suite of reports and should be read in conjunction with each other, and where possible, we have drawn links between each. They are all available for download at: [www.channelnz.com](http://www.channelnz.com), alongside several underlying documents and policies referred to throughout this report.

In this report, references to "Channel", "Channel Infrastructure", the "Company", the "Group", "we", "us" and "our" refer to Channel Infrastructure NZ Limited (NZX: CHI), unless otherwise stated. All dollar figures are in New Zealand (NZ) dollars unless otherwise stated.

## This report

This Sustainability Report builds on our 2021 report, and provides an updated overview of our approach, progress and performance in relation to Channel Infrastructure's most material ESG issues. This report is provided for the benefit of all our stakeholders as a clear and concise summary of Channel Infrastructure's sustainability performance during the reporting period and our objectives for the year ahead. This report discloses performance information that reflects the continuing operations of the fuels import terminal business for the nine months ended 31 December 2022 and the refinery operations for the three months ended 31 March 2022.

## Feedback

We are committed to continuous improvement of our ESG reporting practices and value our stakeholders' perspectives. We welcome feedback on this report and our performance. To do so, please email us at [investorrelations@channelnz.com](mailto:investorrelations@channelnz.com).

The data presented in this report is unaudited, however, in the case of refinery Scope 1 and 2 emissions, is subject to review by the Ministry of Environment under our Negotiated Greenhouse Agreement<sup>1</sup>. This Sustainability Report also contains forward-looking information, or forward-looking statements. Please see "Forward-looking Information", Appendix 6 of this report.

This report has been prepared in consideration of relevant climate and ESG reporting standards, including the TCFD recommendations and the Global Reporting Initiative Standard (GRI): Core Option (which the Company has reported against since 2017). It is also prepared in compliance with the NZX Corporate Governance Code and ESG Guidance Note (refer to [www.nzx.com](http://www.nzx.com)). In addition, we have also referenced specific United Nations' Sustainable Development Goals (SDGs) (refer to Appendix 5) where appropriate to acknowledge our global partnership in addressing sustainability and climate change concerns.

## Directors' statement

The Directors are pleased to present Channel Infrastructure NZ Limited's Sustainability Report for the year ended 31 December 2022. This report is dated 23 February 2023 and is signed on behalf of the Board by:



**JB Miller**  
Chair of the Board

**P Zealand**  
Chair, HSEO Committee

<sup>1</sup> The Negotiated Greenhouse Agreement concluded following the cessation of refining activities at the end of Q1/2022.

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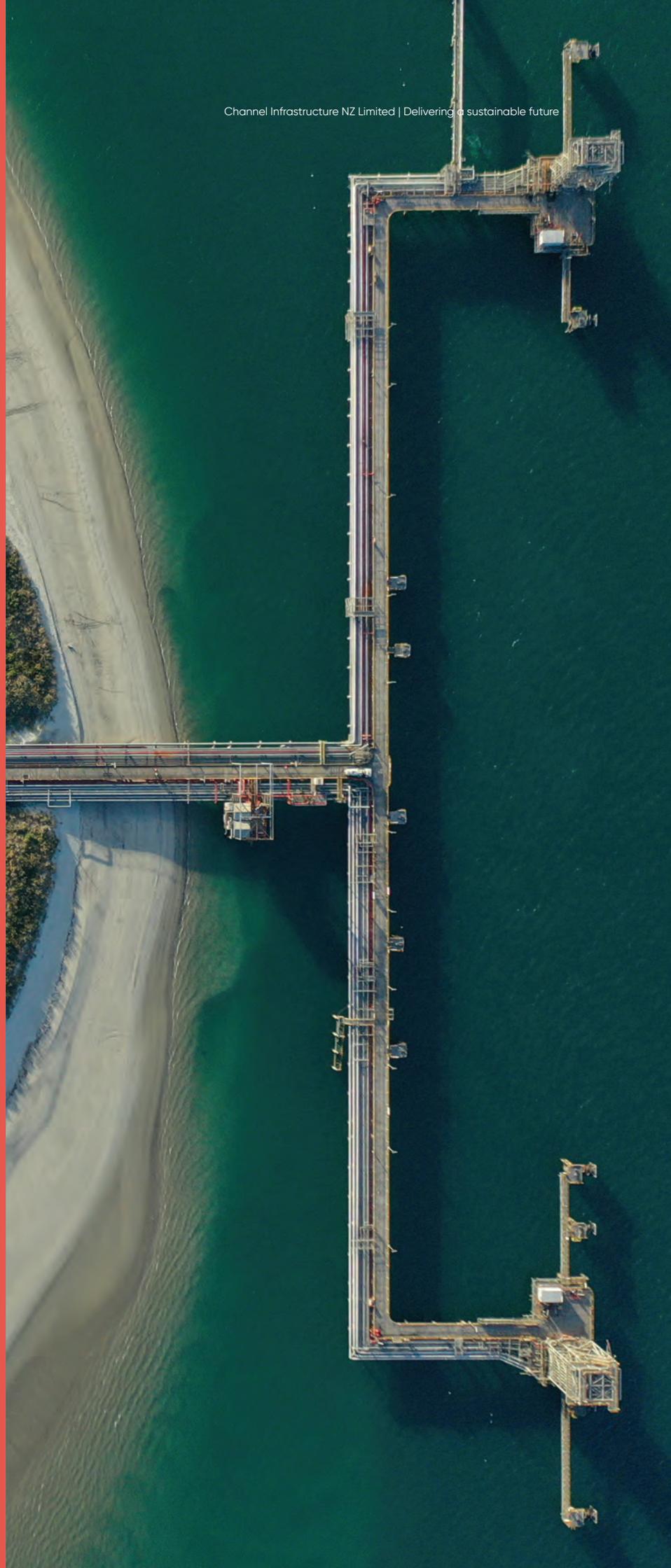
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Marsden Point  
Import Terminal

# Keeping the economy of Aotearoa moving through an era of change

# Introduction



# About us

## Channel Infrastructure is New Zealand's leading fuel infrastructure company.

Channel Infrastructure owns and operates critical fuels' infrastructure supplying the Northland and Auckland markets, which make up 40 per cent of New Zealand's transport fuel demand, and all of the jet fuel to Auckland International Airport. Our import terminal system handles between 3.3 and 3.6 billion litres of transport fuels each year.

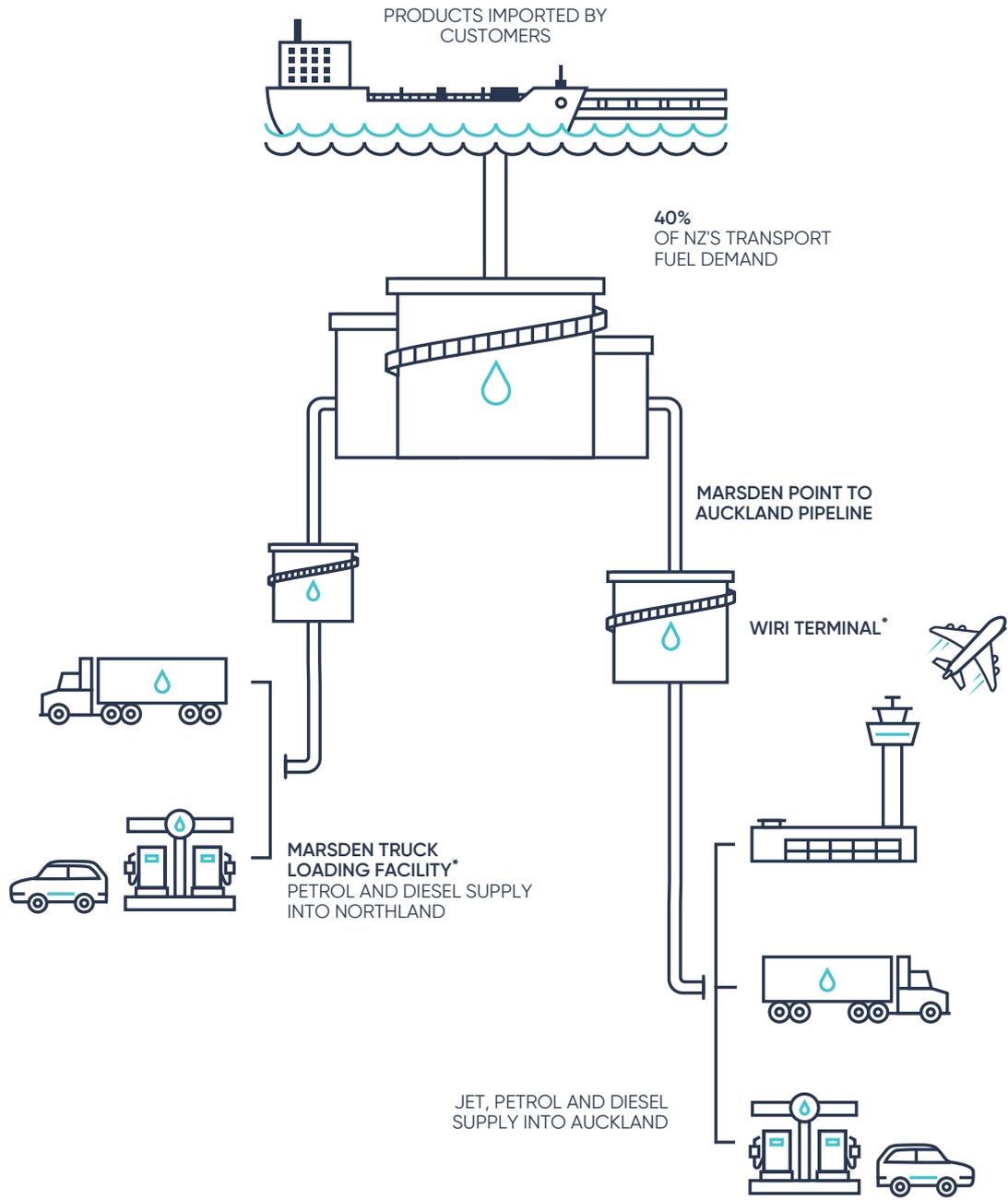
Utilising the deep-water harbour, our jetty infrastructure, 280 million litres of storage capacity at Marsden Point, and the 170-kilometre pipeline from Marsden Point to Auckland, we receive, store, test and distribute transport fuels owned by our customers. Channel Infrastructure's wholly-owned subsidiary, Independent Petroleum Laboratory Limited, provides fuel quality testing services at Marsden Point, around New Zealand, and in the South West Pacific.

For further information on the critical role that Channel Infrastructure plays in the NZ fuels' supply chain, please refer to the About Us section of the 2022 Annual Report, available at: [www.channelnz.com](http://www.channelnz.com).

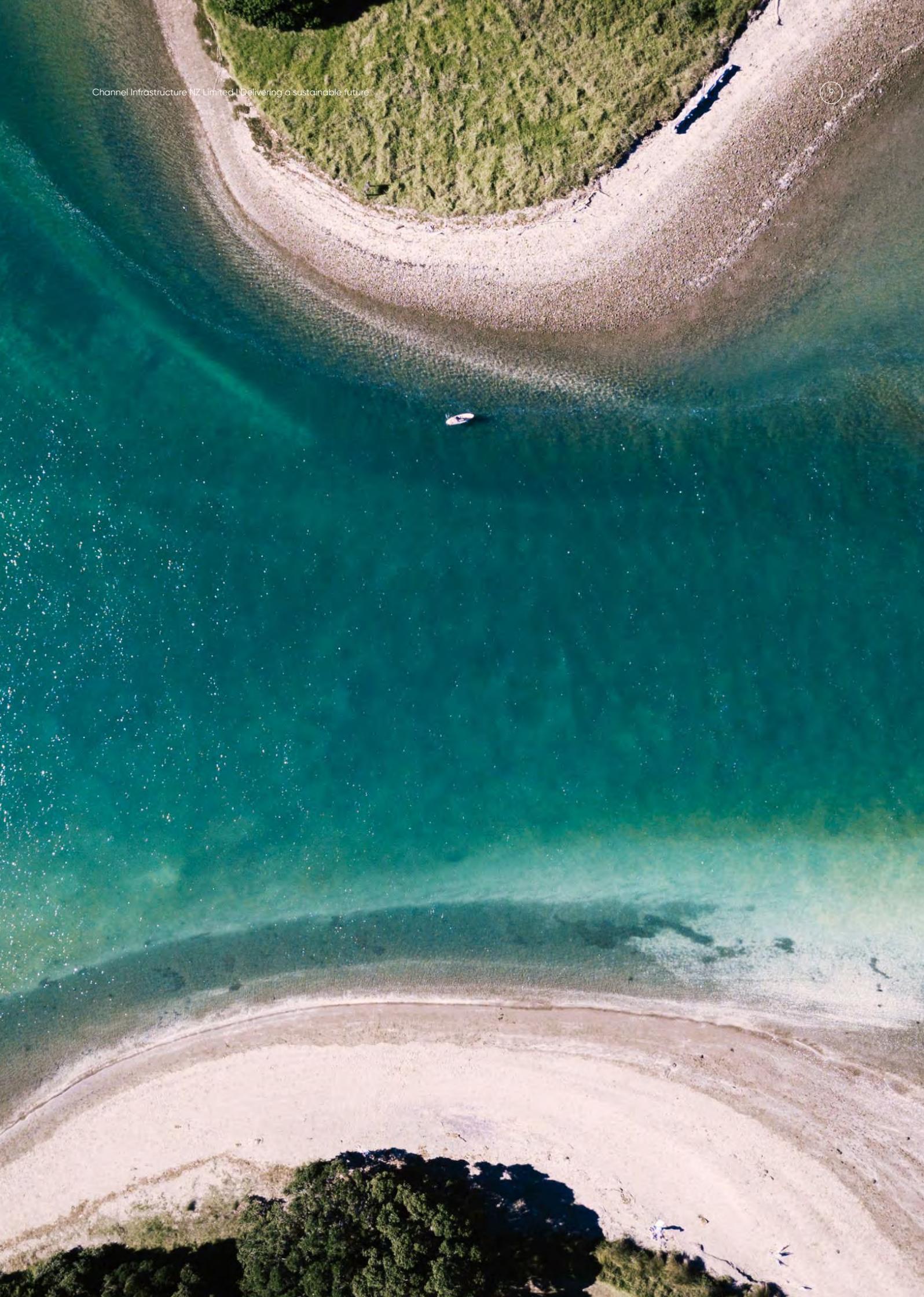
Our purpose is to deliver infrastructure to sustainably meet New Zealand's transport energy needs and our vision is to be New Zealand's leading fuel infrastructure company.

We are here to keep New Zealand's economy moving through an era of change, and as New Zealand moves towards a lower-carbon future, our infrastructure will be essential as New Zealand's fuel and energy needs evolve. On pages 29-39 of this report we discuss our strategy and strategic priorities in more detail.

Figure 1: About Us



\*Not included in Channel Infrastructure import terminal system



# Performance highlights



**SAFELY  
TRANSITIONED**  
from refining to import  
terminal operations  
from 1 April



**>98%**  
**REDUCTION**  
in Scope 1&2  
emissions following  
refinery closure

**>1**  
**MILLION TONNES**  
CO<sub>2</sub> per annum



**78%**  
**REDUCTION**  
in water consumption  
following refinery  
closure

**641**  
**MILLION LITRES**  
of water saved



**30%**  
**REDUCTION**  
in the extent of legacy  
groundwater contamination  
in the last 6 years



**97%**

of employees impacted by transition in new roles or retraining within 6 months



**\$29**

**MILLION**  
paid to employees in redundancy and entitlement benefits



**DIVERSE WORKFORCE**

**23%**

**FEMALE**  
(up from 18% in 2021)

**36%**

of women in leadership positions



**>1,255**

**TONNES**  
of metals sent for reuse

# Message from our Board

It is with great pleasure that Channel Infrastructure presents the second Sustainability Report for our business, 'Delivering a Sustainable Future'.

Our first report, 'Our Transition to a Sustainable Future', was deliberately the very first action we took as a new company, following our transition from Refining NZ to Channel Infrastructure. We wanted to demonstrate a commitment to the role our business will play in supporting New Zealand's energy transition to a decarbonised future.

## Sustainable communities with a just transition

The decision to change our business was made as we sought to reset the financial and operational risk profile of our business. However, the emphasis throughout was, and continues to be, ensuring that the transition is delivered in a way that is fair and equitable for our people, and community, and protects the environment that surrounds us.

As our company made the transition to a fuels import terminal, we followed in the footsteps of many other refineries around the world. However, we have been committed to executing our transition in a way that would set us apart. Our priority has always been to play our part in ensuring a just transition that builds and supports sustainable communities. That is why, in last year's report, we set ourselves the ambitious target to have at least 90 per cent of those employees impacted

by the change supported into their next opportunity, within six months of leaving our business.

It is a source of great pride for all of us, that we not only achieved this target, but have surpassed it – and in this report, we are thrilled to confirm that 97 per cent of those members of our team who left us last year, found their next opportunity within six months of their departure. The majority of those have remained in Northland, which is a testament to the efforts of our wider network, and we want to thank all of those who have walked alongside us on this journey, for your help and support and for recognising the talent that we have at Marsden Point. With our workforce changes largely complete, we are now focused on continuing to build the capability of our people so they are ready to meet the future business challenges and opportunities that are now in front of us.



## Maintaining our commitment to health, safety, and protecting our environment

At the same time as undergoing a significant change, our focus on health and safety has never wavered, and we are proud that our world class team were able to complete the significant works to safely shutdown the refinery plant and equipment, and transition to a fuels import terminal, without supply disruption from our facilities, on time and on budget.

As the decommissioning project continues, we are strongly focused on minimising our environmental impact, and that includes a significant focus on waste management and recycling or reusing much of the equipment that has been removed from the decommissioned refinery; we have sent over 1,255 tonnes of metals to be recycled so far, and we have a team working on identifying repurposing opportunities for the equipment that is not needed in the future business.

Our commitment to the environment that surrounds us remains unchanged, after all, for the team based at Marsden Point it is their community and home too. We have strict environmental protections in place, reinforced by our 35-year resource consent to operate, and we work hard, alongside our iwi partners to improve the unique environment that surrounds us. We also continue to work hard to clean up the legacy groundwater contamination at our site, which is an issue we have known about and have been working hard to fix, for a number of years. We are committed to fixing this problem, and we have allocated funding as part of our ongoing costs to continue this important work and ensure that the groundwater that leaves our site remains free of hydrocarbons.

## Building resilience for a sustainable supply chain

With New Zealand's import supply chain, we know that resilience comes from our domestic capacity to identify and deal with supply chain disruptions, and we are committed to supporting our customers, and the New Zealand Government, with their efforts to provide a resilient fuel supply chain for New Zealand.

In late December, rigorous testing processes at Marsden Point identified an off-specification jet import cargo and ensured this fuel was not distributed further along the supply chain. This incident highlighted the importance of there being minimum stocks in country at any time to provide an adequate buffer to potential supply disruptions. We continue to work with our customers and Government on steps to improve supply chain resilience.

## Our role in supporting New Zealand's decarbonisation

We know that the world is warming and that carbon emissions from human activity, including transport, are contributing to this. Governments around the world are reacting to the call from citizens to do more, and businesses will also need to play their part. With the closure of our refinery, we have reduced our site emissions by over 98 per cent (or more than 1 million tonnes of CO<sub>2</sub> per annum), which has contributed to the Government's first emissions reduction budget.

We have also seen an almost 90 per cent reduction in electricity use, and we no longer require any natural gas at Marsden Point, which will contribute to lower demand for thermal generated electricity, particularly coal-fired electricity generation in New Zealand.

The jetty facilities and fuel storage we have at Marsden Point are the largest facilities of their kind in New Zealand, and we are the only terminal capable of handling the larger LR2 size fuel tankers, offering freight and emissions savings for our customers. Through Marsden Point, our company has long been delivering fuel to New Zealand's largest population centre, Auckland, via the Marsden Point to Auckland Pipeline, at one tenth of the emissions of the equivalent delivery of fuel via road.<sup>1</sup>

The new, long-term sustainable business model is now in place, and the company is focused on pursuing the growth opportunities that will come from our role as a critical infrastructure provider. With more clarity around the COVID-19 recovery, late last year Channel Infrastructure sought to update its fuel demand outlooks, drawing on the latest industry and Government policy developments. Updated outlook detail, released today, and available in more detail on pages 34-36, underlines the importance of Channel's infrastructure in the New Zealand fuel supply chain. The throughput of our facilities will change over time to meet changing consumer demands, with the shift to electric vehicles, biofuels and continuing growth in aviation. What this outlook shows us is a clear path for long-term utilisation of Channel's jetties, tanks, and pipeline direct to Auckland to supply increasingly renewable jet fuel and diesel to Auckland and Northland, long in the future.

## We want to utilise what we have to contribute to the global solution which is not only good for our business, and our community, but for all of New Zealand.

With the transition of our business, Channel Infrastructure's customers can already access lower emissions fuel from overseas markets. In late 2022, we welcomed New Zealand's first delivery of Sustainable Aviation Fuel (SAF) into Marsden Point, for delivery to Auckland International Airport via our pipeline. SAF is the only viable alternative for decarbonising long-haul aviation, and as a 'drop-in fuel', is able to utilise all of the existing tanks, pipelines and other infrastructure.

Longer term, we are working hard on repurposing opportunities for our Marsden Point site. This includes our ongoing work with Fortescue Future Industries (FFI) on the next phase of the hydrogen study investigating the potential for e-SAF production at Marsden Point which we expect to complete this year.

### Delivering on our sustainable future

Our business has undergone transformational change in the past year, to set it on a path for a long-term sustainable future. However, we know we are only at the beginning of New Zealand's energy transition journey. Channel Infrastructure has a central role to play to support the transition to lower-carbon transport fuels, while keeping transport energy affordable and available to everyone when they need it. We want to utilise what we have, including our dedicated and knowledgeable team, to contribute to the global solution which is not only good for our business, and our community, but for all of New Zealand.

<sup>1</sup>Based on NZ Electricity Emissions Factor of 0.537 tCO<sub>2</sub>e/MWh for pumping operations, and diesel full lifecycle emissions factor of 3.61kg CO<sub>2</sub>/L

# Industry overview

**Channel Infrastructure, as a critical part of New Zealand's fuels supply chain, is operating within an industry that is undergoing significant change, both in response to changing consumer demands, and the evolving legislative environment.**

At the same time, there is growing pressure on all New Zealanders to minimise their environmental impact as the world grapples with the ambitions of the international community to reach the common goal that we all share, of limiting the impacts of global warming. Our organisation acknowledges the important part we play both within our local community at Marsden Point, Northland, and in the transition of New Zealand to a low carbon economy.

## Strategic Review

In 2020 our company initiated a comprehensive Strategic Review to determine the optimal business model and capital structure to maximise shareholder returns and deliver secure, competitive fuel supply to New Zealand. The Refining NZ business model was no longer sustainable, and nor was it going to allow us to respond to the increasing exposure of the company to a suite of climate transition risks.

The shareholder-endorsed outcome of the Strategic Review, which necessitated deep, strategic consideration of the climate change-related risks and opportunities associated with our future business model, was based on several fundamental drivers beyond the period of historically low refining margins that the company faced. These included:

- Growing exposure to compliance costs under the New Zealand Emissions Trading Scheme (NZ ETS)
- Changing consumer behaviour, with the electrification of light vehicles forecast to reduce New Zealand petrol demand below the minimum level produced by the refinery
- Structural challenges to the competitiveness of the refinery compared to newer larger Asian refineries and high costs of operating in New Zealand (including high electricity, gas and carbon costs)
- Positioning the company to participate in emerging opportunities as the New Zealand energy market decarbonises.

2022 has been about delivering on the outcomes of the Strategic Review, and positioning our business to maximise the opportunities that we have ahead of us.

## Transport fuel demand outlook

Our fuel demand outlook, prepared by industry experts Hale & Twomey and updated this year to reflect the latest industry and Government policy developments, provides a guide for our future business decisions. The preparation of this updated outlook has involved more detailed analysis than ever before, using expert passenger demand forecasts from Auckland International Airport to forecast future jet fuel demand, forecasting diesel demand sector by sector to take account of different fuel transition pathways by sector and for the first time including biofuel demand forecasts for New Zealand.

There are a range of potential market scenarios, however, most scenarios (including Hale & Twomey's updated outlook outlined on pages 34–36) agree that electrification of transport and a wider use of biofuels will result in petrol demand peaking, and starting to decline in the near term. Diesel will transition more slowly, with a gradual increase in biofuels and the electrification of light commercial vehicles and buses, and the transition of heavy transport to electric and hydrogen expected to take longer.

Aviation demand is expected to exhibit continued growth, and our latest outlook shows a faster post-COVID demand recovery and higher demand over the longer term, as the 'middle-class' in Asia continues to grow and the trend to ultra-long haul flights increases the fuel required for flights leaving New Zealand. The decarbonisation of the aviation industry is expected to largely be driven by the gradual substitution of petroleum jet fuel with Sustainable Aviation Fuel (SAF).

SAF, as well as other second-generation renewable fuels, such as biodiesel, are drop-in fuels and can be handled by Channel's existing infrastructure. These changes mean that over time, the volume of renewable fuels being handled through Channel's infrastructure will continue to grow and make up an increasing proportion of our throughput.

These forecasts align with New Zealand's first carbon budgets adopted in May 2022 and Government policy developments in the past year including those to incentivise greater uptake of electric vehicles.

## Working alongside our customers to support changing transport fuel needs

Channel Infrastructure recognises its responsibility to enable decarbonisation within the fuels' supply chain, both within and beyond our operations, by utilising its infrastructure to support a transition in New Zealand's transport sector. Our ambition is to keep Aotearoa moving towards a greener future, while at the same time keeping fuel affordable and available when it is needed. We are committed to utilising the full potential of our infrastructure and the Marsden Point site to solve this energy trilemma and support New Zealand's decarbonisation efforts.

For our business, we have already started to respond – in the most significant way possible – by undertaking our Strategic Review and subsequently taking the decision to completely reset our core business, and transform into a new company with a new, but equally important role to play in the fuels' supply chain.

As a key part of the transport fuels' supply chain into New Zealand's largest market (Auckland), Channel Infrastructure's import terminal infrastructure is well placed to support the increasing volumes of low-carbon transport fuels that will be needed to keep New Zealand moving in the future, while also supporting our customers, bp, Mobil, and Z Energy, to meet changing consumer demand and our shared emissions reduction targets.

The transition to a fuels import terminal has already provided our customers with options to source alternative fuels and to lower their Scope 3 emissions, with the first shipment of SAF received through our facilities in 2022.

Our Marsden Point infrastructure will be able to support increasing imports of lower-carbon biofuels, and the Marsden Point to Auckland pipeline, which can transport second-generation biofuels including SAF, can deliver these fuels to market at one-tenth of the emissions of equivalent transport by road.

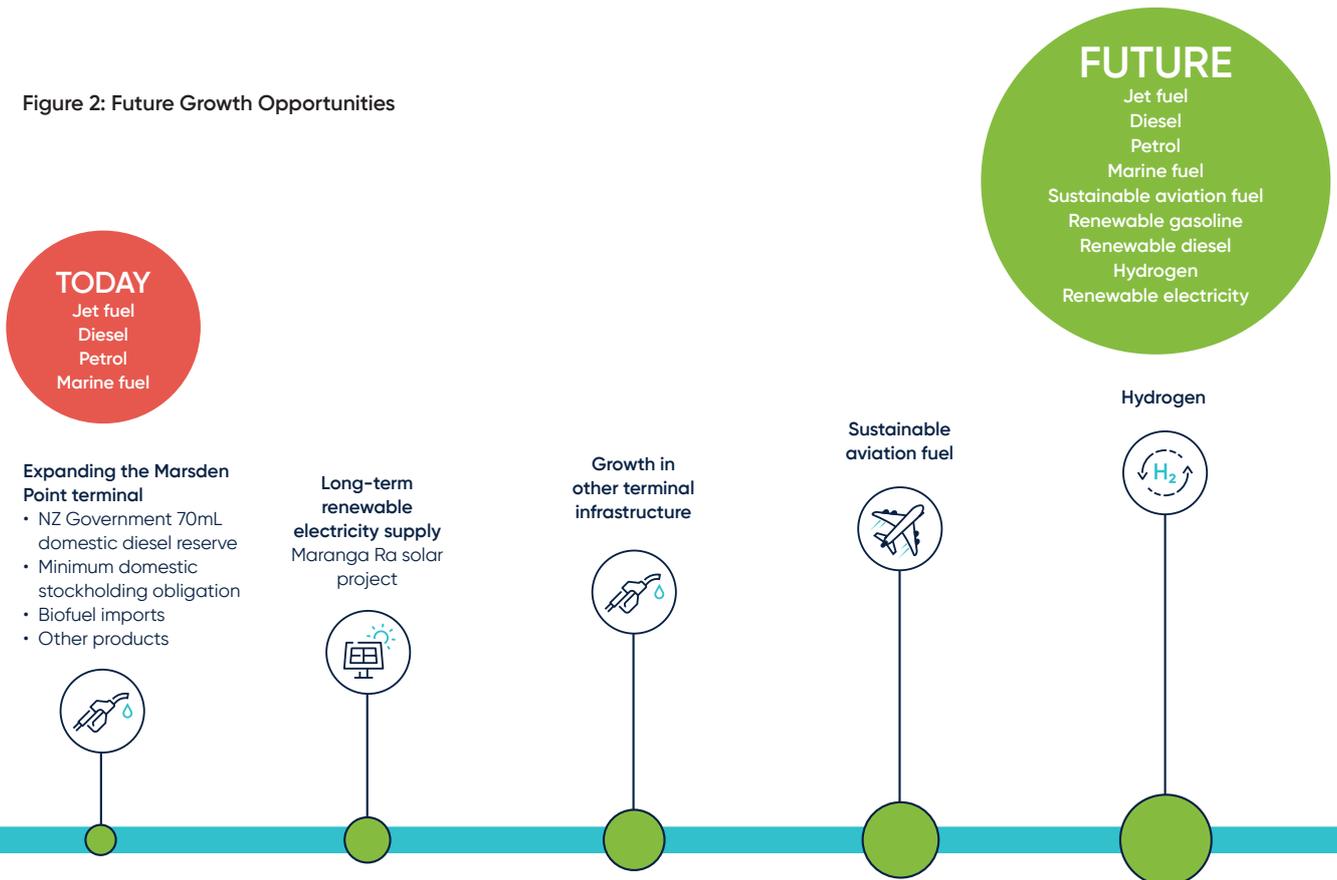
New Zealand's Ministry of Business, Innovation and Employment (MBIE) and Air New Zealand are currently partnering to explore options for the production of Sustainable Aviation Fuel (SAF) in New Zealand and Air New Zealand has set a 10 per cent target for SAF use by 2030. Channel Infrastructure is working with Fortescue Future Industries (FFI) exploring the potential for production of e-SAF at Marsden Point from green hydrogen. Results of the scoping study are anticipated this year.

Marsden Point is the ideal location for the supply of SAF at scale in New Zealand, with its supply chain connection to Auckland International Airport which consumes 80 per cent of New Zealand's jet fuel demand. SAF could take the form of bio-SAF, derived from biogenic material like wood residues, or e-SAF, produced by combining green hydrogen and carbon dioxide. Availability of large quantities of feedstocks is likely to limit the production of bio-SAF, and e-SAF will be required to replace the existing sources of jet fuel.

## Future Growth Opportunities

Channel Infrastructure sees exciting opportunities to grow and diversify while at the same time, contributing to New Zealand's wider decarbonisation ambitions. A growing range of transport fuels and energy choices requires infrastructure to support more renewable, secure energy transport.

Figure 2: Future Growth Opportunities



# Climate change statement

## Our Position

Channel Infrastructure is committed to doing its part to align with the Paris Agreement target to keep warming well below 2 degrees and to pursue efforts to limit the temperature increase to 1.5 degrees. This commitment reflects the latest science and is aligned with the New Zealand Government's ambitions in the Zero Carbon Act, which itself informs our local operating environment.

We recognise that fuel and the transport sector significantly contribute to climate change.

Climate change will impact our company, the local community, New Zealand and the planet, including through rising sea levels, temperature change and unpredictable weather patterns. Climate change presents operational and financial risks to the company, as well as opportunities.

## Our Approach

Our approach to climate change considers both the risks and opportunities arising from climate change and the necessary transition to a low carbon economy. We consider these activities to be core to our business as part of our strategic objective to deliver continued value to our shareholders and our customers.

Our role is to keep Aotearoa New Zealand moving. We believe infrastructure has a critical role to play in finding solutions which deliver low-carbon transport energy which is affordable and available when we need it.

We will seek to reduce our carbon footprint, build resilience to the physical and transition risks related to climate change, and contribute responsibly to the achievement of New Zealand's decarbonisation goals. We will also seek to utilise our strategic infrastructure to support others, particularly through innovation in the energy and fuels sector, to reduce carbon emissions.

## Our Commitments

Channel Infrastructure is committed to:

- Identifying, assessing and managing material physical and transition related climate driven risks to the long-term sustainability of our business;
- Setting and publishing meaningful short, medium and long-term targets to encourage innovation and drive reductions in our Scope 1 and 2 greenhouse gas emissions;
- Exploring opportunities to reduce customer Scope 3 emissions and contribute to the decarbonisation of the New Zealand transport sector by enabling the supply of low-carbon fuels and zero-carbon fuels to New Zealand;
- Working with customers, suppliers, Government, and our local community on a just transition to a low-carbon economy; and
- Annually reporting on our climate approach, progress and performance in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

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**Our role is to keep Aotearoa New Zealand moving. We believe infrastructure has a critical role to play in finding solutions which deliver low-carbon transport energy which is affordable and available when we need it.**

### Ongoing review

The Board commits to annually reviewing this Climate Change Position Statement and the company's performance in delivering on the commitments in this Statement.



# Governance



# Board of Directors

**Channel Infrastructure takes its role as a responsible operator seriously. We have a number of sustainability governance measures and structures in place in order to ensure that we identify, manage and respond to environmental, social and governance issues effectively, and that we can continue to operate in a sustainable and responsible manner.**

Channel Infrastructure's Corporate Governance framework, as depicted in Figure 3, sets out our governance practices and processes to provide accountability to our diverse range of stakeholders, including on the environmental, social, and governance aspects of sustainability.

The Board is responsible for setting the Company's strategic direction and for providing oversight of the management of the Company, with the aim of increasing shareholder value and ensuring the obligations of the Company are properly met. This includes the Company's full scope of sustainability impacts identified as material in Figure 15 on page 48, including climate change risks and related matters, and any impacts identified as material in the future. Day-to-day management of the Company is delegated to the Chief Executive Officer.

The Board uses committees to address specific issues which require detailed consideration by members of the Board who have specialist knowledge and experience. The Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

As outlined in the Risk Management section of this report, the Board is responsible for reviewing and managing risks, with a number of briefings on specific sustainability risks each year. As an example, during 2022, the Board was briefed on a number of climate-related matters, including the FFI hydrogen study, the Company's electricity RFI, Government policies including the Sustainable Biofuels Obligation and Onshore Fuel Stockholding measures, and the new demand forecasts prepared by Hale & Twomey as outlined on pages 34-36 of this report. This included discussion of fuel demand outlooks under various climate policy and technology scenarios, options to decarbonise electricity supply, and the potential role of low-carbon fuels in the Company's future plans.

## **Governance of Sustainability (including Climate Change)**

The direction and oversight of sustainability is delegated to four sub-committees according to relevance of topic.

Figure 3: Governance Structure



The Board considers and (where applicable) approves the material sustainability impacts for Channel Infrastructure as well as all corresponding targets to ensure they are achieved. This includes approval of sustainability reports, including this report.

The respective roles of the Board, its committees and Management (the Corporate Lead Team) are set out in the Board and relevant committees' charters. Committees annually evaluate their own performance, processes and procedures against their charter obligations, to assist the Board in effectively fulfilling its role and meeting its duties. The Board also periodically reviews its own performance as a board. The most recent board performance review was undertaken in Q4 of 2022, with Propero Consulting Limited engaged to provide an evaluation report on the Board's performance.

The Board maintains a skills matrix setting out the mix of skills and diversity of the Board. The skills matrix is used to evaluate whether the collective skills, competencies and experience of the Directors meet Channel Infrastructure's requirements both currently and into the future. For further information, please refer to the 2023 Governance Statement available on the company's website ([www.channelnz.com](http://www.channelnz.com)).



# Our NZX Obligations

**Channel Infrastructure is listed on the Main Board of NZX Limited ("NZX") as CHI and is subject to regulatory control and monitoring by both the NZX (through NZ RegCo) and the Financial Markets Authority ("FMA").**

A complete suite of Channel Infrastructure's governance documents can be publicly viewed at the "Investor Centre" on our website ([www.channelnz.com](http://www.channelnz.com)), which includes detailed reporting against the NZX Corporate Governance Code, board and committee governance documents, and our suite of policies, including those which govern sustainability.

This report has been prepared to align with incoming TCFD disclosure requirements, and future reports will be prepared in compliance with these requirements once they come into operation.

For further information, please refer to the 2023 Governance Statement available on the Company's website ([www.channelnz.com](http://www.channelnz.com)).



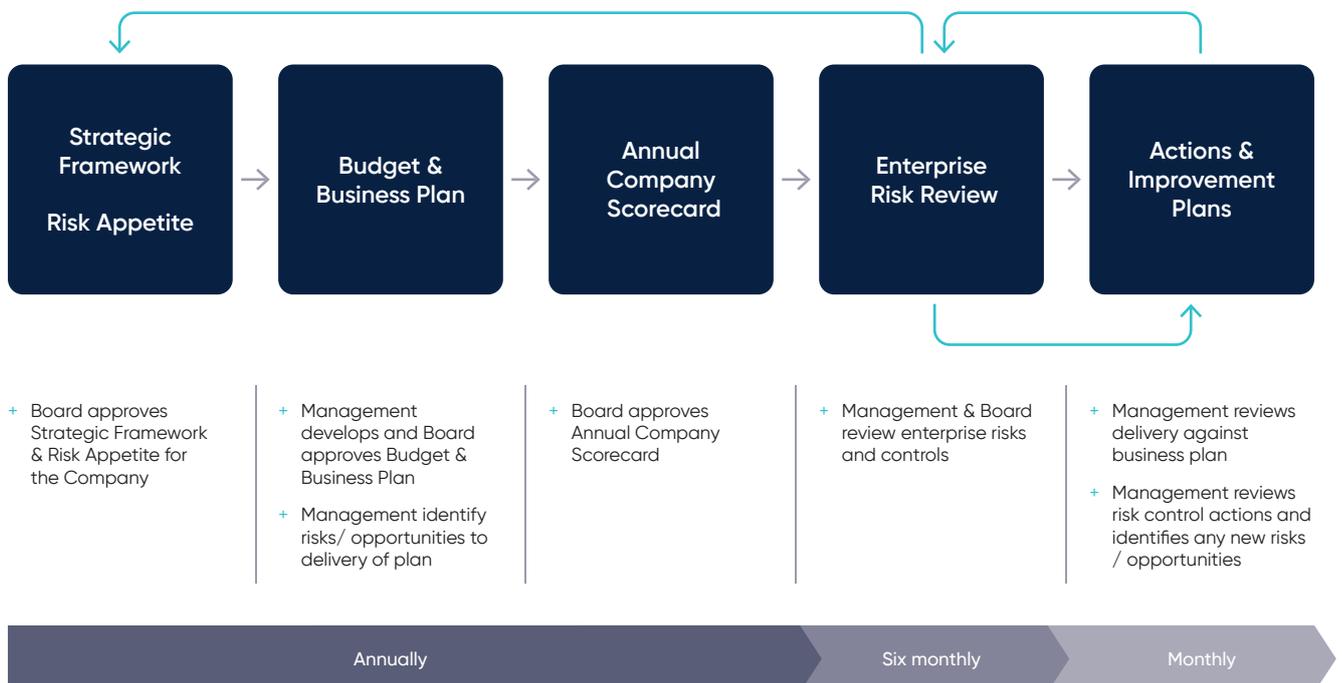
# Our reporting structure

Channel Infrastructure’s management closely considers climate change and sustainability issues in ongoing optimisation of financial and operational performance, as well as planning for future growth and diversification of the Company’s business through the decarbonisation of New Zealand’s economy.

The Corporate Lead Team is responsible for proposing targets to the Board and then achieving those that are approved. The Corporate Lead Team approves the portfolio of sustainability programmes to achieve targets, and assigns management accountability for implementation. This includes the day-to-day responsibility for implementing the Company’s commitments to addressing climate change.

The Company has an integrated approach to business planning and risk management in place as outlined below.

**Figure 4: Integrated approach to risk management and risk appetite**

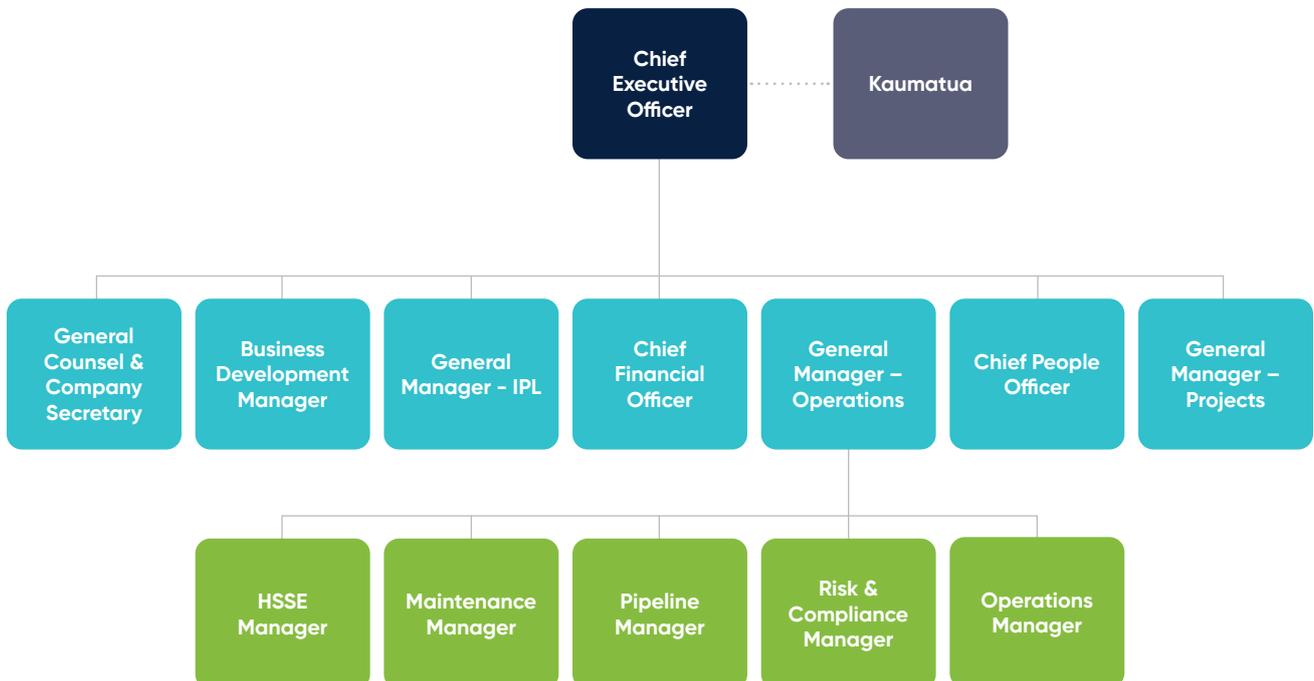


The primary point of responsibility for sustainability within the Corporate Lead Team is the Chief Executive Officer, and additional climate change, sustainability, and management of people responsibilities are held by the Chief Financial Officer, General Manager Operations, Chief People Officer, and the Business Development Manager. Each of these positions also necessarily require an understanding and oversight of climate-related risks and opportunities. These include consideration of the fuel demand forecasts, impacts of climate policy developments such as carbon pricing, consideration of the physical impacts of climate change on operational safety and continuity, and workforce and community impacts.

At the operational level, the Company's General Manager Operations and supporting team members oversee ongoing activities on-site, including environmental and climate-related issues such as identifying and implementing opportunities for efficiency gains through minimising input costs such as fuel and electricity, and appropriate responses to extreme weather events. The Risk and Compliance Manager maintains the Enterprise Risk Register, including the identification and monitoring of risks and the Environment, Health and Safety Manager is responsible for relevant reporting and compliance obligations.

The relevant reporting lines are depicted in Figure 5.

Figure 5: Organisational chart



## Our Management System

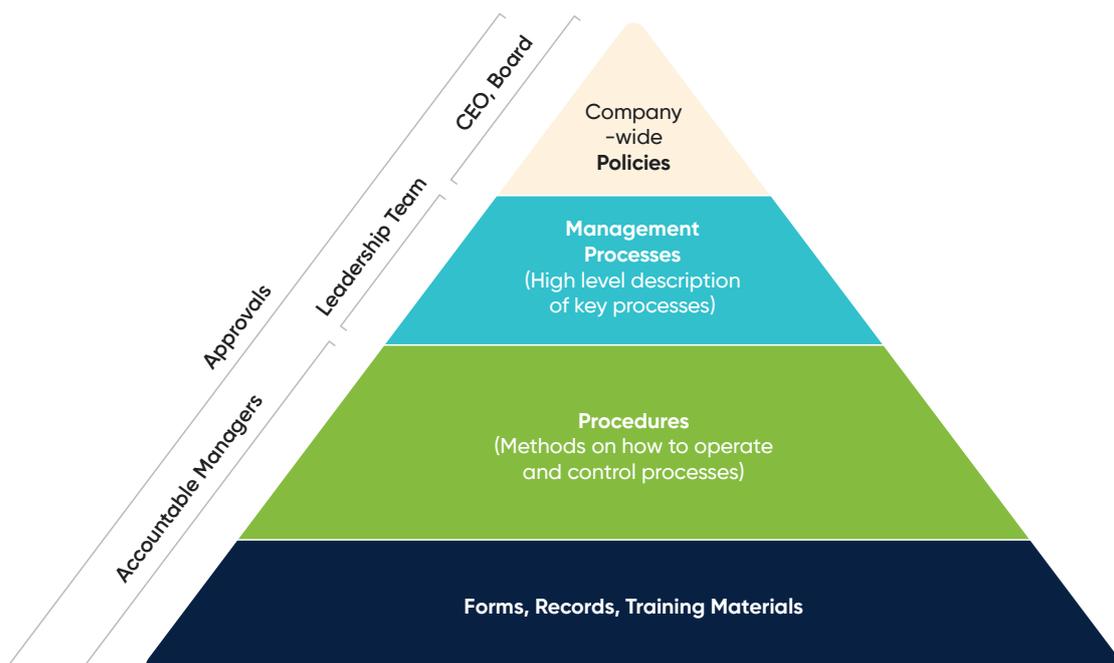
The Management System applies to all of the Channel Infrastructure Group's people and establishes the requirements for how we do business across our operations and support teams. It is designed to protect our people, the community, the environment, and the economic value of our assets, operations and activities. The Management System comprises:

- Policies and Code of Conduct ([channelnz.com/who-we-are/corporate-governance/](https://channelnz.com/who-we-are/corporate-governance/))
- Management processes explaining the minimum standards of "what" the business must achieve
- Procedures, technical standards, processes and tools (forms and records) explaining the expectations and practices for "how" business activities should be undertaken.

To reflect the strategic importance of climate-related risks and opportunities to the business, our remuneration plans include key performance metrics which address our priorities in this area. Specifically, our CEO's KPIs linking to future sustainability and growth (50 per cent weighting) include supporting the transition to lower carbon fuels as one of six explicit strategic priorities set out in Channel Infrastructure's strategic framework (refer to Figure 7).

Consideration of climate-related drivers are also indirectly referenced in other strategic priorities, including growth and diversification. Our company-wide scorecard, which applies to employees (and constitutes the remaining 50 per cent of our CEO's KPIs), also includes measures to support a just transition for employees leaving the business, and reduce our Scope 2 emissions.

**Figure 6: Management System Structure – Hierarchy of Approvals**



# Strategy



# Strategic framework

**The Company's Strategic Framework, set out on page 30, outlines the way that we will achieve our purpose, and vision.**

Channel Infrastructure's commitment to acknowledging the role that climate and sustainability impacts continue to have on the business, and to open and transparent reporting of climate-related disclosures builds on the proud history we have of taking actions to minimise our impact. This is built into our company DNA, and is something we have quietly been working on for many years. As new technologies are found, we have invested to incorporate these into our business, and we were the first corporate to negotiate and agree a comprehensive Negotiated Greenhouse Agreement (NGA) with the New Zealand Government in 2003. Our sustainability journey has been underway for some time and will continue into the future, as shown in Figure 8 on page 32.

The first standalone Sustainability Report issued by Channel Infrastructure, 'Our Transition to a Sustainable Future', was also the first act taken by the company following its significant transformation to a completely new business. However, it was not the first step on our sustainability journey. 'Our Transition to a Sustainable Future' was aligned to TCFD standards more than a year ahead of this becoming mandatory in New Zealand, and the report is something we are very proud to have delivered for our many stakeholders. This, our second report, 'Delivering a sustainable future', continues to build on the momentum from 2021 and our proud history of ESG reporting.

As outlined in the Industry Overview on page 15, we recognise the need to maintain a strong understanding of the climate change driven impacts relevant to our financial and strategic planning into the future at Marsden Point. These include the transition impacts from decarbonisation of transport fuels and the broader energy sector, as well as the foreseeable physical impacts from unavoidable climate change over the life of our infrastructure and assets. Channel Infrastructure's approach and priorities are outlined in our Climate Change Position Statement set out on page 18.

Figure 7: Strategic Framework

OUR PURPOSE

Delivering infrastructure to sustainably meet New Zealand's transport energy needs

OUR VISION

New Zealand's leading fuel infrastructure company

OUR STRATEGIC PRIORITIES

<p>Safe, reliable, low cost operations</p> <p>High performance culture</p>	<p>Competitive cost of capital</p> <p>Realise infrastructure value</p>	<p>Support lower carbon fuels transition</p> <p>Grow and diversify</p>
<p>Strong safety systems and culture</p> <p>Continuous improvement</p> <p>Asset management</p>	<p>More reliable dividend payout</p> <p>Diversify access to capital markets</p> <p>Leverage the balance sheet</p>	<p>Leverage existing infrastructure</p> <p>Marsden Point energy hub</p>
<p>Strong performance management</p> <p>Change-ready</p> <p>Future focused</p>	<p>Realise value of existing infrastructure through import terminal conversion</p>	<p>Strategic storage</p> <p>Repurposing Marsden Point site</p> <p>Supply chain optimisation</p>

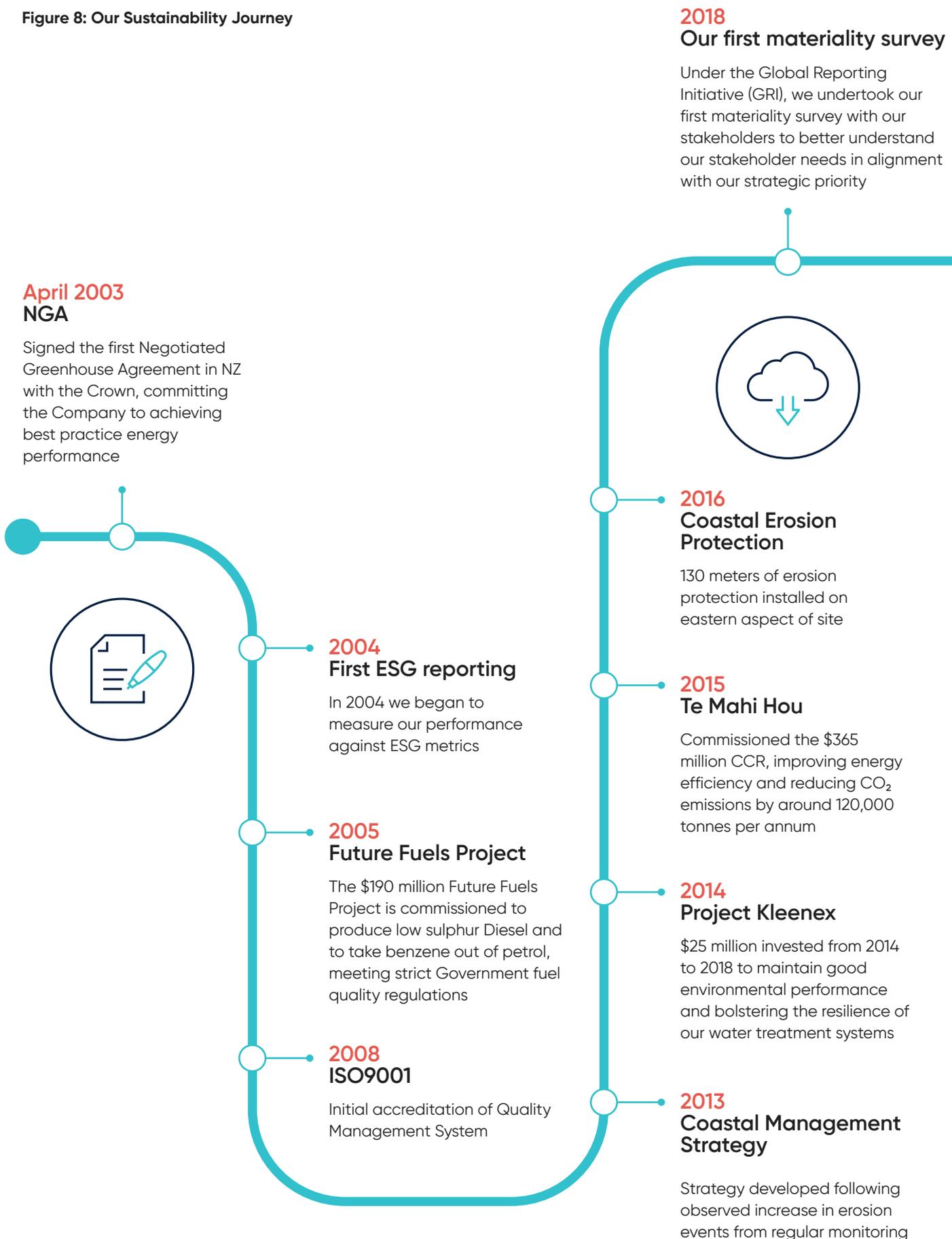
Leverage existing capabilities	Transform to deliver value	Position for future growth
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OUR VALUES

One Team	Innovation	Honesty	Care
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Figure 8: Our Sustainability Journey



**April 2003**  
**NGA**

Signed the first Negotiated Greenhouse Agreement in NZ with the Crown, committing the Company to achieving best practice energy performance



**2004**  
**First ESG reporting**

In 2004 we began to measure our performance against ESG metrics

**2005**  
**Future Fuels Project**

The \$190 million Future Fuels Project is commissioned to produce low sulphur Diesel and to take benzene out of petrol, meeting strict Government fuel quality regulations

**2008**  
**ISO9001**

Initial accreditation of Quality Management System

**2018**  
**Our first materiality survey**

Under the Global Reporting Initiative (GRI), we undertook our first materiality survey with our stakeholders to better understand our stakeholder needs in alignment with our strategic priority



**2016**  
**Coastal Erosion Protection**

130 meters of erosion protection installed on eastern aspect of site

**2015**  
**Te Mahi Hou**

Commissioned the \$365 million CCR, improving energy efficiency and reducing CO<sub>2</sub> emissions by around 120,000 tonnes per annum

**2014**  
**Project Kleenex**

\$25 million invested from 2014 to 2018 to maintain good environmental performance and bolstering the resilience of our water treatment systems

**2013**  
**Coastal Management Strategy**

Strategy developed following observed increase in erosion events from regular monitoring

## 2023 Second standalone Sustainability Report

This report, "Delivering a Sustainable Future", builds on the 2022 report and reports on our achievements to date as we transitioned to a new business model



## 2022 First standalone Sustainability Report

Released as Channel Infrastructure, "Our transition to a sustainable future"

## 2022 Review of material issues

Refreshed 2018 materiality survey to ensure it remained a relevant guide for our sustainability priorities as a fuels' infrastructure provider



## 2021 Strengthening iwi relations

Signed relationship agreements with local iwi to guide our work together in areas of mutual interest

## 2017 Improved our resilience to major weather events

Completed a \$2.8 million upgrade of the bio-treater, lifting our capacity to treat wastewater and our ability to manage major weather events

## 2020 Strategic Review initiated

Culminated in the November 2021 decision to transition from refining to import terminal operations, with subsequent workforce transition

## 2021 35-year Resource Consent granted

To operate for another 35 years based upon a detailed environmental impact assessment of our processes and operations

## Business Planning

Business planning, including scenario analysis, has been an important tool for us as we have assessed options through our Strategic Review process and planned and navigated our transition. We have been undertaking scenario analysis for 15 years now, and these exercises informed our decision to transition from a refinery to an import terminal.

Our recent scenario analysis has focused on the fuel passing through our infrastructure, as in our view this is the most material climate transition impact for our business.

Channel Infrastructure uses fuel demand outlooks formulated by third party oil and gas market experts, Hale & Twomey, for its business planning, with newly updated base planning scenarios presented in the charts set out on pages 35–36.

There are a range of potential market scenarios for the decarbonisation pathway. However, most scenarios (including Hale & Twomey's updated outlook) agree that electrification of transport and a wider use of biofuels will result in petrol demand peaking, and starting to decline in the near term. Diesel is expected to transition more slowly, with a gradual increase in biofuels and the electrification of light commercial vehicles and buses, and the transition of heavy transport to electric and hydrogen expected to take longer.

Aviation demand is expected to exhibit continued growth, and our latest outlook shows a faster post-COVID demand recovery and higher demand over the longer term, as the 'middle-class' in Asia continues to grow and the trend to ultra-long haul flights increases the fuel required for flights leaving New Zealand. These outlook scenarios anticipate a near-term re-establishment of long-haul flights, with the extra-long-haul sector (greater than 11,500km and requiring more fuel) becoming a greater portion. Longer term, continued fuel efficiency improvements slow the growth of fuel consumption, though fleet renewals and continual fuel efficiency improvements' are expected to reach a plateau.

The decarbonisation of the aviation industry is expected to largely be driven by the gradual substitution of petroleum jet fuel with Sustainable Aviation Fuel (SAF).

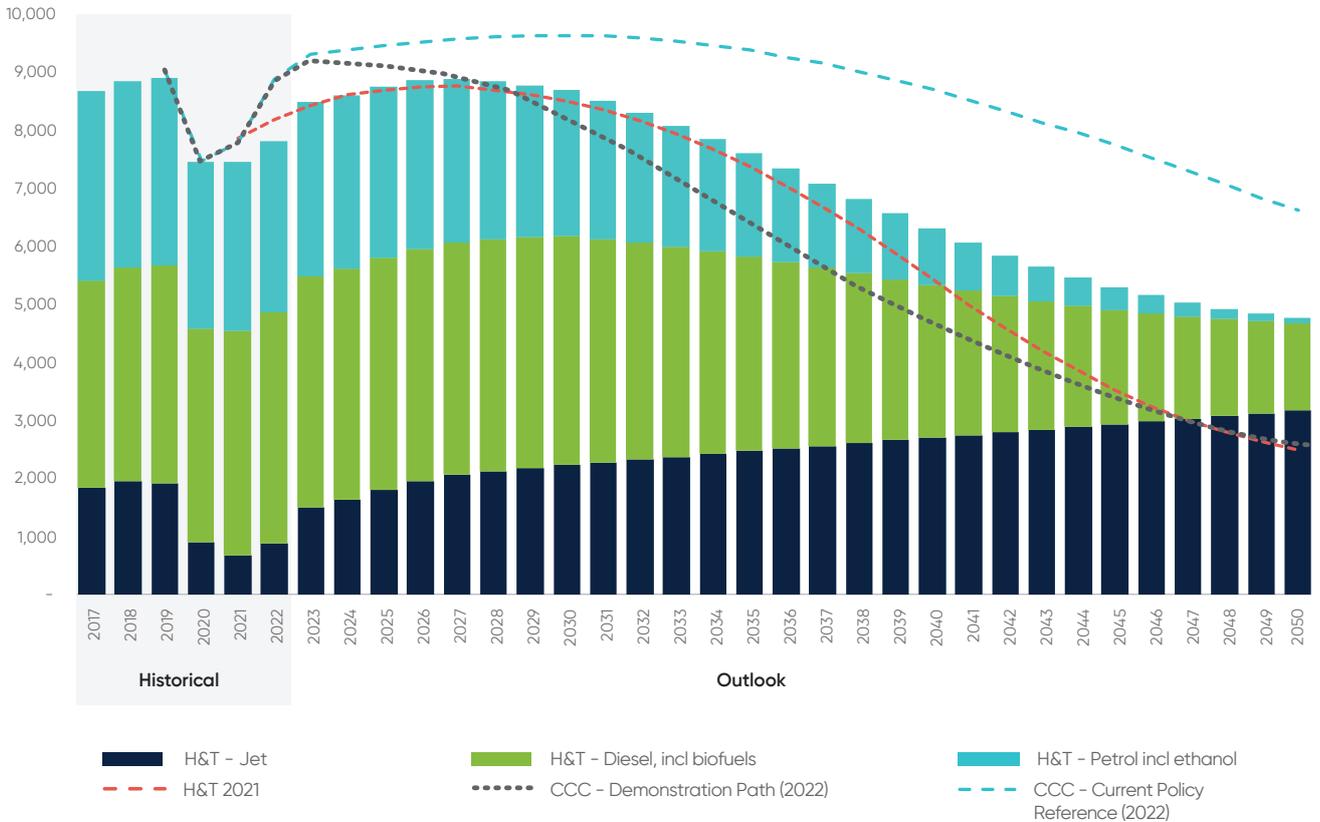
SAF has been identified as the primary solution for decarbonising the long-haul flights, which drives the majority of jet fuel demand. SAF is regarded as a 'drop-in fuel' in that it is chemically identical to fossil jet fuel, and is therefore able to utilise the same tanks, pipelines and other infrastructure. For this reason Hale & Twomey have not sought to quantify the rate of uptake of SAF, as this comes with great uncertainty and has no bearing on the overall infrastructure throughputs and capacity requirements. Instead, we have presented an indicative view of the growth in SAF through our infrastructure, as shown in Figure 10, aligned with Air New Zealand's stated ambition of reaching 10 per cent SAF uptake by 2030 and 70 per cent emissions reduction by 2050 through SAF and other zero emissions aircraft technology. Twenty five per cent of regional jet demand is assumed to be electric by 2040, and 10 per cent of short-haul jet demand is assumed to be met by hydrogen by 2050. However, this will have a limited impact on our jet fuel throughput volumes, which will be driven by long-haul and extra long-haul flights out of Auckland.

Biodiesel, is also expected to be a drop-in fuel that will not require any new infrastructure. Whilst the biofuel mandate has been withdrawn, over time, the volume of renewable fuels being handled through Channel's infrastructure is expected to continue to grow and make up an increasing proportion of our throughput.

The Hale & Twomey forecast is aligned with the national pathway assessment efforts undertaken by the Climate Change Commission that have identified that road transport fuel is the primary site of change for New Zealand's transport system in a Paris Agreement consistent world, with few alternatives in place for long-haul air borne transport other than SAF. Our existing business planning assumptions have reflected these conclusions, assessing declines in petrol and diesel demand and growth in jet fuel demand, in line with the identified impacts of a national 1.5 degree scenario.

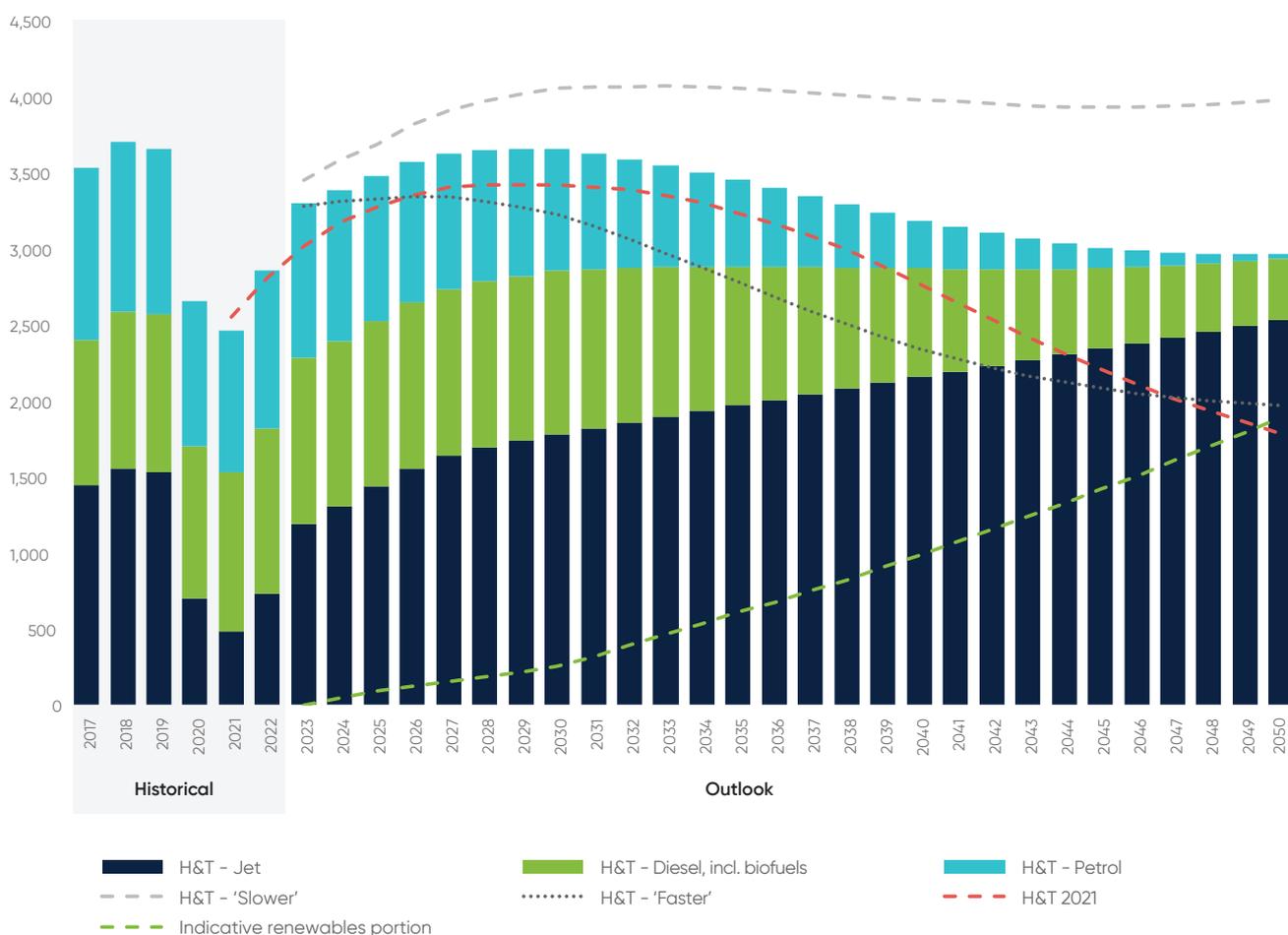
Throughout the transition, the one constant is the need for fuel to be available when New Zealanders need it, supplied through secure and resilient supply chains. Importantly for Channel Infrastructure, our pipeline capacity is sufficient to meet the anticipated demand reflected in the latest fuel outlook.

**Figure 9: Fuel demand projections for New Zealand (million litres)<sup>1</sup>**



<sup>1</sup> This 2023 update of the long term product demand outlook developed by Hale & Twomey is our first since the border restrictions have been removed and the post-Covid demand recovery has become clearer. Aviation fuel demand has been modelled from the long-term passenger demand outlook developed for Auckland International Airport by global airport consultancy DKMA. Air freight, which now represents a larger portion of demand than previously, is modelled separately. Auckland airport represents c.80% of New Zealand’s aviation fuel demand, so the New Zealand jet fuel demand shown on Figure 9 was extrapolated from the detailed modelling performed for Auckland demand. Land transport fuel demand is modelled separately for each portion of the fleet (e.g. light passenger, light commercial, heavy transport, buses etc.) each with their own fleet turnover rates, replacement rates for new and used, and rate of EV uptake. First the transport task is modelled (vehicle kilometers travelled) and then the fulfilment of this task (e.g. public transport, light passenger, etc).The diesel outlook is built from the ground up, with different assumptions for each on the main consumption areas (Agriculture, Industrial, Commercial, Residential, Transport and International). Within the transport group, light vehicle transport (both passenger and commercial), heavy transport and buses are all modelled separately. Each demand category has its own drivers, although GDP remains a prime demand driver of many of the categories.

**Figure 10: Fuel demand projections for markets supplied by Channel Infrastructure (Auckland and Northland) (million litres)<sup>2</sup>**



Channel Infrastructure’s import terminal assets were revalued in 2021 at fair value by an independent valuer using the 2021 Hale & Twomey fuel demand forecasts (refer to note 11 of the Consolidated Financial Statements for the year ended 31 December 2021), and the carrying value of import terminal assets as at 31 December 2022 was not considered to be materially different to their fair value.

The actual rate of future fuel transition remains uncertain, and may occur faster or slower than modelled by Hale & Twomey, and the fair valuation of assets is sensitive to fuel volumes through our import terminal facilities. If terminal volumes were to be 10 per cent higher or 10 per cent lower than assumed in the forecasts, the fair value of our import terminal assets would increase by c. \$65 million or decrease by c.\$55 million.

Scenario analysis will continue to form part of our strategic toolkit, and we anticipate that our approach will develop over time, including as best practice for

TCFD disclosures in our region develops. Areas for further investigation in future will include further updates to jet fuel outlook as the feasibility of SAF is demonstrated. These scenario analyses will also include assessments of physical risk to our infrastructure, as although we have undertaken specific assessment of event risk from storm surges and inundation of the site, we have yet to undertake a broader scenario analysis for physical climate risk.

Channel Infrastructure is well positioned to support New Zealand’s changing future fuel needs, with growth opportunities at the Marsden Point site including additional fuel storage to support New Zealand’s fuel security, renewable electricity supply through the Maranga Rā solar project, and work underway with customers and partners on biofuel and hydrogen opportunities.

<sup>2</sup>The 'Indicative renewables portion' includes biodiesel volume impact if a mandate was to be implemented as initially proposed (now rescinded), and indicative SAF volumes (not provided by Hale & Twomey) aligned with Air NZ targets (10% by 2030, and along with zero-emission aircraft contribute to 70% emission reductions by 2050)

# What sustainability means to us

## We are living sustainability through our organisational values.

Our organisational values were created by the people of Channel in early 2022. We looked back in history at what had made the organisation successful over its 60 years as Refining NZ, and then looked forward to determine what it would need to become, to deliver on its vision to be a sustainable business with long-term financial, environment, and social viability, that is also a great place to work.

The four values set out in Figure 11, honour our past while identifying that we will need to embrace new talents and experiences as we move into our sustainable future.

The colours ascribed to each of our company values are reflective of the Marsden Point landscape. These colours ground our values in the whenua and provide us with inspiration and strength. These values were co-created with our kaumatua and our next step is to build symbols that embody the heart of each and to embed the values into our everyday lives on site.

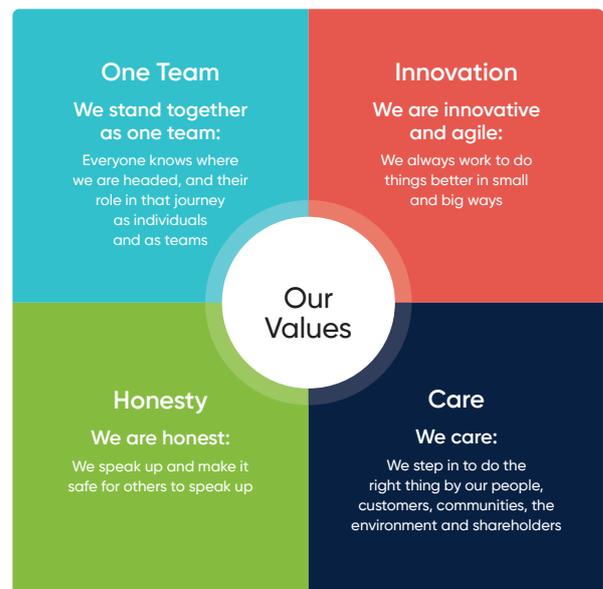
Each of our four values provides the foundation of our sustainable mindset, and is reflected in how we work together and do business, every day.

For example:

- Being agile and adapting to the changing business environment by transitioning to a new business model as **One Team** and delivering a sustainable future
- Supporting a Just Transition for our workforce with **honesty** and **care** as set out in the case study on page 77

- **Innovating** new waste economies during our refinery decommissioning project, as outlined in the case study on page 71.

Figure 11: Our Values



# Roadmap for our mahi in New Zealand's energy transition

Channel Infrastructure is playing an essential role in the transition to a resilient, low-carbon economy as New Zealand's leading independent fuel infrastructure company.

## 1. KEEP AOTEAROA MOVING

We receive, store, test and distribute transport fuels safely, reliably, and efficiently to the Northland and Auckland markets.

## 2. CHAMPION A JUST TRANSITION

We support our workforce, local community, iwi partners, and New Zealand's economy to prosper through our transition.

## 3. ENABLE DECARBONISATION OF NEW ZEALAND'S TRANSPORT SECTOR

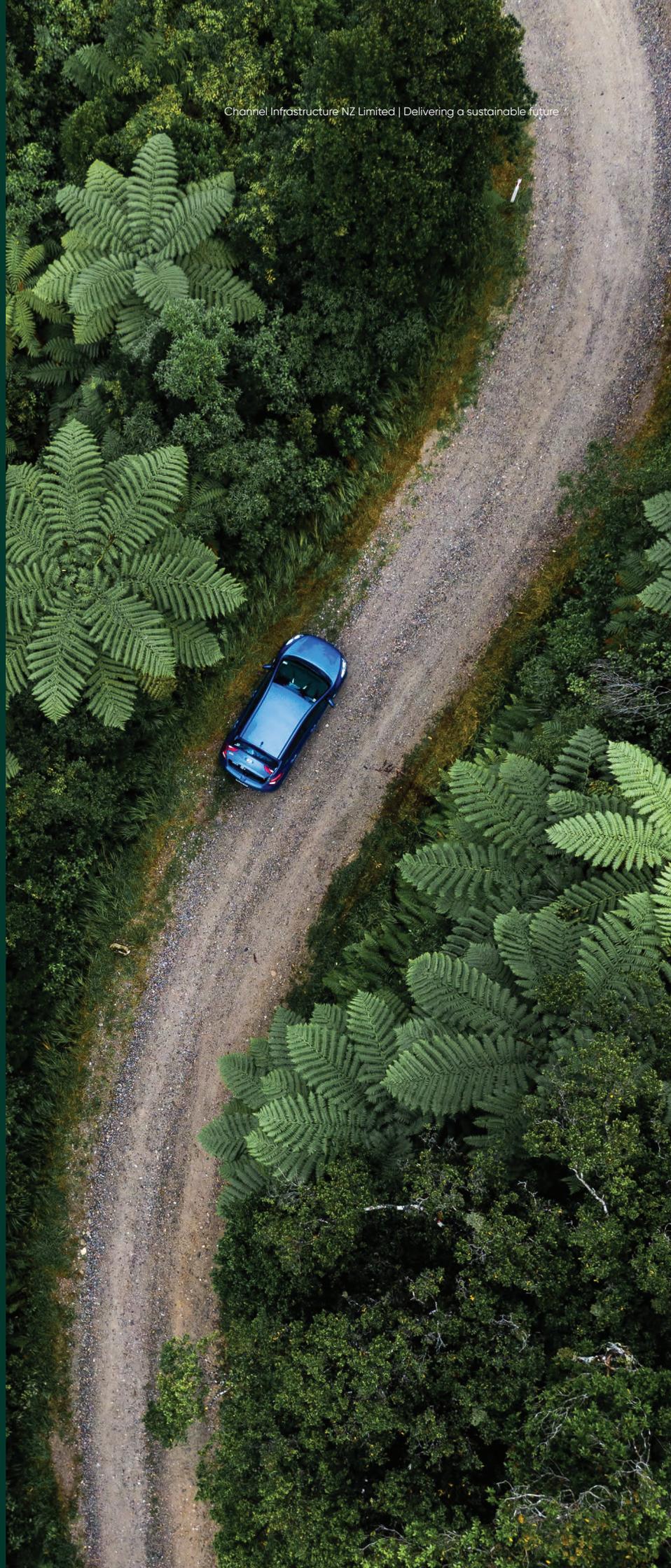
We use our strategic infrastructure to facilitate the use of low-carbon future fuels which are affordable and available when we need them.

Channel Infrastructure first published its Transition Roadmap in its 2021 Sustainability Report. The Transition Roadmap, set out on page 39, is our plan to keep New Zealand moving in a low-carbon future and sets out our ambition, commitments, and actions to reduce direct and indirect emissions across our value chain and help support New Zealand's transition to a low-carbon future.

**Table 1: Our Transition Roadmap**

<b>HORIZON 1</b> Present- 2025	<b>HORIZON 2</b> 2025 - 2035	<b>HORIZON 3</b> 2035 +
<b>Outlook</b>		
<ul style="list-style-type: none"> <li>• New Zealand relies on jet fuel, petrol and diesel to keep moving and Channel Infrastructure, through its infrastructure, will continue to provide fuel to Kiwis to support their transport needs</li> <li>• New Zealand’s petrol consumption is likely to peak, while diesel demand is expected to continue its strong recovery post-COVID</li> <li>• New Zealand Government measures to protect New Zealand’s fuel security expected to come into effect, which will require infrastructure such as that owned by Channel Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Demand for diesel is expected to remain strong with electrification of the light vehicle fleet and increasing uptake of biofuels</li> <li>• Petrol demand is expected to continue declining</li> <li>• Jet fuel demand is expected to continue to grow and increasing Sustainable Aviation Fuel (SAF) is expected in the fuel mix. Marsden Point has a key role to play to support the import of SAF, and the delivery of increasing volumes of SAF to Auckland Airport in a low-carbon way</li> </ul>	<ul style="list-style-type: none"> <li>• Biofuels and SAF are likely to play an increasingly greater role, reducing our customers’ Scope 3 emissions</li> <li>• Hydrogen is expected to become commercially viable in the longer term, providing decarbonisation opportunities in hard-to-abate sectors like heavy transport and aviation</li> </ul>
<b>Actions</b>		
<p><b>2022</b> – &gt;98 per cent reduction in Scope 1 and 2 emissions (versus 2019 baseline) following the cessation of refining activities</p> <p><b>2022</b> – Country’s first shipment of SAF received at Marsden Point and delivered to market via low-carbon emissions Marsden Point to Auckland pipeline</p> <p><b>2023</b> – a 4-degree global warming scenario modelling focussed on coastal erosion management options</p> <p><b>2023</b> – Channel to work with MBIE to support the Government’s Fuel Security ambitions</p> <p><b>2023</b> – Fortescue Future Industries to complete the Scoping Phase of its study into the feasibility to produce green hydrogen and green hydrogen products at Marsden Point for domestic use in NZ, with the range of potential uses including natural gas substitution, heavy transport fuel and the production of eSAF</p>	<p><b>2025+</b> – We are already exploring opportunities to develop renewable electricity supply through our Maranga Rā solar project, with other solar projects and batteries also being planned for the Northland region.</p> <p><b>2025+</b> – Channel Infrastructure will seek opportunities to utilise its strategic infrastructure to support the supply of biofuels, including Sustainable Aviation Fuel, to the New Zealand market</p> <p><b>2025+</b> – Channel Infrastructure will look at options for local production of bioSAF (produced from bio-genic materials, like wood residues) and eSAF (produced from green hydrogen using renewable electricity) and Carbon Dioxide derived from industrial processes or Direct Air Capture)</p>	<p><b>2035+</b> – Channel Infrastructure will continue to explore opportunities to produce or store alternate forms of energy (such as hydrogen and second-generation biofuels)</p>

# Risk management

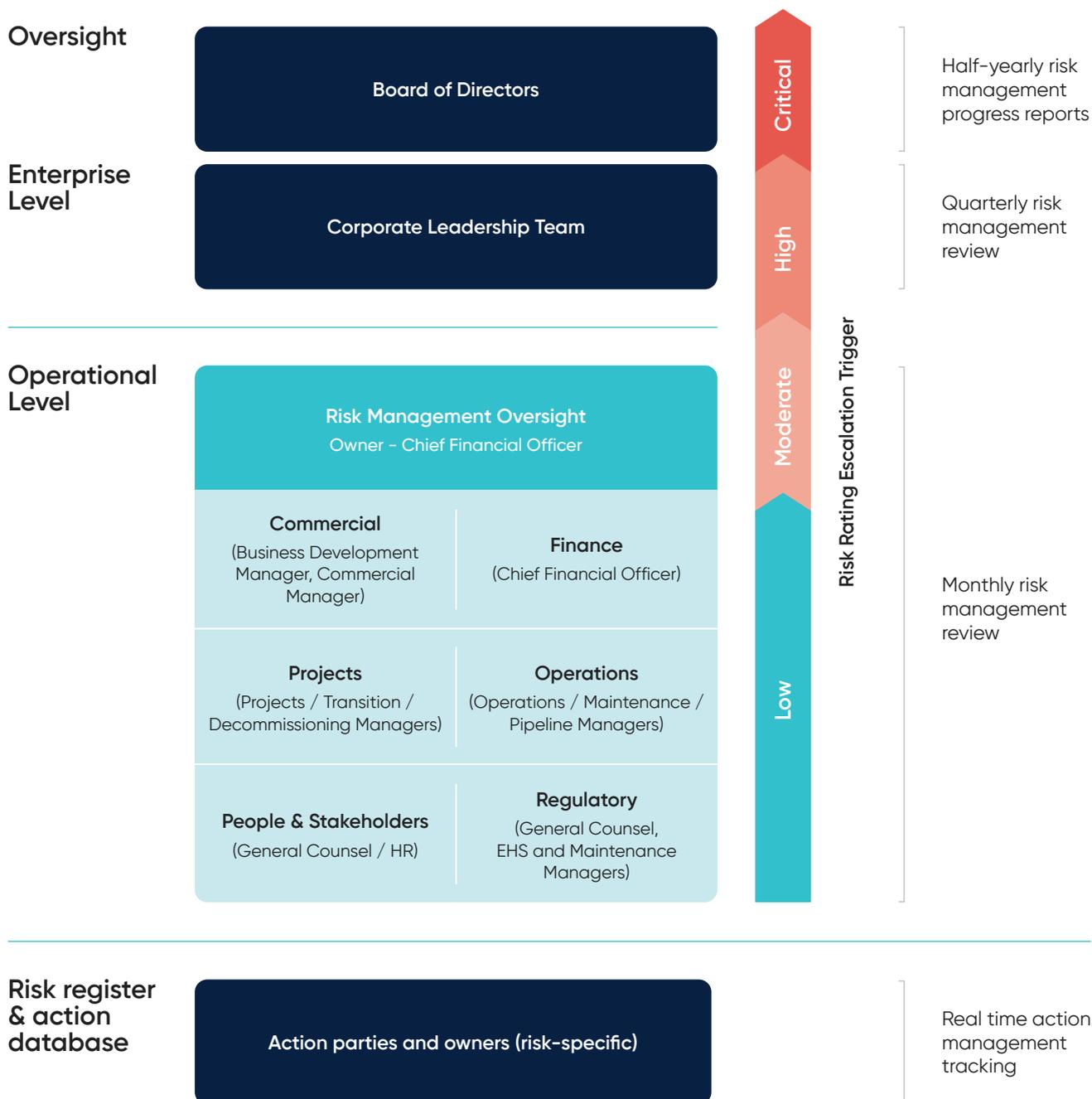


# Reporting on risk

The Channel Infrastructure Board is responsible for reviewing and managing enterprise risk, including those related to climate change. Day-to-day risk management is delegated to the Chief Executive Officer, with risk assessments conducted by the Corporate Lead Team facilitated by the Risk and Compliance Manager.

The frequency of risk assessments and review and the process for escalation is outlined in Figure 12.

**Figure 12: Risk Management Governance: Review and escalation**

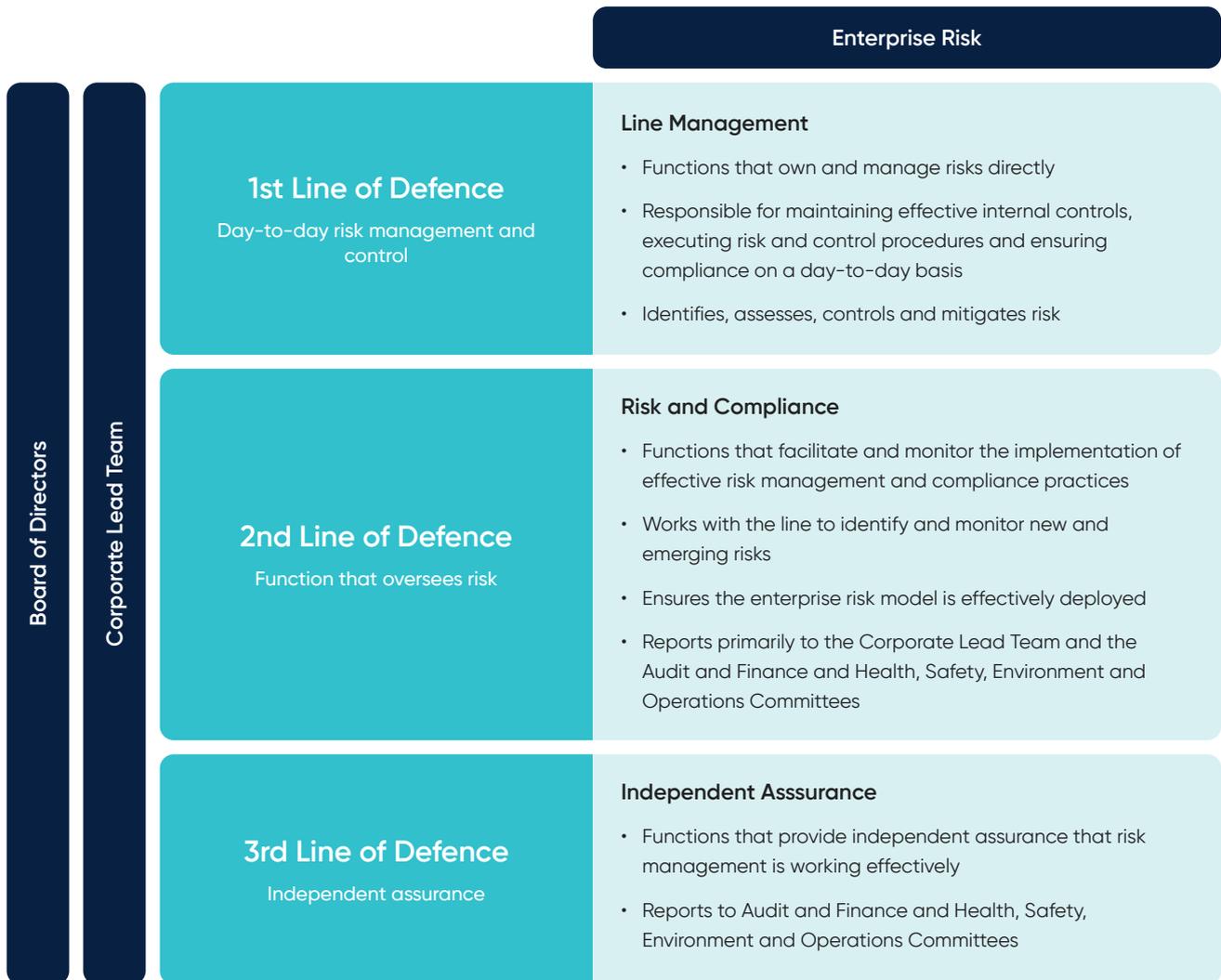


Following the transition to a fuels import terminal, the Company undertook a full reassessment of enterprise risks. As at 31 December 2022, three risks linked to climate change are recorded and managed in the Enterprise Risk Register which are reflected in the discussion of climate risks on pages 51-55.

The enterprise-wide risk management system covers preventative/recovery and mitigating barriers or controls.

Channel Infrastructure uses the “three lines of defence” model to coordinate its approach to risk and assurance. The model, set out below, is focused on managing material risks, including environmental, social and governance risks, at the strategic, tactical and operational levels.

**Figure 13: Three lines of defence model**



The audit, or independent assurance programme, is designed to verify that operational controls (barriers) are functioning as documented and to assess the efficiency and effectiveness of internal controls. The Corporate Lead Team and the Board obtain additional assurance of the adequacy of the Company’s management system from detailed operational reports and monitoring controls covering both leading and lagging indicators as well as independent risk assessments carried out by independent third parties.

# Engaging with our key stakeholders

We engage with these groups on a regular basis and aim to meet face-to-face as much as possible.

Figure 14: Our key stakeholders



Building quality, long-term relationships with our stakeholders enables us to become a better neighbour, employer, partner and provider of critical infrastructure to reliably keep Aotearoa New Zealand moving through an era of change. This requires open and clear communication. The following table illustrates how we engage with individual stakeholder groups, with the "issues of interest" reflecting the topics most commonly raised by these stakeholders through our established channels. The type and frequency of engagement varies depending on the needs of each individual group.

**Table 2: Engaging with our stakeholders**

STAKEHOLDER GROUP	HOW WE ENGAGE	PARTICULAR AREAS OF INTEREST 2022
<b>Financial markets (e.g. shareholders, bondholders, banks)</b>	Annual Meeting of Shareholders <hr/> Investor days <hr/> NZX releases <hr/> Analyst meetings and conference calls <hr/> On-going investor engagement and presentations including face-to-face meetings <hr/> Formal communications including Annual and Sustainability Reports	Financial performance, strategy, dividends, growth and capital structure <hr/> Conversion project <hr/> Environmental, Social and Governance (ESG) goals, policies and performance
<b>Customers</b>	Relationship meetings <hr/> Teleconference and face-to-face meetings <hr/> On-site visits	Terminal performance <hr/> Fuel industry changes, including Government policy developments <hr/> Jet fuel supply chain resilience
<b>Hapu/iwi</b>	Mana Whenua Roopu (Quarterly meetings) <hr/> Kanohi ki te kanohi (face to face) hui on-site and at local marae	Local economic impacts of Channel Infrastructure <hr/> Licence to operate <hr/> Workforce diversity <hr/> Environmental management and site remediation <hr/> Future use of site (including water requirements)

STAKEHOLDER GROUP	HOW WE ENGAGE	SELECT AREAS OF INTEREST 2022
<p><b>Employees and contractors</b></p>	<p>On-site staff communications channels</p> <hr/> <p>Toolbox meetings before shift work starts focused on safety</p> <hr/> <p>'Cascade' newsletter</p> <hr/> <p>Monthly performance cascades</p> <hr/> <p>"All-up" team meetings</p> <hr/> <p>Employee engagement surveys</p>	<p>Environmental, health and safety performance and on-site protocols</p> <hr/> <p>Workplace changes</p> <hr/> <p>Workforce diversity</p> <hr/> <p>Business development activities</p>
<p><b>Central government</b></p>	<p>Bi-monthly engagement with key officials across relevant departments</p> <hr/> <p>Ad hoc engagement with Ministers and Parliamentary Advisors</p> <hr/> <p>Site visits as requested</p>	<p>Policy Issues including the Domestic Stockholding Obligation</p> <hr/> <p>Auckland Jet Fuel and diesel supply chain resilience</p> <hr/> <p>Electricity transmission, distribution and supply costs</p> <hr/> <p>NZ Energy Strategy development</p> <hr/> <p>Immigration and workforce issues</p>
<p><b>Local government and regulators</b></p>	<p>Formal, scheduled meetings, including:</p> <ul style="list-style-type: none"> <li>• Marsden Point Liaison committee</li> <li>• Northland Refinery Working Group</li> </ul> <p>Ad hoc outreach as required on issues, including engagement with key regulators:</p> <ul style="list-style-type: none"> <li>• WorkSafe</li> <li>• Maritime NZ</li> <li>• FENZ</li> <li>• Electricity Authority</li> <li>• CAA, NRC, EPA, WDC</li> </ul>	<p>Local economic impacts of Channel Infrastructure</p> <hr/> <p>Consents to operate</p> <hr/> <p>Environmental management and site remediation</p> <hr/> <p>Future use of site (including water requirements) and growth opportunities</p> <hr/> <ul style="list-style-type: none"> <li>• Green fuel transition</li> <li>• Maranga Rā solar project</li> </ul> <hr/> <p>Environmental, health and safety performance</p>

STAKEHOLDER GROUP	HOW WE ENGAGE	SELECT AREAS OF INTEREST 2022
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### Neighbours, community

Annual attendance at community meetings:

- Whangarei Heads Community Association
- Ruakaka Ratepayer Association
- Marsden Point Liaison Committee

Social media updates and outreach

Letters and factsheets

Local impact of Channel business including resource consent activity

Terminal Safety Case

Growth and business development opportunities

Environmental management and site remediation

### Suppliers

Contract tender processes

Ad hoc engagement as required due to business needs

Supplier relationship management meetings

Site visits as requested

HSE and on-site protocols

Business-related issues

Environmental, health and safety performance

# Identifying our most material sustainability issues

**Channel Infrastructure closely considers the impact we have on the community and the environment in which we operate. We use an assessment of materiality to frame the Company's approach to ESG risk management, performance, and reporting.**

In early 2022, following changes in the regulatory environment in New Zealand, and to our business model, we revisited our materiality analysis to ensure it continued to be a relevant guide for our sustainability priorities. The material impacts review was a natural extension of our 2020 Strategic Review and the extensive stakeholder engagement which was involved throughout this period. Our review considered a wide range of sources, including relevant reference material from the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) and engaged external sustainability advisors.<sup>1</sup> We considered a large group of relevant issues, and stakeholders including short and long-term relationships and angles. We then determined three overarching categories: environmental performance; people and community; and governance and financial performance. Each issue within the different categories was arranged from most to least significant, and a threshold of significance was determined. From this, an updated and relevant list of Channel Infrastructure's material

sustainability issues was determined and approved by the Board of Directors in February 2022.

We are committed to going through this process in greater depth following the completion of the Company's transition in 2023.

Channel Infrastructure's Board of Directors is responsible for the oversight and governance of our material sustainability issues, while day-to-day management is the responsibility of the Chief Executive Officer. The three material issue categories noted above allow for the streamlined management and reporting of our ESG impacts.

<sup>1</sup> Consulted reference material at this stage included: GRI 11 Oil and Gas Sector 2021; SASB Infrastructure Sector Standards; and SASB Oil & Gas Sector Standards

Figure 15: ESG Materiality Matrix



● Environmental performance    ● People & community    ● Governance & financial performance

**Table 3: Material ESG issues and framework**

ENVIRONMENTAL	PEOPLE AND COMMUNITY	GOVERNANCE AND FINANCIAL
<p><b>Operational decarbonisation</b></p> <p>Addressing carbon emissions from our business operations, business travel, and purchased goods and services to reduce our impact on climate change</p> <p><b>Future fuels and energy industry transition</b></p> <p>Enabling and participating in New Zealand’s transition to more sustainable future fuels and energy</p> <p><b>Land, air, waste &amp; water management</b></p> <p>Minimising operational impacts on land, water and air while managing existing site contamination to reduce this over time. Working with our partners to enhance biodiversity</p> <p><b>Circularity</b></p> <p>Increasing material and operational efficiency to, where possible, attain zero waste and divert from landfills back into our supply chain</p>	<p><b>Workforce transition</b></p> <p>Conducting an ethical and just transition to an import terminal that minimises negative impacts on our people and the community</p> <p><b>People &amp; process safety</b></p> <p>Maintaining focus on people and process safety that surpass regulatory expectations</p> <p><b>Health &amp; wellbeing</b></p> <p>Cultivating and maintaining a healthy working environment which values employee wellbeing</p> <p><b>Iwi partnerships</b></p> <p>Recognising iwi responsibilities as mana whenua and kaitiaki over poupouwhenua, the land upon which we stand, and partnering to maintain and enhance the cultural health of our operational site and the surrounding coast, and informing our partners of potential changes and accounting for their views</p> <p><b>Access to skills</b></p> <p>Maintaining access to skilled labour for our industry and bridging capability gaps through training</p> <p><b>Culture &amp; diversity</b></p> <p>Attracting, supporting, and maintaining a diverse workforce and healthy working culture</p> <p><b>Community engagement</b></p> <p>Engaging our local community to partner in impactful ways and to continue as a responsible corporate citizen and neighbour</p> <p><b>Contribution to regional economy</b></p> <p>Making an impactful and sustainable contribution to the regional economy in which we work, as well as to New Zealand more broadly</p> <p><b>Supply chain due diligence</b></p> <p>Increasing transparency throughout our supply chain to promote a high standard of human rights</p>	<p><b>Security and quality of supply</b></p> <p>Ensuring our services support the delivery of reliable, high-quality fuel for our customers to accommodate their changing needs and maintain their competitiveness</p> <p><b>Governance transition</b></p> <p>Conducting an orderly, timely and seamless transition of our governance systems and processes to the new terminal business</p> <p><b>Access to capital</b></p> <p>Maintaining access to lending and financial capital amid changing stakeholder expectations for an environmental and social license to operate</p> <p><b>Electricity supply</b></p> <p>Supporting affordable and reliable access to electricity for our business</p> <p><b>Transparency &amp; disclosure</b></p> <p>Providing accurate and timely information about our sustainability impacts and performance</p> <p><b>Regulation &amp; policy</b></p> <p>Complying with, supporting and anticipating future regulations and policy</p>

The following sections of this report use this categorisation, but mostly omit elements related to financial performance as these are covered extensively in the Company's 2022 Annual Report. In this Report, we provide commentary on the eight material issues that were a particular focus for the Company in 2022 as follows:

	MATERIAL TOPIC	REFERENCES
<b>Health, safety and wellbeing</b>	Health and wellbeing support for our people	Personal health, safety and wellbeing, page 58
	People and process safety	Operational safety, page 61
<b>Diversity, equity and inclusion</b>	Workforce transition	Extensive transition support, page 75
	Culture and diversity	Diversity and engagement, page 73
<b>Environmental</b>	Operational decarbonisation and climate change	Atmosphere and climate change, page 66
	Land, waste & water management	Land, waste and water management, page 68
<b>Culture and partnerships</b>	Iwi partnerships	Partnering with our local iwi and mana whenua, page 79
	Community engagement	Working within our local communities, page 81

# Identifying our climate risks and opportunities

In line with TCFD recommendations, we have summarised the climate-related risks and opportunities considered relevant to our business in Table 4 below. Risks and opportunities have been considered across three future time horizons (consistent with our Transition Roadmap outlined on page 38 of this Report).

**Table 4: Climate change risks and opportunities**

TOPIC	DESCRIPTION OF RISK/OPPORTUNITY	MANAGEMENT ACTIONS AND PLANS
Policy	<p><b>Risks – Short term:</b></p> <p>New Zealand’s Climate Change Response (Zero Carbon) Amendment Act passed in 2019, setting a legislated target to reduce net emissions of all greenhouse gases (except biogenic methane) to zero by 2050. The New Zealand Emissions Trading Scheme (NZ ETS) is a key policy lever in the achievement of the 2050 target, based on forecast emissions budgets which will inform the allocation of NZ carbon credits to industry and through other mechanisms.</p> <p>Refining NZ was scheduled to join the NZ ETS from January 2023 as an Emissions-Intensive Trade-Exposed (EITE) business, with an industrial allocation of units based on a prior year baseline which would gradually be reduced towards 2030. Due to the conversion to an import terminal, Channel Infrastructure is substantially less exposed due to having virtually no Scope 1 emissions and much lower Scope 2 emissions (c. &gt;98 per cent total reduction on a 2019 baseline).</p> <p>The remaining direct exposure is associated with Scope 2 emissions from electricity consumption with the cost reflected in the wholesale electricity price, noting electricity consumption has decreased (by almost 90% per cent) following conversion.</p>	<p>Direct exposure to national climate policy is substantially lower following the Marsden Point conversion on the basis that direct (Scope 1 and 2) emissions are significantly lower. To further mitigate our carbon pricing risk exposure, we will continue to explore opportunities to develop renewable energy supply through our Maranga Rā solar project and other battery/solar projects planned for the region – either on a standalone basis or with partners.</p>

TOPIC	DESCRIPTION OF RISK/OPPORTUNITY	MANAGEMENT ACTIONS AND PLANS
	<p><b>Risks – Medium term</b></p> <p>Following conversion to an import terminal, our direct Scope 1 and some indirect Scope 2 emissions have moved upstream in our value chain, increasing upstream emissions in the shift. We would expect supply chain emissions intensity (i.e. per unit of product used by customers) to decrease over time with the opportunity to source fuel from larger, more energy efficient refineries in Asia. Our large storage capacity at Marsden Point is able to support larger shipping vessels, providing opportunity for further improvement in emissions efficiency of delivered fuel and lower upstream emissions intensity.</p> <p>Our business will, however, still be engaged in distributing refined oil products. As the NZ ETS increases pressure on emissions-intensive businesses, unpredictable carbon price impacts may result along our value chain (linked to customer emissions). These include the potential for indirect impacts if our customers in the fossil fuel sector experience financial stress.</p> <p>Different pacing of policy development in New Zealand compared to other regions may also result in volatile supply and demand dynamics across the transport fuel sector more broadly. In an extreme case, these dynamics may negatively influence the availability and affordability of fuel and consumer purchasing decisions in New Zealand.</p>	<p>We have a long history of working with the New Zealand Government to reduce emissions, and continue to advocate for effective policy design and implementation. Our intent is to work with the Government to support and facilitate the objectives of climate change policy while considering the need for a smooth and fair transition for emissions-intensive industries.</p> <p>We submitted our considered feedback to a number of Government consultation processes in this area, including New Zealand's first emissions reduction plan as well as the Sustainable Biofuels Mandate. We will continue to closely monitor the policy environment to understand implications for our sector and customers and, where appropriate, work with officials on supporting policy design.</p> <p>In addition, we are committed to actively working with our customers to measure and monitor Scope 3 emissions, and by utilising our infrastructure to mitigate these to the best of our abilities.</p>
	<p><b>Opportunities:</b></p> <p>The fuel and transport sector significantly contribute to climate change. In New Zealand, emissions from transportation (still mostly powered by fossil fuels) make up 21 per cent of the country's annual greenhouse gas emissions. The New Zealand Climate Change Commission's official 2021 carbon budgets highlighted that the transport sector must electrify and increase its use of biofuels, recommending a near-term focus on electric light vehicle uptake with the decarbonisation of heavy transport and aviation fuels to occur over a longer period of time.</p> <p>Our strategic location and existing infrastructure assets can readily be used to import, store and distribute biofuel quantities across our primary Auckland and Northland markets. Longer term, opportunities may also exist for the company to be involved in direct manufacture of these fuels, should this be viable.</p>	<p>Channel Infrastructure's strategic framework includes a strategic focus on supporting New Zealand's transition to a lower-carbon economy. To this end, we are in discussions with our customers on the potential use of our strategic infrastructure assets to enable the receipt, storage, testing and distribution of lower-emission fuels (biofuels, renewable fuels, and SAF). Longer-term opportunities being explored include production or storage of new energy sources such as hydrogen.</p> <p>Please see the 'Business Planning' section of this report for further information on the fuel demand models used to underpin our business planning.</p>

TOPIC	DESCRIPTION OF RISK/OPPORTUNITY	MANAGEMENT ACTIONS AND PLANS
<b>Markets</b>	<p><b>Risks – Short, medium and long term:</b></p> <p>Uncertainty in some market signals may affect our business planning. For example, electric vehicle uptake rates, market adoption of biofuels and use of hydrogen in transport and other applications will all influence the volumes and types of fuel commodities imported, distributed and potentially manufactured by our business over time.</p> <p>First generation biofuels (as distinct from second generation or ‘drop-in’ fuels), which can only be blended in small volumes, cannot be distributed via the pipeline to Auckland due to the risk of contamination of jet fuel supply, meaning that these fuels will need to be distributed via truck and road to the Auckland market, potentially by-passing our infrastructure.</p> <hr/> <p><b>Opportunities:</b></p> <p>As New Zealand tackles the challenge of decarbonisation, new markets for low or zero carbon fuels and associated storage and infrastructure requirements are expected to evolve and grow in response to policy drivers (as discussed above). In practice, decreasing costs and shifting customer preferences towards these fuels may further accelerate market growth, presenting strong opportunities to diversify Channel Infrastructure’s core business services and products.</p> <p>Second-generation biofuels (including Sustainable Aviation Fuel), which can be blended in much higher volumes, are suitable for distribution via the pipeline to Auckland, at one tenth of the emissions of equivalent road transport.</p>	<p>Channel Infrastructure operates under long-term agreements with our three existing customers (bp, Mobil and Z Energy) for the provision of import terminal services. Long-term agreements are also in place with customers to provide dedicated private storage. These agreements provide security for our business to navigate near term changes in supply and demand of different fuel commodities while exploring future opportunities to import, store and potentially manufacture lower carbon fuels, and assist the government in maintaining NZ’s fuel security via additional stockholding of diesel at Marsden Point.</p> <p>Please see the Business Planning section on page 34 for further information on the fuel demand models used to underpin our business planning.</p> <hr/> <p>Channel Infrastructure has already received, stored, tested and distributed the first import of SAF into New Zealand. Channel Infrastructure is also working in partnership with Fortescue Future Industries to explore the feasibility of green hydrogen production at Marsden Point, for domestic consumption. Please refer to the management actions summarised in the Policy topic above for more information.</p>
<b>Legal</b>	<p><b>Risks – Short, medium and long term:</b></p> <p>Channel Infrastructure has on-going responsibilities to disclose and manage foreseeable risks, including climate change.</p> <p>Recent years have also seen an increase in climate-related litigation claims by parties including climate activist groups and shareholders. For example, Refining NZ was one of seven defendants in High Court proceedings brought by a Northland climate change activist in 2020 attempting to legally force a reduction in greenhouse gas emissions (the claim was struck out, which the applicant has appealed). Execution of the Marsden Point conversion is expected to significantly reduce the risk of similar direct litigation in the future. However, we will continue to be linked to the fossil fuel supply chain more broadly in the short to medium term.</p>	<p>As detailed in the Governance section of this report, our Board is regularly briefed on climate change-related issues, and opportunities for repurposing our assets.</p> <p>The Board’s oversight is also reflected in the endorsement of the Company’s Climate Change Statement (published on page 18 of this report and on our website). This Sustainability Report, including climate disclosures, align with the recommendations of the TCFD.</p> <p>We also continue to monitor climate change litigation in our sector to ensure awareness of potential indirect impacts on our business.</p>

TOPIC	DESCRIPTION OF RISK/OPPORTUNITY	MANAGEMENT ACTIONS AND PLANS
<b>Reputation and social licence</b>	<p><b>Risks – Short to medium term:</b></p> <p>Investors and other stakeholders (including our workforce and local communities) take an active interest in our approach to managing climate-change related risks to, and opportunities for, the business. This is of particular relevance given the Company transitioned away from fossil fuel refining to the more flexible import terminal system, aligned with New Zealand's decarbonisation goals.</p> <p>Channel Infrastructure is still engaged in storing and distributing refined fuel products following our business conversion; as such some exposure also remains to negative public attitude towards fossil fuels. Among other impacts, this could affect our ability to attract and retain talent.</p> <hr/> <p><b>Opportunities:</b></p> <p>The changes made and approach taken by Channel Infrastructure to ensure a just transition for our people has provided a valuable opportunity to enhance our reach and reputation. By demonstrating leadership, inclusive growth and adaptation, we have worked hard to ensure our social licence is maintained and reputation is strengthened, putting us in a strong position to implement future growth strategies.</p> <p>We see further opportunities to strengthen our reputation through active involvement in the provision of low-carbon fuels to the New Zealand market in the medium to long term.</p>	<p>We work closely with our investors, iwi, local community, and other stakeholders to ensure we understand and meet their expectations on climate change-related matters. The strong shareholder endorsement of the Marsden Point Conversion Proposal indicated alignment on the fundamental strategic direction of the business, including acknowledgement of key climate-related issues. We will continue to proactively disclose our approach and progress on climate change-related risks and opportunities, including periodic reviews and updates to this report.</p> <p>Our focus during 2022 and into 2023 is on supporting those impacted by the change from refinery to terminal operations. Key commitments include a minimum six month notice period and six months' redundancy pay, as well as access to a broad range of training and placement programmes. Refer to the case study set out on page 77.</p> <hr/> <p>We have made a number of commitments and investments to prioritise and deliver on a just transition for those affected by the conversion of the Marsden Point operation.</p> <p>To further support our business-wide commitment to a just transition, our 90 per cent target for employees finding a new role or retraining within six months (described above) has once again been integrated into remuneration for all employees via inclusion in the Company Scorecard in 2023.</p>
<b>Technology</b>	<p><b>Opportunities:</b></p> <p>Technological advancements in the manufacture, transport and end-uses of low carbon fuels may accelerate their uptake across the New Zealand economy. This represents a sustainable growth opportunity for Channel Infrastructure to diversify our role as a provider of critical energy services to the economy.</p>	<p>During 2021, we completed a comprehensive review of opportunities for repurposing components of the Marsden Point site following the conversion. This included careful consideration of technological feasibility and maturity of different options, with extensive consultation undertaken across subject matter experts, potential partners and international refineries.</p> <p>This review identified a number of prospective options across the three future time horizons considered. One of these has resulted in the current partnership with Fortescue Future Industries to study the feasibility of green hydrogen production at Marsden Point for domestic consumption.</p> <p>In addition, we continue to monitor domestic and international technology developments which may represent commercially attractive opportunities for our business.</p>

TOPIC	DESCRIPTION OF RISK/OPPORTUNITY	MANAGEMENT ACTIONS AND PLANS
<b>Physical – acute/ chronic</b>	<p><b>Risks – Short, medium and long term (flooding disruptions):</b></p> <p>Channel Infrastructure's Marsden Point operation is located on the east coast of New Zealand, at the entrance to Whangarei Harbour and about 140 kilometres north of Auckland.</p> <p>Due to the location of the import terminal at the entrance to the Whangarei Harbour, the operation is vulnerable to extreme (acute) weather events such as storm surge or storm tide events. These may increase in frequency and severity over time, due to climate change. Subsequent flooding of the site could result in asset damage and business disruption including impacts along the supply chain.</p> <p>In addition, chronic impacts such as rising sea levels may reduce future effectiveness of the natural fore-dune barrier (between 6-12 metres) protecting the Marsden Point site, which is situated 4.3 metres above mean sea level.</p>	<p>We actively plan and prepare for weather impacts on our site and assets, with well-developed response systems, coastal erosion management framework and established incident management processes.</p> <p>In recent years, we have improved the resilience of our site to severe weather events through investments in our stormwater management systems and dune protection improvements.</p> <p>We maintain Material Damage and Business Interruption insurance for property damage and consequential business interruption as a financial mitigation of these risks. In 2022, following the transition to import terminal activities, the scope of cover was adjusted to reflect that of a terminal business.</p> <p>In 2023, Channel Infrastructure will undertake further scenario modelling and assessment to understand the physical impacts from a more severe climate change (a 4 degree global warming scenario).</p> <p>We also continue to monitor Climate Change Projections for New Zealand prepared by the Ministry for the Environment (MfE) (which draw on climate model simulations from the Intergovernmental Panel on Climate Change).</p>
	<p><b>Risks – Short, medium and long term (erosion impacts):</b></p> <p>Increasing frequency and severity of extreme weather events increases the risk of significant one-off erosion events at Marsden Point, noting that existing coastal processes have already been observed to be causing ongoing erosion issues.</p> <p>In addition, climate change induced sea level rise over time will increase erosion-related risks.</p>	<p>A coastal erosion hazard management strategy has been in place for the site since 2013. The plan was prepared with consideration of the adapted risk-based framework of the Ministry for the Environment's (MfE) Coastal Hazards and Climate Change Guidance Manual (2008).</p> <p>Surveys of the coastal foreshore around the location are undertaken regularly, and we are currently awaiting results from the most recent survey completed in November 2022. Information collected is used to inform and manage the risks from coastal erosion, integrated with the latest inundation maps and predicted coastal erosion lines from the local Northland Regional Council.</p> <p>The company hold the necessary consents to undertake further coastal erosion protection works if required.</p>

# Our 2022 performance



# Health, safety and wellbeing

## 2022 Performance Highlights



### Safe

Shutdown and decommissioning of refinery



### 1.8

TRCF and LTIF of 0.77 achieved through significant transition.



### 0

Tier I or Tier II process safety incidents



### 100%

Marsden Point to Auckland **pipeline inspected** using a Pipeline Integrity Gauge

### 2209

Hauora Hikoi (Safety Walks) and Hauora Kōrero (Safety Talks)

### 20%

Reduction in fatigue risk through new shift and roster system for the terminal

# Personal health, safety and wellbeing

## Our Approach

The safety of our workplace and the health and wellbeing of our people are an intrinsic part of our care value, which sits at the heart of the on-site culture.

We see safety as inclusive of the physical, mental, and social aspects of the issue. We have a responsibility to provide safe and healthy working conditions for all employees and contractors working for us. This responsibility is a core aspect of our business and is grounded in the United Nations' Guiding Principles on Business and Human Rights (UNGP) and the UN SDG 3 Good Health and SDG 8 Decent Work and Economic Growth.

We maintain our commitment of 'Everyone Safely Home Every Day' and actively value and protect the physical and mental health and safety of all those who come to our site, be they permanent employees, contractors, or visitors. We acknowledge this is a critical responsibility and that our operations contribute to the welfare of our people and the surrounding communities. We also acknowledge the International Labour Organization (ILO) and United Nations' Guiding Principles on Business and Human Rights (UNGP) definitions for workplace health and safety<sup>1</sup>, as well as the link to a universal human right to work safely.

## Our 2022 Performance

Our transition from a refinery to an import terminal created change and uncertainty for many of our team; supporting them through this period, not just into their future employment opportunities but in their mental health, has been a huge focus for the business. Ensuring we have a broad range of mental health support services available was, and continues to be, key to contributing to the wellbeing of our staff.

### Fatigue Management

As part of our planning for the establishment of a new roster structure to operate the import terminal business, we engaged expert external consultants, to provide advice in relation to shift and roster design to help manage fatigue and work/life balance while still meeting business needs. The case study set out on page 60, outlines how biomathematical modelling was used to reduce risk, and deliver a new shift pattern for our team.

### Kaihautū (Leader) Safety Awards

To support the Company's focus on safety and mental wellbeing across site, we developed the E Tū Tangata (Stand in the Gap) safety culture programme. This employee-led initiative incorporates values from Te Ao Māori into the culture strategy and celebrates diversity, which has contributed greatly to the health, safety and wellbeing culture that we have on site today. Each quarter we celebrate safety leadership through the Kaihautū (Leader) safety awards which aims to empower front-line workers to take ownership of their own, and their team's safety, and recognises a member of the team who has had a tangible impact on safety across the site.

<sup>1</sup>The ILO considers health, safety, and wellbeing in the workplace – often referred to as occupational health and safety (OHS) as the “discipline dealing with the prevention of work-related injuries and diseases, as well as the protection and promotion of the health of workers”. The UNGP defines occupational safety and health as the improvement of working conditions and working environments for workers to ensure their safety and health are maintained while working and provide compensation if a work-related injury occurs. These international instruments are grounded in the Universal Declaration of Human Rights Article 3, which states “everyone has the right to life, liberty and security of person”.

## 'Care' Framework

This framework provides key support services to ensure all employees have access to support for their mental health. Care, an initiative that started as a way of supporting our people during major workforce changes, includes on-site counselling, workshops and wellbeing initiatives designed to support mental health, and COVID-19 support. Care also includes our 'Grow Hub' which provides ongoing transition support in the form of workshops, coaching and 'lunch and learns' to support our people with vital job seeker initiatives. This framework of support remains an ongoing resource available to staff at all times.

## Hauora Hikoi and Hauora Kōrero

Underpinning the safety initiatives and structures are our Hauora Hikoi (Safety Walks) and Hauora Kōrero (Safety Talks), which are undertaken by people across the business. These initiatives encourage site leadership and workers to engage on safety across our site, through on-site visits and toolbox talks. In 2022, over 1,260 safety discussions (Hauora Kōrero) were undertaken across the business, providing an opportunity for colleagues to discuss and learn from each other. There were over 940 safety walks (Hauora Hikoi) undertaken as well, which is an important investment of time by our team in sharing knowledge from different operations across the business.

## COVID-19 Support

Throughout 2022, we continued to support our people with the impacts of the COVID-19 virus. As well as maintaining strict on-site protocols to keep our people safe at work, and adherence to the most up-to-date Ministry of Health advice, we provided additional tailored support measures to those who were isolating with the virus. This was important to ensure that our people who were sick had the support they needed at home to recover and return to work. As a result of our strict on-site protocols, we were able to ensure safe operations and maintain minimum staffing levels throughout the high-risk shutdown period, as well as subsequently throughout decommissioning.

## Total Recordable Case Frequency (TRCF) and Lost Time Injury Frequency (LTIF)

From a personal safety performance perspective in 2022, with the change in intensity and type of work associated with refinery decommissioning and conversion project work we've seen an increase in minor injuries occurring on site and our recordable and lost time injury frequency rates were 1.80 and 0.77 per 200,000 hours worked respectively. (2021: 0 TRCF, 0 LTIF). While each of these events presented important lessons from which we have embedded learnings, none of the injuries that occurred in 2022 were serious and all workers have made a full recovery and returned to work. Given the period of significant change and uncertainty, including the shutdown and decommissioning of the refining plant, it is a very significant achievement by our employees and contractors working on site, that this work was completed without any serious safety incidents – an achievement that we are very proud of.



## Case Study - Fatigue Management

We remain a continuous, 24/7, 365 days a year operation, therefore to meet our operational and business needs, we must work hard to manage, and mitigate risk when undertaking rotating shift work during non-standard hours. Our operations today may be simpler than when we were running a refinery, however, we continue to manage safety-critical processes requiring an effective fatigue risk management approach. As part of our preparation for the transition to a new business model, a key component in the design of the organisation structure was the management of fatigue risk, and a focus on "shifts and rosters design".

With the support of specialist consulting firm Melius, we aimed to:

- Develop a shift and roster system that reduced risk to team members, supported good work/life balance and gave our team flexibility
- Comply with relevant laws and regulations regarding work environment safety and occupational hazards in New Zealand and align with global best practices
- Deploy a shift and roster system that meets the business's operational and cost requirements.

We engaged with operational leaders, Operations team members, as well as members of our Human Resources and Health and Safety teams to ensure all variables

and inputs were considered. We utilised a validated scientific tool known as biomathematical modelling to analyse the current and proposed shifts and rosters. This combination of biological factors and mathematical formulas provides a numerical output that can be equated to risk, alertness, or cognitive impairment. Biomathematical modelling has been used successfully for designing, evaluating and assessing work hours or optimising physical and human resources in mining, military, rail and aviation.

Using the Safety Activity Fatigue Task Effectiveness (SAFTE) model, an algorithm incorporates a range of modelling techniques and takes account of external factors such as natural light cycles and sleep variables.

Utilising a combination of engagement workshops, communication sessions and scientific analysis, we developed a shift and roster system for a five-week rolling period that met operational needs, allowed up to three weekends off over the five weeks, minimised night shifts, allowed flexibility and complied with the Health and Safety at Work Act 2015 (HSWA) and 'Managing the risks of shift work guidance for PCBU's', April 2021 issued by WorkSafe NZ.. More importantly, the shift and roster system was assessed as delivering a 20 per cent reduction in risk compared to the previous rosters in place at Marsden Point.

# Operational safety

## Our Approach

As the provider of infrastructure that is critical to the New Zealand transport fuels' supply chain, we take our obligations seriously to ensure the safety and reliability of our infrastructure to keep Aotearoa moving.

Given the criticality of our infrastructure, we have a comprehensive Safety Management System which covers both the Marsden Point site and the pipeline operations. As a high hazard facility, we work within a system of stringent safety policies and controls to comply with New Zealand's Health and Safety at Work Act 2015. To demonstrate our ability to operate safely with control over potential hazards, we have a comprehensive Safety Case. The Safety Case details the hazards that, left unchecked, could result in major incidents, along with the measures used to prevent such incidents occurring and the emergency response systems to reduce consequences should an incident occur. A summary of Channel Infrastructure's Safety Case is available on our website at [www.channelnz.com](http://www.channelnz.com).

## Asset Management Plans

As part of the broader business transition, we are currently developing detailed asset management plans to outline the activities and investment required to ensure the long-term sustainable safe and reliable operation of our infrastructure assets. Through the asset management process, our strategic objectives and asset performance requirements are translated into the asset lifecycle decision process. In this way we ensure that future asset maintenance, upgrade and replacement supports the needs of the business and stakeholders.

The completion of the asset management plans is a key focus for 2023 to ensure that we have robust asset plans in place from 2024.

## Maintaining the Operational Integrity of our Pipeline

The Marsden Point to Auckland Pipeline supplies most of Auckland's fuel requirements and all of the jet fuel to Auckland International Airport. It is critical to our operations and critical to New Zealand's fuel supply chain.

We undertake rigorous monitoring and strict compliance activities to ensure pipeline integrity is maintained, this includes monthly patrols along the length of the underground pipeline, as well as ongoing communication with the owners of land through which the pipeline easement passes. We also work hard to ensure that landowners are aware of the requirements that apply within the designated easement area of the pipeline, and what activity is and is not permitted. The pipeline is identified in district planning maps of three councils (Whangarei, Kaipara, and Auckland) appearing in council computerised databases, and is registered on all relevant land titles.

The pipeline operates under a mandatory Certificate of Fitness issued by an accredited Inspection Body on a five-yearly basis with annual surveillance audits for compliance and demonstration of its Integrity Management System.

Our pipeline traverses 170km of land ranging from rural farmland, sensitive ecological areas to the busy urban environments of Auckland. To ensure the pipeline does not impact on this diverse range of environments, as part of the pipeline management system we maintain an Environmental Management System (EMS) to the Code of Environmental Practice – Onshore Pipelines, produced by the Australian Pipelines Gas Association (APGA). The management system has been set in place to ensure that all aspects of work performed by staff, contractors and service providers will have minimal impact on the environment – including landowners, public, flora and fauna and existing historical sites and infrastructure.

All known areas of sensitivity are red flagged on the 1km-wide corridor from Marsden Point to Wiri in South Auckland. Our maps are reviewed for any new areas requiring additional protection for their sensitive nature. With the continued support of Channel Infrastructure staff, contractors, consultants, local authorities and landowners, we maintain it to the AS 2885.3 Standard.

In 2017, the pipeline suffered a disruption, when a digger operating in the easement without authorisation struck the pipe and caused it to rupture. The Government initiated a review into the incident which found that Refining NZ had properly maintained the pipeline and easement. Since the review's completion, our company has undertaken all additional recommendations directed to us to strengthen protections of the pipeline and we continue to advocate for the resolution of other recommendations, including action on Auckland's jet fuel storage capacity and infrastructure protections.

## Our 2022 Performance

A strong focus for the business in 2022 was to safely transition our high hazard facilities to import terminal operations. This complex task has involved the successful shutdown and decommissioning of the refining plant, project work to support terminal operations and substantial changes to our safety and emergency management systems to ensure safe operation of the terminal business. We are delighted that this transition has been achieved safely, while supporting our long-serving workforce through the change and uncertainty.

### Safety Case

Our comprehensive Safety Case was updated to reflect import terminal operations in 2022 and approved by WorkSafe. For more detail, refer to our Safety Case Summary available on our website ([www.channelnz.com](http://www.channelnz.com)).

### Tier 1 and 2 Process Safety Incidents

We had zero Tier 1 or Tier 2 process safety incidents in 2022, an improvement from the previous year's performance of two Tier 1 incidents, which is a considerable achievement given the complexity of works

undertaken through the refinery decommissioning and conversion work.

### Emergency Response Training

During 2022 we have completed a broad range of emergency exercises and emergency response training as part of our transition to terminal operations. This included training of terminal operations staff on terminal emergency response procedures, multi-agency exercises with Fire and Emergency NZ to test terminal emergency and incident management procedures, and oil spill response training for all terminal operations staff, including two oil spill response exercises in conjunction with Maritime NZ and Northland Regional Council. Through our transition programme we are making considerable investments in emergency response equipment, facilities and training to ensure that we are well placed to respond to emergency situations that may arise at Marsden Point, until emergency response agencies arrive.

### Pipeline Integrity Management

In 2022, we carried out two significant land slip remediations in northwest Auckland to stabilise ground around our pipeline and prevent potential damage to the pipeline. After having completed remediation of all previously identified maintenance in 2021, we completed the regular full inspection of the pipeline internals in 2022 using a Pipeline Integrity Gauge which provides assurance regarding the ongoing integrity of the pipeline and helps plan any future maintenance requirements. Further information is provided in the case study set out on page 63.

## OUR FOCUS FOR 2023

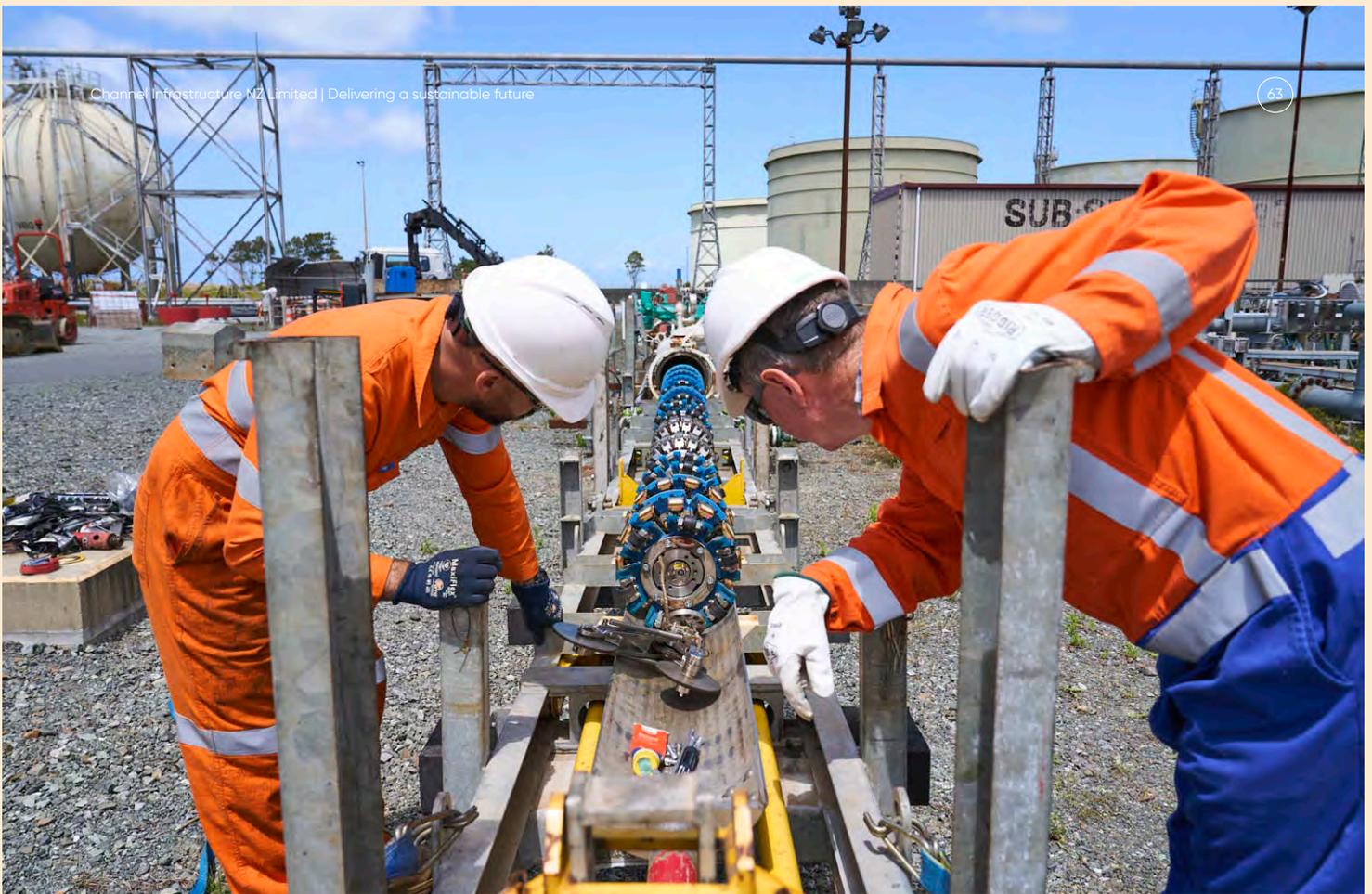
Maintaining safe and reliable terminal operations

Publish the first iteration of the terminal asset management plan

Transition of primary emergency response capability to external agencies

Embedding the new safety and compliance management systems

Optimising preventative maintenance programmes and maintenance execution model



## Case Study – Managing the Pipeline

Given the criticality of the pipeline to our business, and to keeping Auckland supplied with fuel, we undertake rigorous monitoring and strict compliance activities to ensure the integrity of the pipeline is maintained. To get an accurate picture of the inside of the pipeline, every five years, we send an exceptionally accurate in-line inspection tool called a Pipeline Integrity Gauge (PIG) through the pipeline, to determine the precise condition of the pipeline and to pinpoint any locations where maintenance may be needed.

In October 2022, working with ROSEN who own the technology, we undertook our latest PIG survey to check every millimeter of the 170km pipeline, inspecting for a number of important characteristics both inside, and along the outside easement of the pipe. The survey compares its millimetre-by-millimetre assessment of the

internals of the pipe against past datasets to detect any changes so we can carry out early preventative maintenance. The PIG survey checks for things including wall thickness, integrity, any sign of future stress fractures, or potential areas of cracking, and gives us an accurate picture of what is happening beneath the ground and inside the pipe.

The results of our most recent survey are designed to confirm that the pipeline is in good shape for continued use which will enable us to complete a comprehensive Fitness for Service (FFS) assessment report supporting the pipeline Certificate of Fitness. With these important checks undertaken, we are assured of the integrity of the pipeline, and can continue uninterrupted operation of this piece of nationally significant infrastructure, keeping Auckland supplied with the transport fuel it needs.

# Environmental performance

## 2022 Performance Highlights



**>98%**

Reduction in Scope 1 & 2 emissions



**Over 1,255**

Tonnes of decommissioned metals recycled



**30%**

Reduction in the extent of the legacy groundwater contamination in past 6 years



**78%**

Reduction in water consumption during 2022, saving 641 M litres

## Our Approach

Channel Infrastructure is committed to maintaining the highest standard of environmental performance and protecting the unique environment in which we operate. We take these commitments very seriously. We also live and work at Marsden Point and the surrounding community is our community too.

As noted earlier, Channel Infrastructure seeks to reduce our carbon footprint, build resilience to climate change risks, and responsibly contribute to achieving New Zealand and global decarbonisation targets. We seek to do this while acting as responsible managers of the land and sea upon which we operate. Moreover, our environmental commitments extend beyond carbon emissions to include waste, wastewater, land contamination and erosion, all of which must be managed responsibly.

We actively plan and prepare for weather impacts on our site and assets, with well-developed response systems, coastal erosion management framework and established incident management processes. In recent years, we have improved the resilience of our site to severe weather events through investments in our stormwater management systems and dune protection improvements. In 2023, we will be undertaking work to assess site resilience to an extreme 4 degree warming scenario to inform a range of short and long-term coastal erosion management options and ensure robust long-term Asset Management Plans are in place.

In addition to the above we are developing a Coastal Landscape Management Plan in conjunction with our iwi partners, which will, among other things, include dune planting to improve dune resilience to erosion events.

Our environmental management systems include monitoring of our discharges to air and water, soil and groundwater management, awareness and permit to work controls, as well as cleaning and remediation of all leaks or spillage. More information on our environmental management systems can be attained on the Environment section of our website at [www.channelnz.com](http://www.channelnz.com).



# Atmosphere and climate change

To hold ourselves to account and ensure that we focus our efforts where we can make the most impact along our Climate Transition Roadmap, in early 2022 we set a range of transition targets and measure our performance against those targets. Our targets are:

## Net Zero

Net zero Scope 1 and 2 emissions by 2030

## Customer Scope 3

Our infrastructure is utilised to support the decarbonisation of New Zealand's transport sector and facilitate customer Scope 3 emissions reduction by 2030

## Just Transition

At least 90 per cent of employees seeking new employment find new roles, or have been retrained, within six months.

In this section, we outline our 2022 performance outcomes against the first two targets.

TARGET	TARGET DELIVERABLE	2022 ACTIONS	2022 PERFORMANCE OUTCOMES
<b>NET ZERO</b> Net zero Scope 1 and 2 emissions by 2030	<ul style="list-style-type: none"> <li>Following closure of the refinery, our emissions are primarily from our electricity use and the use of some diesel for vehicles and pumps on our site.</li> <li>We will seek to eliminate our residual Scope 1 and 2 emissions through operational improvements, renewable electricity supply and the use of high-quality offsets, where emissions reductions are not otherwise accessible.</li> <li>We see opportunity to move to renewable electricity supply.</li> </ul>	<ul style="list-style-type: none"> <li>With the refinery closure and decommissioning completed, Scope 1 and 2 emissions reduced from 1,257,173 tonnes CO<sub>2</sub> in 2019 to 284,261 tonnes in 2022.</li> <li>From Q2 2022, following the refinery closure, we saw a &gt;98 per cent reduction of CO<sub>2</sub> emissions from site compared to 2019 levels.</li> <li>It is acknowledged that some of the Scope 1 and Scope 2 emissions will have moved upstream in our value chain. Nonetheless, the emissions intensity of the fuel that our infrastructure delivers to customers is expected to decrease over time as discussed in Our Climate Transition Roadmap on page 38.</li> <li>Following the conversion, emissions from direct (Scope 1) sources are now minimal, arising from small quantities of fuel combustion in vehicles, off-road equipment, boilers, pumps and generators, as well as some ongoing fugitive emissions from tanks, valves and flanges. Scope 2 emissions largely come from consumption of electricity generated off site.</li> <li>In August 2022, we issued an RFI seeking proposals for long-term electricity supply. We are currently exploring opportunities to improve our electricity supply.</li> </ul>	<ul style="list-style-type: none"> <li>The reduction in our site emissions by over 98 per cent (&gt;1 million Tonnes of CO<sub>2</sub> per annum), has directly contributed half of the required emissions reductions New Zealand needs to meet its first emissions reduction budgets.</li> <li>An almost 90 per cent reduction in electricity consumption and no natural gas requirements – reducing thermal generation demand and supporting New Zealand's wider efforts to decarbonise.</li> </ul>

TARGET	TARGET DELIVERABLE	2022 ACTIONS	2022 PERFORMANCE OUTCOMES
<b>CUSTOMER SCOPE 3</b> Our infrastructure is utilised to support the decarbonisation of New Zealand's transport sector and facilitate customer Scope 3 emissions reduction by 2030	<ul style="list-style-type: none"> <li>Customer emissions, including end-user Scope 3 emissions, make up the majority of Channel Infrastructure's supply chain emissions profile.</li> <li>Channel Infrastructure has a critical role to play in finding solutions to deliver transport fuel which is low-carbon, affordable and available when needed.</li> <li>Our goal is to ensure that our existing infrastructure is utilised to support the decarbonisation of New Zealand's transport sector through the use of biofuels and Sustainable Aviation Fuel.</li> <li>We are committed to working with customers to measure and manage Scope 3 emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Discussions are underway with customers and Government on the infrastructure required to support the biofuels obligation.</li> <li>Discussions with Air NZ continue regarding the Air NZ/MBIE SAF feasibility study.</li> <li>Fortescue Future Industries study is underway into the feasibility of producing green hydrogen and green hydrogen products at Marsden Point for domestic use in New Zealand, with the range of potential uses including natural gas substitution, transport fuel and the production of SAF.</li> </ul>	<ul style="list-style-type: none"> <li>First SAF import into the country received through Marsden Point in September 2022 and delivered via the pipeline into Auckland.</li> <li>First phase of the Fortescue Future Industries (FFI) study completed.</li> </ul>

## Land, waste and water

In 2021, we undertook an extensive investigation of the impacts of our operations as part of our resource consent renewal and in preparation for our transition. This assessment reviewed our operations' effects on the harbour, land, air quality and the surrounding community and found that there has been minimal impact beyond our boundary or risk of harm to the environment. Our operation today as an import terminal remains firmly in line with the heavy industrial zoning of the Marsden Point area. We worked closely with the Northland Regional Council and iwi, and in 2021, we were granted a Resource Consent with a 35-year term to continue operating our heavy industrial site. The consent set sound environmental standards for the management of our site over the long-term, given we have a long-term commitment to remain operating at Marsden Point.

Following the shutdown of the refinery processing units, we continue to work hard on remediating the groundwater beneath our site, due to the presence of legacy hydrocarbon contamination. Our extensive groundwater remediation network of 140 wells, spread across our entire site, have been continuously operating for a number of years to contain and reduce this contamination. And it's working: over the past six years we have seen a 30 per cent reduction in the size of this legacy contamination, and we expect to see this continue to decline over the coming years, now that we have stopped refining. We will continue working to fix this legacy contamination, and we have allocated funding to continue this important work and ensure that the groundwater that leaves our site remains free of hydrocarbons.

Unlike other industrial sites in New Zealand, there are no stockpiles of leftover toxic materials from oil refining that need to be disposed of at Marsden Point. That is because, when we were operating as a Refinery, we recycled, reused, or sold all of the by-products and waste from the refining process: from CO<sub>2</sub> and bitumen to sulphur for use in the fertiliser industry. Other waste such as catalyst was sent offsite for reprocessing or disposal.

An important part of the closure of any heavy industrial process, is the decommissioning of the assets that are no longer required.

Permanent decommissioning of the refinery process plant is now nearing completion and on track to be completed in the first half of 2023. The refinery will be left in a state that is safe and structurally sound for at least 10 years allowing time for us to explore options for future repurposing of these parts of the site. The huge task of decommissioning involved:

- The removal of over 1,500 tonnes of catalyst which is ready for export to Singapore, where it will be regenerated for reuse in other facilities
- 1,255 tonnes of steel sent for recycling
- 219 heat exchangers removed for recycling
- More than 100 columns and vessels opened and cleaned, with 99 per cent of all hydrocarbons removed from processing units.

More information about our waste management plans can be found on page 71.

### Waste

Steel, aluminium, paper and other waste is recycled responsibly. As part of our waste management programme, we recycled more than 1,255 tonnes of material, including steel, aluminium and additional wood from the decommissioning of the refinery. Read more in our Waste Management case study on page 71 of this report.

### Wastewater

Wastewater on-site is treated through our on site effluent water treatment plant. Stormwater, treated wastewater and recovered groundwater is collected in our stormwater basin where it is continually monitored before being discharged to ensure it remains within the strict quality limits of our resource consent. In recent years, we have invested c.\$25 million in improving our wastewater collection and treatment systems to ensure they remain robust. During 2022 we experienced a number of severe weather events, resulting in 3 non-compliances with our consent conditions. We have acted promptly to report, investigate and embed learnings from these events to ensure our systems are robust to future weather events.

## Water Consumption

As a result of the transition to import terminal operations our site water consumption has already reduced considerably. Water consumption for the second half of 2022 was around 839 m<sup>3</sup> per day, a reduction of 78 per cent on the prior refinery operation, and we plan to reduce this further as the final stages of the refinery process plant decommissioning is completed in 2023.

## Erosion Management Strategy

Recent studies have observed and confirmed evidence of erosion at the coastal site boundary, and identified the future possibility of ongoing erosion events, such as storms and tsunami aggravated by sea level rise and changing weather patterns because of climate change. Our erosion management strategy aims to manage the dynamic coastal environment in which we operate in a way that provides resilience to our nationally significant infrastructure while appropriately recognising its wider social, cultural, and environmental values.

The strategy includes monitoring of the dunes of the coastal foreshore to track movement or recession over time. Our mapping, along with information from the Northland Regional Council, has been used to predict and track expected retreat of the dunes over the next 35 to 50 years so that we can make the necessary investments now to manage the potential retreat from land that is most at risk of weather-related impacts over this time period. Our most recent coastal survey was undertaken at the end of 2022 and will be used to update our erosion management strategy.

## Site Remediation

An important piece of work that remains ongoing is the remediation of our site, following the refinery closure. There is an ongoing need to remediate the groundwater beneath our site, and work to complete this is fully funded for the lifetime of the project. During the time the refinery operated, there was hydrocarbon leakage beneath the now shutdown process plant. To fix this, our extensive groundwater remediation network of 140 wells, spread across our entire site, are continuously operating to contain and reduce the contamination, and have been for some years.

And it's working: we have seen a measurable decrease in the size of this legacy contamination of c.30 per cent, and we expect to see this continue to decline over the next few years now that we have stopped refining. We will continue working to fix this legacy contamination, and we have allocated funding as part of our ongoing costs to operate the terminal to continue this important work and ensure that the groundwater that leaves our site is free of hydrocarbons.

Data tables, summarising our environmental performance over the last five years against a range of metrics can be found in Appendix 2.



## EPA Prosecution Conclusion

In 2021, there was an unauthorised discharge of fire-fighting foam used during a fire training exercise. When we were made aware of this issue, we acted immediately to report the incident to the Environmental Protection Authority (EPA), the Northland Regional Council and tangata whenua, and since then we have fully cooperated with the EPA as they undertook their investigations on this matter. At the same time, our priority has been to minimise the impact of this incident on the surrounding environment. We are disappointed our on-site standing instructions as to the use of the PFAS firefighting foam were not followed, and have since strengthened the monitoring and our on-site enforcement to ensure it does not happen again. Following the closure of the refinery all PFAS firefighting foam has now been removed from site and we no longer have an on-site firefighting training facility.

In November 2022, the Environmental Protection Agency prosecution process concluded.<sup>1</sup> We pled guilty, accepting our responsibility, and our focus now is on ensuring that an avoidable incident such as this never happens again. We have been working hard with our iwi partners to monitor for any adverse impacts of this discharge, and we are pleased that our testing has confirmed there were no concentrations of this substance in nearby biota.

## OUR FOCUS IN 2023

Complete Fortescue Future Industries (FFI) study (2<sup>nd</sup> phase) on hydrogen production

Continue to assess Sustainable Aviation Fuels options at Marsden Point

Assess physical impacts from a 4-degree global warming scenario

Extend our climate change reporting disclosures in accordance with XRB requirements

Work with customers on Scope 3 emissions reporting

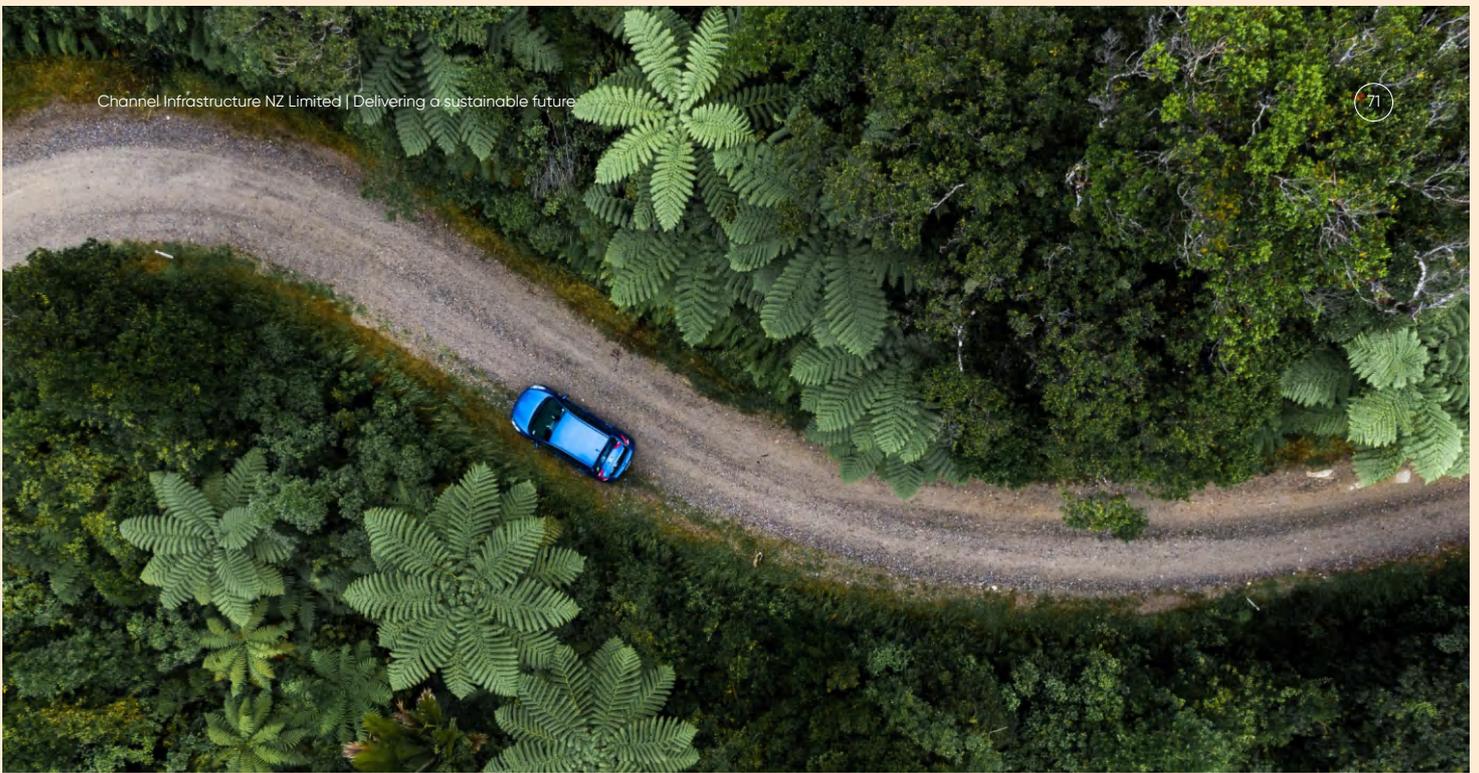
Continue programme of groundwater remediation

Increase reliability of groundwater network by implementing improved asset maintenance strategies

Establish pathway for 20 per cent reduction in waste to landfill

Expand our environmental pest control by supporting Mediterranean Fan Worm Research

<sup>1</sup> Channel Infrastructure was fined \$169,000



## Case Study – Waste Management

Throughout the decommissioning project and the dismantling of the refinery, we have made a commitment to prioritise the reuse and recycling of materials as much as possible, and only if we cannot find an alternative use, is the material disposed of in a responsible manner. In line with that commitment, we have had a team dedicated to sourcing alternative uses for the materials that have come out of the refinery, including precious metals, catalyst, and scrap wood.

Recycling steel, aluminum, copper, brass and other metals keeps these materials out of landfills, as they are metals that can be used again and again. As we have decommissioned the Marsden Point refinery processing units and 219 heat exchangers, we have sent over 1,255 tonnes of metals, to be reused in a number of ways and helping to contribute to a more sustainable planet without the need for mining new metal ores.

Catalyst, a chemical substance that is used to increase the rate of chemical reactions within the refining process, and can be re-used in other refineries around the world once treated, and has been recycled with over 1,500 tonnes of catalyst to be exported. Before it is recycled, we reclaim and recycle the metals in the catalyst, and remove carbon and hydrocarbon contaminants. Over 30 tonnes of scrap wood has been removed from the site in the second half of 2022. This is then turned into woodchip and supplied to Golden Bay Cement in Whangarei, to fire their kiln.

From within the pipes, and various pumps and compressors that were used to run the refinery, we

have so far collected 47,000 litres of lube and seal oil. Lube and seal oil is being recycled into a cost-effective heating fuel which is used to power various NZ industries including horticulture, floriculture, timber processing, meat processing and bitumen plants. It is typically used for boilers and kilns. The recycled fuel oil meets the specification requirements of the EPA (Environmental Protection Agency).

Our commitment to responsible waste management is also reflected in our day-to-day operations. When we were operating the refinery, with a much larger workforce and more operations taking place on site, we recycled more than 190 tonnes of material, including steel, aluminium and paper, every year. Today, our recycling footprint is smaller, because we have fewer people on site, and a smaller day-to-day operation. Nonetheless, recycling remains a core part of our environmental management practices and in the future, we aim to achieve a 20 per cent reduction in waste to landfill compared to 2022 (measured by tonnes). At the same time, we are working hard to embed a culture of waste elimination by championing the small but impactful initiatives such as providing all staff with a branded 'keep cup' to limit the number of single use coffee cups brought onto site, and have completely removed single use polystyrene cups from site, and replaced plastic spoons and forks in the café with wooden renewable material ones. We have policies around the printing of documents and we recycle printer cartridges. In early 2023, we began a trial to collect single use PPE such as nitrile gloves, ear plugs, safety glasses and masks for recycling.

# Diversity, equity, and inclusion

## 2022 Performance Highlights



**97%**

Of our people affected by the closure of the refinery, supported into their next opportunity within six months, exceeding our target of 90%



**2260+**

Hours (or an average of 11 hours per employee) invested in transition support



**\$29 M**

Paid to employees as redundancy and entitlement benefits



**36%**

Of the corporate and senior leadership team identify as female

# Diversity and engagement

## Our Approach

From the beginning of the Company's Strategic Review, our Corporate Leadership Team committed to treating everyone with respect and dignity, as we worked through what changes might be required in the future plans for our business. This commitment continues today, and diversity and inclusion are important aspects of our culture at Channel Infrastructure. These two pillars were identified by our materiality assessment as impactful to the Company. We value diverse backgrounds and technical experience as a source of strength, which has been important as we made our transition to import terminal operations. We recognise the importance of adaptability and are committed to improving the ways we respect, connect with, and empower, our diverse workforce to improve the Company as a whole.

Our commitments to a diverse and inclusive work culture contributes to UN SDG 5 Gender Equality and should be considered with reference to international instruments including the UN Convention on Discrimination Against Women and the UN LGBTI Standards of Conduct for Business. Channel Infrastructure's specific values and commitments are detailed in our Diversity and Inclusion Policy (available on the website under Governance), noting that the Company commits to four core diversity principles:

- Diversity will be pervasive and evident throughout all levels of the organisation
- We will gain and retain top talent by attracting a diverse candidate pool
- Our decision making will be enhanced by the richness of the experiences and backgrounds of our people
- The way we lead and the way we behave, will demonstrate the value we place on diversity.

These diversity principles practically manifest through our recruitment, talent management, inclusive communication, performance management, values and succession planning.

The Company's Diversity and Inclusion Policy also states the Company's definition of diversity, and details what metrics are captured and monitored.<sup>1</sup> These metrics are recommended to the Board by the Corporate Lead Team with the Board annually assessing progress towards diversity objectives while also making any required updates or revisions to the policy.

## Our 2022 Performance

Our 2022 diversity and inclusion metrics are depicted in the data table included in Appendix 2. At the end of the year, Channel Infrastructure had employees from 12 different countries and 9 different ethnicities working at the Marsden Point site.

### Diversity

Through the transition to import terminal operations and the establishment of the new organisation, we made significant progress towards increasing diversity within the Company:

- 43 per cent of the Board identify as female, up from the previous year's 29 per cent
- 36 per cent of the corporate and senior leadership team identify as female (this is an increase from 27 per cent in the previous year)
- 36 per cent of women employed are in leadership positions
- Of our workforce employees 23 per cent identify as women, 76 per cent male and 1 per cent other.

<sup>1</sup> Channel Infrastructure's Diversity and Inclusion Policy defines diversity to include gender, gender identity, disability, sexual orientation, religion, age, ethnicity, backgrounds, cultures, and worldly experiences

Most of the changes in our diversity and inclusion metrics stem from a higher than usual degree of change resulting from our transition to an import terminal. Now that the people transition is largely complete, we have reset our baseline and set ourselves new targets.

Three female board members, together with our CEO Naomi James, and Chief People Officer, Caz Jackson, play an important role in setting the scene for women in our business. In addition, we have a strong senior leadership bench with female leaders sitting in key operational roles across operations and the business as a whole. We are proud of the gender diversity across our Board and senior leadership, and we are committed to prioritising this advantage into the future.

### Pay Equity and Living Wage

We are focused on and committed to pay equity, already taking steps to ensure equity for all employees. The gender pay equity gap for the business was assessed at 16 per cent in 2022. Channel Infrastructure will continue to review and monitor pay equity into the future. In the current year, we formally committed to paying the Living Wage.

### Parental Leave Policy

In 2022, we significantly extended our parental leave policy to support families by offering:

- 26 weeks paid parental leave for the primary caregiver, with the Company “topping-up” the Government contribution to the employee’s current remuneration
- Two weeks paid and two weeks unpaid leave, for the secondary caregiver.

The new policy, which was built with the help of a number of our senior women, ensures that our families are financially supported, to enable them to take the time out that they need while helping to ensure that our women stay and grow their careers with us.

### Human Rights

Modern slavery is a key human rights risk, both in operations and in supply chains. Channel Infrastructure is committed to ensuring it is not doing business with individuals or companies who knowingly profit from modern slavery. On 23 February 2023, we approved our formal policy on modern slavery. The policy is available on our website.



# Workforce transition

## Our Approach

Since the beginning of 2020, we have reduced our workforce by around 67 per cent from 412 people down to 135 people as at 31 December 2022, as a result of the strategic review and change from refining to fuels import terminal operations. Contractor numbers have increased over this period, reflecting the significant decommissioning project work and tank conversions currently underway on site. We expect that as this speciality project work is concluded, our contractor numbers will significantly decrease in coming years.

In 2022, we had 159 employees leaving the Company either through redundancies, retirements or resignations, with \$29 million in redundancy and entitlements paid to former employees. A number of the staff as at 31 December 2022 have supported the decommissioning project and will leave the business in 2023 and 2024 when those projects are completed. It is expected that employee numbers will reduce by around 51 in 2023, with contractor numbers also reducing once the refinery decommissioning project is complete.

While the Company is conducting this transition with great care and concern for our people, it has not been easy, and we do not take the departures from our dedicated workforce lightly. Because it has been important to us as a Company to ensure a just transition, a number of significant initiatives were put in place to help staff make purposeful decisions about their future.

The Northland Refinery Transition Working Group was established in 2020 to assist with assessing and mitigating the impact of the terminal conversion on refinery employees, and the regional economy. The scope of work was varied and included identifying opportunities around regional and national redeployment, training, and regional economic plans. We played an active role in the Group which was led by Northland Inc (Northland's regional development authority) and made up of representatives from local councils, community

leaders, iwi, Government agencies, and unions. We would like to acknowledge and thank the members of the working group for the roles that they played in supporting our workforce transition outcomes.

A large number of our people chose to stay and work in the terminal business, and for those staff, a significant induction and training plan was implemented to support those who changed roles or who were required to re-skill in new areas. Up until December 2022, more than 2,700 hours of training had been undertaken by operational staff. The business is committed to ensuring that our qualified, experienced and skilled staff continue to have access to development as the business continues to transform.

A source of great pride for us can be seen in the commitment of our staff to the business, with the most recent turnover statistics for the business outlined below. We maintain close engagement and communication channels with our employees and throughout 2022 this culminated in the continuation of the pulse survey called 'Your Voice'. The 2022 'Your Voice' survey achieved a remarkable 93 per cent participation rate, and provided us with valuable information of what our staff needed from the organisation. Our unplanned turnover rate remained very low at 4 per cent. The focus on communication, leadership, accountability and safety and wellbeing mean that our staff stay, are engaged with the changes that we are making and are committed to helping the business grow into the future.

## Our 2022 Performance

As outlined in the Atmosphere and climate change section, in early 2022 we set a range of transition targets to hold ourselves to account to ensure that we focused our efforts on where we can make the most impact along our Transition Roadmap – including a Just Transition for our people.

TARGET	TARGET DELIVERABLE	2022 ACTIONS	2022 PERFORMANCE OUTCOMES
<p><b>JUST TRANSITION</b></p> <p>At least 90 per cent of employees seeking new employment find new roles or are retraining within six months</p>	<ul style="list-style-type: none"> <li>While conversion from refinery to import terminal operations delivered a &gt;98 per cent reduction in Scope 1 and 2 emissions, it also had a significant impact on the people who work with us.</li> <li>We committed to supporting the people in our business who would be impacted by these changes. We have done this by providing 1:1 career counselling, access to training and development, support to set up their own businesses or in finding a new job.</li> <li>We made sure we gave our people the time and space to do this by providing those leaving the business with at least six months' notice and at least six months' redundancy pay.</li> <li>This commitment was a measure of our success through the transition in 2022 and will once again form a part of our 2023 targets as our decommissioning workforce exits.</li> </ul>	<ul style="list-style-type: none"> <li>Extensive programme of workforce transition support. For more detail, see the case study on page 77.</li> </ul>	<ul style="list-style-type: none"> <li>97 per cent of employees in new roles or retraining within six months of leaving the Company.</li> </ul>

## OUR FOCUS FOR 2023

Ensuring that at least 90% of the staff who will exit in 2023 find new opportunities within six months of leaving the business.

Building capability of all staff through comprehensive personal development plans and systems competency targets.

Future proofing our workforce through employee upskilling and development.



## Case Study – Workforce Transition

The most significant impact of our business transition has been the changes we needed to make in the size of our workforce, which has decreased by more than 50 per cent since we began the strategic review. Channel Infrastructure's people commitment was clear from the start: we aimed to have 90 per cent of our staff find their next opportunity within six months and to be transparent and open with them. We also committed to giving each individual as much notice as possible of the impact on their role, we ensured we looked inwards first for any hiring that would be required in the terminal, and we have provided a minimum of six months' redundancy payment to those exiting.

In addition we established an extensive package of wrap-around workforce support to help every single person, whether they were leaving or remaining with us in the new business.

We established a range of different support mechanisms, which included:

- 16 different training and development courses provided to help our people acquire additional skills and experience (from wellbeing to project management)
- 1:1 career counselling session made available to all staff to support them to identify and apply for roles
- Comprehensive mental and emotional support provided through the Care framework for affected staff and their families
- Hosted a jobs fair on-site, with over 25 employers from across New Zealand and Australia, who were looking for staff with the skills of our workforce, attending to recruit

- Working with NZQA to ensure that any external certificates and qualifications that were completed were accredited against the industry standard
- \$2,500 provided to each employee to support their development so that they could acquire new and different skills that would help them find their next opportunity
- Financial planning and budgeting sessions completed on-site to support staff with managing their redundancy payments
- Retirement planning seminars for staff and their partners as they plan and step into retirement.

Additional (decommissioning and transition-related) staff due to exit in 2023, will receive the same level of transition support. A just transition for people is not an added extra, it is a central part of how the global community must ensure that the impacts of the lower-carbon future are not unfairly borne by a single community.

We also supported staff on their collaboration to complete a book and exhibition on their experience working in the refinery over the past 60 years. Contributions came from retired/former employees, contractors and staff. You can read the book online at [channelnz.com/who-we-are/our-history/](https://channelnz.com/who-we-are/our-history/)

From the start of the Company's Strategic Review in 2020, our Corporate Leadership Team and Board has committed to treating everyone with respect and dignity, as we worked through what changes might be required in the future plans for our business.

As a result of our extensive workforce support, 97 per cent of those who left have secured their next opportunity, and over 80 per cent of those have remained in the Northland region.

# Culture and partnerships

## 2022 Performance Highlights



**10+ years**

Collaboration with iwi on piri research



**6**

Community meetings attended by senior leaders in 2022



**10%**

Of our staff actively learning Te Reo



**7**

Mana Whenua Roopu and Kanaohi ki te kanaohi hui in 2022

# Partnering with our local iwi and mana whenua

## Our Approach

Channel Infrastructure has strong and enduring partnership with the kaitiaki (guardians) over the land upon which we operate, and we are proud of our work to understand and acknowledge iwi perspectives because we recognise the intergenerational impact our business has had on tangata whenua from our region.

We are proud to have formal relationship agreements with two of our nearest iwi partners – Patuharakeke and Te Parawhau, and we also have a strong working relationship with Ngati Wai. This mechanism means we have a way to recognise our differences and to provide the framework to allow us to work together in a positive way as we move forward.

We give life to these agreements, through our actions. This includes regular kanohi ki te kanohi (face-to-face) hui with each iwi partner, and a quarterly joint Mana Whenua Roopu hui, which brings together leadership from the local iwi in our area. We also maintain open lines of communication with iwi, and that includes frequently updating them on key business decisions, particularly those in areas of known interest to iwi, such as protecting our environment, and the future use of our site. We are committed to upholding the principles of Te Tiriti o Waitangi, as we manage the impact of our operations on the site, and harbour at Marsden Point, now and in the future.

## Our 2022 Performance

As we seek to better understand and support the priorities of our iwi partners, we meet regularly to discuss matters of mutual interest. In 2022 we collaborated on the following:

## Pest Control

We have continued to support the eradication of pests and animals on the land and foreshore surrounding the Marsden Point site. In the near future, this will also be extended to include the marine area, with a focus on the eradication of Mediterranean Fan Worm. This partnership is supported by other organisations who provide technical information on eradication methods, to support the overall health of the Whangarei Harbour.

## Shellfish Surveys

The partnership on the study into the decline of the Mair and Marsden Bank pipi population has been underway for 10 years. The annual surveys and mapping have provided information on the decline and the potential strategies to support the populations in this region. This helps us understand the coastal processes that are occurring on the seabed and foreshore and how these will affect the land and business in coming years.

## Scholarships

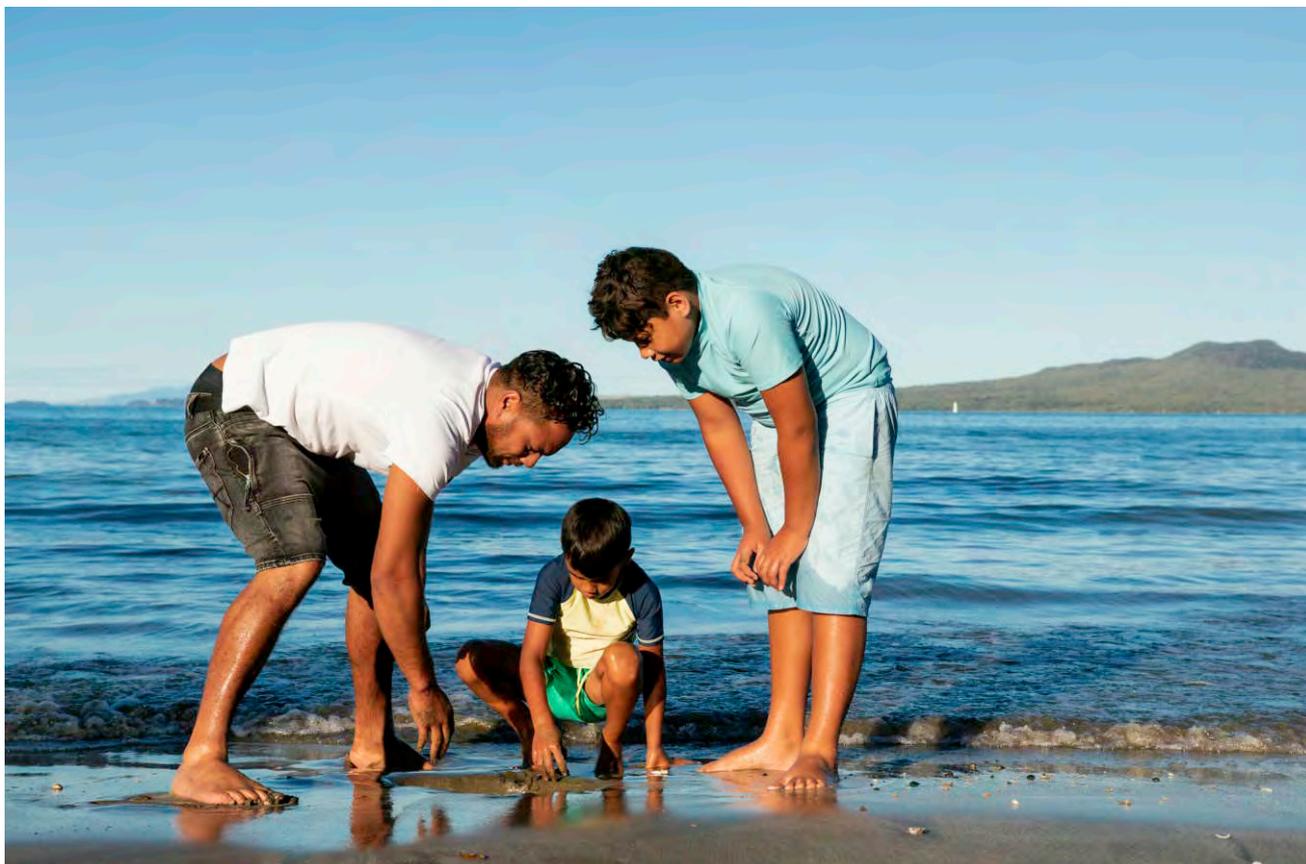
Patuharakeke, Northport and Channel Infrastructure support an educational scholarship for those with whakapapa to Poupouwhenua/Marsden Point, to obtain a tertiary qualification. In 2022, we provided scholarships to 3 whanau who are undertaking tertiary study (2021: 5 whanau).

## Issue Consultation

We have committed to ongoing consultation and open and honest communication between Channel Infrastructure and iwi partners, to ensure they are informed of any activities on site that may have an impact on them as kaitiaki. If an issue occurs, we actively take steps to advise our iwi partners and to share with them what has happened and how we will mitigate any impacts on the environment. Their advice and counsel help provide a roadmap for our actions and response. In 2022 we talked to the iwi about the unauthorised discharge of firefighting foam. We kept them informed throughout the mitigation process, and put in place additional monitoring to understand any impacts. Our iwi partners worked closely with us and the authorities to ensure we acted on the issues that resulted from this.

## Site Repurposing

We have an open approach to keeping iwi updated on options for the future use of our site, and this includes where appropriate, supporting iwi with access to our partners so they can better understand the business ambitions and opportunities we have underway. In 2022, we connected Patuharakeke to our partner Fortescue Future Industries, for a discussion on the merits of the potential green hydrogen production at Marsden Point.



# Working within our local communities

## Community

Channel Infrastructure's senior leadership met with and engaged with our community in a number of local forums throughout our transition to import terminal operations, meeting with local body leaders, local media, and community groups to provide key updates and keep the wider Northland community informed about our progress. Our leadership team, led by the CEO, are always happy to take questions on all aspects of the transition, and what the future holds for our business. Our engagement and communication with the community on the Company's strategy and plans continues today. We value the positive working relationships we have with our many stakeholders across our region, and we are committed to being open, honest, and transparent with the community in which we operate. As outlined on pages 79-81 of this report, we partner with local stakeholders on

long-term projects supporting the environmental, health, safety and education of the surrounding area.

We are also proud to play a role in supporting causes that make a difference to the lives of those who live in our community, through the financial sponsorship of initiatives where there is connection to our business. In 2022, we supported the Bream Head - Te Whara Conservation Trust, who do vital work protecting the local Bream Head coastline. We also donated to the Northland branch of the Safe Man, Safe Family Trust, which undertakes important work preventing domestic violence in homes within our community. Safe Man, Safe Family are run by a whanau with strong links to our site, and we felt that at Christmas when the financial pressures placed on families are extremely high, we could make a small difference to the lives of some of our community in this way.

### OUR FOCUS FOR 2023

Deepening our understanding of iwi perspectives as we explore future opportunities for the use of our site.

Continuing with regular community engagement on issues we share and care about.

# Appendices



# Appendix 1: Definitions and Abbreviations

<b>BioSAF</b>	Jet fuel derived from biogenic material like wood residues
<b>BL</b>	Billion litres
<b>CO<sub>2</sub></b>	Carbon dioxide
<b>CO<sub>2</sub>e</b>	Carbon dioxide equivalent, being a measure of greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide) with the equivalent global warming potential as carbon dioxide
<b>eSAF</b>	Synthetic jet fuel produced by combining green hydrogen and carbon dioxide
<b>FPI</b>	Fortescue Future Industries is a global green energy company committed to producing green hydrogen, containing zero carbon, from 100 per cent renewable sources
<b>LTIF</b>	<b>Lost Time Injury Frequency:</b> The sum of work-related injury cases per 200,000 hours worked, where the injured person is deemed medically unfit for any work as a result of the injury
<b>TRCF</b>	<b>Total Recordable Case Frequency:</b> The number of lost time incidents, restricted work cases, medical treatment cases and fatalities per 200,000 manhours worked
<b>Decarbonise</b>	The process of avoiding, reducing or offsetting anthropogenic greenhouse gas emissions through operational activities or efficiencies, technology deployment, use of generated or acquired carbon credit units, and/or other means
<b>Emissions</b>	CO <sub>2</sub> emissions unless otherwise specified
<b>Employees</b>	Direct hire permanent employees
<b>GRI</b>	Global Reporting Initiative
<b>Kt</b>	Thousand tonnes
<b>Materiality assessment</b>	In reference to GRI Standards, a process to identify and prioritise the issues that are most important to an organisation and its key stakeholders
<b>Material topics</b>	In reference to GRI Standards, topics that have a direct or indirect impact on the organisation's ability to create, preserve or erode economic, environmental and social value for the organisation and its stakeholders
<b>ML</b>	Million litres
<b>Net Zero</b>	When anthropogenic emissions of greenhouse gases are balanced by anthropogenic removal of greenhouse gases through means such as operational activities or efficiencies, technology or offset through the use of carbon credits, or other means
<b>PJ</b>	Petajoule (1 million billion joules)
<b>SAF</b>	Sustainable Aviation Fuel – with lower emissions than fossil-jet due to the use of renewable feedstock e.g. woody biomass
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>Tier 1 process safety event</b>	An unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: a Lost Time Injury (LTI) and/or fatality; a fire or explosion resulting in greater than or equal to \$100,000 of direct cost to the Company; a release of material greater than the threshold quantities given in Table 1 of API 754 in any one-hour period; an officially declared community evacuation or community shelter-in-place
<b>Tier 2 process safety event</b>	An unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: a recordable injury; a fire or explosion resulting in greater than or equal to \$2,500 of direct cost to the Company; a release of material greater than the threshold
<b>UNSDG</b>	United Nations Sustainable Development Goals. More information about the SDGs can be found at <a href="https://sdgs.un.org/goals">https://sdgs.un.org/goals</a>

## Appendix 2: Summary data tables

### Health, Safety and Wellbeing

SAFETY	MEASURE	2022	2021	2020	2019	2018
Total Recordable Case Frequency	TRC/200,000 hours	1.80	-	-	0.27	0.76
Long-Term Injury Frequency	LTI/200,000 hours	0.77	-	-	0.13	0.48
Tier I Process Safety Incidents	#	-	2	-	-	2
Tier II Process Safety Incidents	#	-	-	-	-	3
Number of Emergency Exercises	#	5	14	16	22	26
Number of reportable pipeline incidents <sup>1</sup>	#	-	-	-	-	-
Percentage of pipeline inspected internally with Pipeline Inspection Gauge (PIG)	%	100	-	-	100	-
Percentage of pipeline inspected externally <sup>2</sup>	%	100	100	100	100	100
Total metric ton-kilometers of refined fuels transported by mode of transport	Metric T kilometers	11,528	9,879	-	-	-

1 As per SASB Standards definition of reportable pipeline incidents

2 External inspection activities include aerial and ground based observations over the length of the pipeline. Preventative maintenance inspection activities of above ground equipment as per the inspection schedule.

### Environmental

ENVIRONMENTAL	MEASURE	2022	2021	2020	2019	2018
Releases outside of consent	#	3	10	5	1	5
Direct CO <sub>2</sub> emissions (Scope 1)	tCO <sub>2</sub>	236,940	857,042	848,621	1,080,041	972,018
Indirect CO <sub>2</sub> emissions (Scope 2)	tCO <sub>2</sub>	47,321 <sup>1</sup>	141,940	134,927	177,132	162,753
Sulphur Dioxide Emissions	Tonnes	1,259	3,341	3,345	4,329	3,404
Greenhouse Gas emissions (Scope 1)	tCO <sub>2</sub> e	726 <sup>2</sup>	-	-	-	-
Greenhouse Gas emissions (Scope 2)	tCO <sub>2</sub> e	-	-	-	-	-
NOX, SOX, VOC and particulate matter	Tonnes	1,777	-	-	-	-

1 Scope 2 emissions include refinery emissions of 33,762 tCO<sub>2</sub> and terminal emissions of 13,559 tCO<sub>2</sub>

2 Greenhouse gas emissions scope 1 and 2, NOX, SOX, VOC and particulate matter new measures for 2022

RESOURCE USAGE	MEASURE	2022	2021	2020	2019	2018
Total fuel usage	Petajoule	2.97	11.6	11.2	14.3	13.2
Natural gas usage	Petajoule	0.23	1.9	2.4	3.5	3.4
Electricity usage	Petajoule	0.32	0.96	0.92	1.23	1.14
Water usage	Million Tonnes	0.82	1.46	1.49	1.68	1.65
	Total					
	water consumption					
Water consumption intensity <sup>1</sup>	(m <sup>3</sup> )/revenue	5.17	6.24	6.06	4.82	4.55

1 This annual calculation includes an additional 2 months of boiler operations during period of intensive decommissioning of the refinery plant.

## People, Diversity and Community

PEOPLE	MEASURE	2022	2021	2020	2019	2018
Number of Staff	#	135	294	344	412	344
Number of Contractors	#	220	109	105	251	265
<b>Employee Turnover:</b>						
Unplanned	%	4	-	-	-	-

## Diversity

	2022						2021					
	BOARD		CORPORATE LEAD TEAM		WORKFORCE		BOARD		CORPORATE LEAD TEAM		WORKFORCE	
	#	%	#	%	#	%	#	%	#	%	#	%
<b>GENDER</b>												
Male	4	57%	6	75%	97	76%	5	71%	4	57%	235	82%
Female	3	43%	2	25%	29	23%	2	29%	3	43%	52	18%
Other	-	-	-	-	1	1%	-	-	-	-	-	-
<b>ETHNICITY</b>												
NZ												
European/Pakeha	4	57%	3	38%	74	58%	4	57%	5	71%	174	60%
Other European	3	43%	5	62%	21	17%	3	43%	2	29%	43	15%
Maori & NZ European	-	-	-	-	12	9%	-	-	-	-	16	6%
Maori	-	-	-	-	12	9%	-	-	-	-	16	6%
Asian	-	-	-	-	3	2%	-	-	-	-	9	3%
Other	-	-	-	-	5	4%	-	-	-	-	29	10%
<b>NATIONALITY TOTAL</b>												
New Zealand	-	-	-	-	111	78%	-	-	-	-	233	77%
United Kingdom	-	-	-	-	11	8%	-	-	-	-	12	4%
Australia	-	-	-	-	4	3%	-	-	-	-	12	4%
South Africa	-	-	-	-	4	3%	-	-	-	-	8	3%
Other	-	-	-	-	12	8%	-	-	-	-	34	11%
Information not provided	-	-	-	-	-	0%	-	-	-	-	2	1%
<b>AGE</b>												
Under 30	-	0%	-	-	1	0%	-	-	-	-	12	4%
30 to 50	2	29%	4	50%	63	50%	2	29%	3	43%	165	57%
over 50	5	71%	4	50%	63	50%	5	71%	4	57%	110	38%

# Appendix 3: GRI disclosure index

## Statement of use:

Channel Infrastructure has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards

GRI 1 used | GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	2022 SUSTAINABILITY REPORT (SR) 2022 ANNUAL REPORT (AR) 2022 GOVERNANCE STATEMENT (GS)
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	4-7 AR
	2-2 Entities included in the organization's sustainability reporting	75 AR
	2-3 Reporting period, frequency and contact point	1 Jan 2022 to 31 Dec 2022; Annual reporting period; communications@channelnz.com 75, 105 AR
	2-4 Restatements of information	75 AR
	2-5 External assurance	None
	2-6 Activities, value chain and other business relationships	43-46 AR
	2-7 Employees	94 AR 85 SR
	2-8 Workers who are not employees	85 SR
	2-9 Governance structure and composition	29-35, 45, 46 AR 20-27 SR
	2-10 Nomination and selection of the highest governance body	45-46 AR
	2-11 Chair of the highest governance body	29, 46 AR
	2-12 Role of the highest governance body in overseeing the management of impacts	21-23 SR
	2-13 Delegation of responsibility for managing impacts	22 SR
	2-14 Role of the highest governance body in sustainability reporting	21-23 SR
	2-15 Conflicts of interest	46 AR, 9GS
	2-16 Communication of critical concerns	25-26 SR
	2-17 Collective knowledge of the highest governance body	29 AR
	2-18 Evaluation of the performance of the highest governance body	29 AR
	2-20 Process to determine remuneration	47-53 AR
	2-21 Annual total compensation ratio	77 AR
	2-22 Statement on sustainable development strategy	29-39 SR
	2-23 Policy commitments	19 SR
	2-24 Embedding policy commitments	18,19 SR
	2-25 Processes to remediate negative impacts	40-42, 51-55 SR
	2-26 Mechanisms for seeking advice and raising concerns	75, 78 SR
	2-27 Compliance with laws and regulations	2, 19, 24 SR 75 AR

GRI STANDARD	DISCLOSURE	2022 SUSTAINABILITY REPORT (SR) 2022 ANNUAL REPORT (AR) 2022 GOVERNANCE STATEMENT (GS)
	2-28 Membership associations	Hugo Group, Institute of Directors, Northland Chamber of Commerce,
	2-29 Approach to stakeholder engagement	43-46 SR
	2-30 Collective bargaining agreements	Not reported
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	47-50 SR
	3-2 List of material topics	49-50 SR
	3-3 Management of material topics	56-85 SR
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organisation	66, 84 SR
	302-3 Energy intensity	15-16 SR
	302-4 Reduction of energy consumption	17-19, 68 SR
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	68-69 SR
	303-5 Water consumption	64, 69SR
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	51, 52, 66, 84 SR
	305-2 Energy indirect (Scope 2) GHG emissions	51, 52, 66, 84 SR
	305-4 GHG emissions intensity	51, 52, 66, 84 SR
	305-5 Reduction of GHG emissions	52, 84 SR
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	84 SR
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	75, 85 SR
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	57-62 SR
	403-2 Hazard identification, risk assessment, and incident investigation	51-55, 58-59 SR
	403-3 Occupational health services	58-59 SR
	403-4 Worker participation, consultation, and communication on occupational health and safety	59-63 SR
	403-6 Promotion of worker health	59-60 SR
	403-9 Work-related injuries	57, 84 SR
<b>GRI 404: Training and Education 2016</b>	404-2 Programmes for upgrading employee skills and transition assistance programmes	77-79 SR
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	73-74, 85 SR

## Appendix 4: TCFD alignment disclosure index

The Taskforce on Climate-related Financial Disclosures (TCFD) was formed by the Financial Stability Board. Its recommendations proposed a disclosure framework to encourage transparent, consistent reporting on relevant climate change impacts facing companies (with an emphasis on financial impacts) and how these matters are managed through governance, strategic planning, risk management and target-setting activities.

In line with Channel Infrastructure's commitment to leadership, we have continued to accelerate our efforts to align with the recommendations of the TCFD ahead of the New Zealand Government's mandatory reporting requirements coming into effect in accordance with the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021. The first climate reporting standards issued by the External Reporting Board (XRB) in December 2022 will guide the further development of our approach and future reporting.

In the following sections we provide our disclosures against the four key pillars of the TCFD's reporting framework – Governance, Strategy, Risk Management and Metrics and Targets.

TCFD	DISCLOSURE	2022 SUSTAINABILITY REPORT (SR)
<b>GOVERNANCE</b>	Describe the Board' oversight of climate-related risks and opportunities	21-24 SR
<b>Disclose the company's governance around climate-related risks and opportunities</b>	Describe management's role in assessing and managing climate-related risks and opportunities	25-28, 42 SR
<b>STRATEGY</b>	Describe the climate-related risks and opportunities the company has identified over the short, medium and long-term	51-55 SR
<b>Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy and financial planning where such information is material</b>	Describe the impact of climate-related risks and opportunities on the company's businesses, strategy and financial planning	51-55 SR
	Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario	41-49 SR
<b>RISK MANAGEMENT</b>	Describe the company's processes for identifying and assessing climate-related risks	25-27, 51-55 SR
<b>Disclose how the company identifies, assesses and managed climate -related risks</b>	Describe the company's processes for managing climate-related risks	41-42 SR
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management	41-42 SR
<b>METRICS AND TARGETS</b>	Describe the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process	51-81 SR
<b>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</b>	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks	64-66, 84 SR
	Describe the targets used by the company to manage climate-related risks and opportunities and performance against those targets	51-81 SR

## Appendix 5: UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership.

They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.

As a result, the goals seek to ensure we consider, report, and act on all aspects of sustainable development. Channel Infrastructure have recognised where specific initiatives to date have addressed a sustainable development goal, and are not currently measuring and tracking against these goals. We intend to utilise the SDGs as an additional performance measure in coming reports.

## Appendix 6: Forward-looking statements

This report contains certain forward-looking statements, which can be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “expect”, “intend”, “plan”, “ambition”, “anticipate”, “estimate”, “continue”, “assume”, “project”, “target”, or “forecast” or comparable terminology.

The forward-looking statements in this report:

- Are based on management’s current expectations and reflect judgments, assumptions, estimates and other the information available when the report was compiled or scenario analysis were undertaken; and whilst we think the expectations reflected in these statements are reasonable, they may be affected by a range of variables which could cause actual results to differ from what was planned or expected
- Are subject to risk factors associated with the energy sector and decarbonisation technologies and potentially carbon products and markets and the inherent limitations that are associated with scenario analysis (namely, that it is difficult to predict what might actually eventuate, and scenarios may be impacted by additional factors to the assumptions disclosed)
- Involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, achievements and outcomes to be materially different from the forward-looking statements contained in this report (including things such as availability of technology or the cost of technology or other emission reduction proposals)
- Should be read in the context of the variables, risks, uncertainties and other factors outlined above or mentioned in the report.

Accordingly, this report should not be relied upon as a recommendation, forecast or guarantee by or expectation of Channel Infrastructure, its related or controlled entities or officers, directors, employees or agents, and the Channel entities disclaim any liability whatsoever (including for negligence) for any loss howsoever arising from any use of this report or reliance on anything contained in or omitted from it or otherwise arising in connection with this. The Channel entities further disclaim any duty or undertaking, except to the extent we have separately committed to in our Transition Plan or as required by law or the Listing Rules of the New Zealand Stock Exchange, to release publicly any updates to any forward-looking statement contained herein to reflect changes to relevant risks, uncertainties or other factors, and/or the Channel entities’ understanding of them.

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