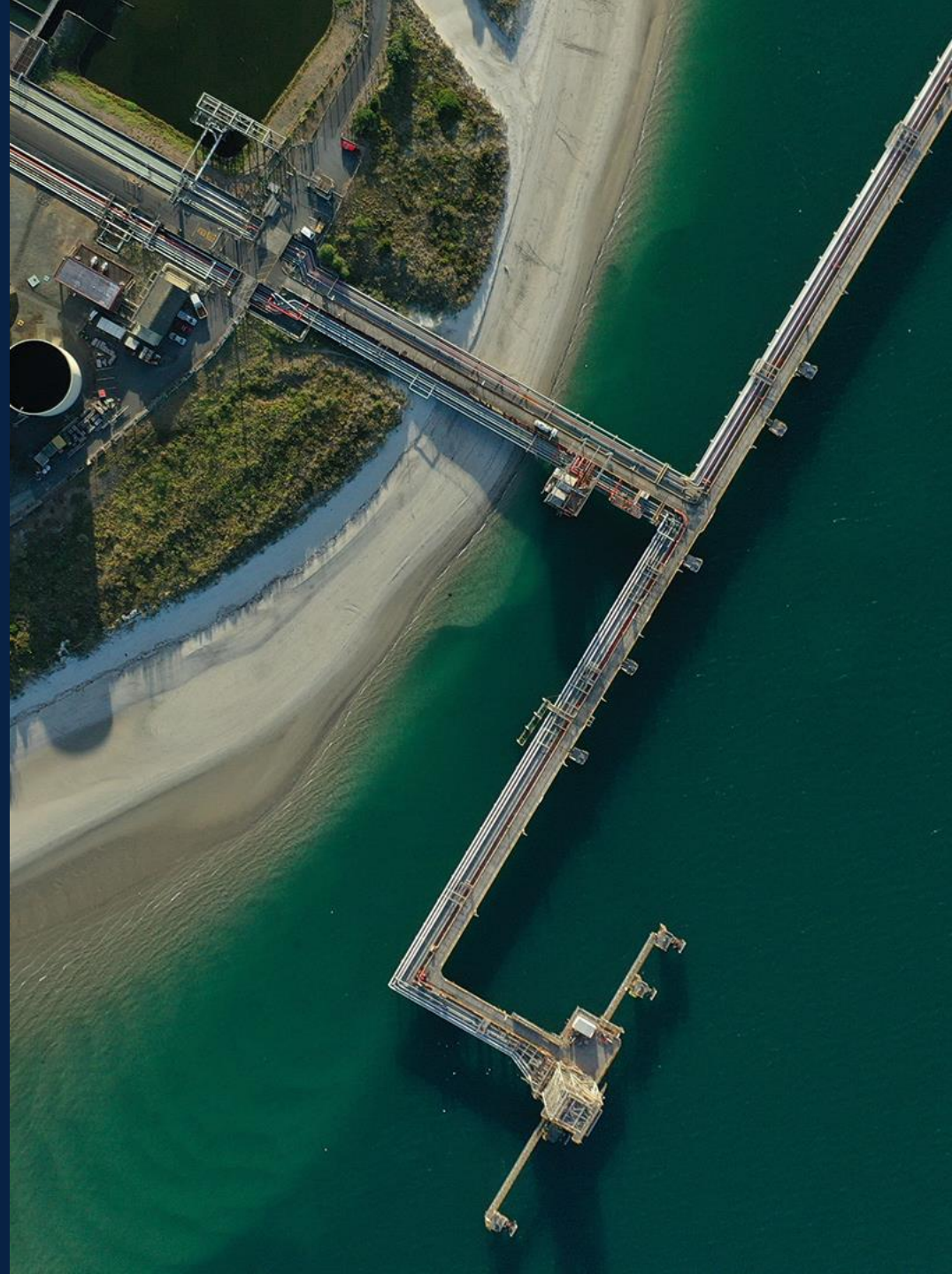
Channel

Infrastructure NZ

Governance Roadshow

March 2023



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- Each forward-looking statement speaks only as of the date of this announcement, 20 March 2023

All 2022 key priorities delivered

Safe, reliable and compliant refinery and terminal operations	• Personal and process safety performance maintained through transition • Strong terminal performance in first year of operation, with limited demurrage costs • New terminal safety case approved by Worksafe
On time and on budget delivery of terminal conversion project	• Successfully transitioned to terminal operations to plan on 1 April 2022 • Conversion project continues to track to budget with limited draw down of contingency • Project significantly derisked with 65% now spent or committed
Retain and build organisation capability through the transition	• Key talent retained, strong organisational capability developed through significant program of change • New values developed by the team reflecting the change in organisational strategy and the new behaviours required to deliver on this • CEO succession underway
Actively manage the transition to CHI with investors and debt providers	• 52% share price increase in 2022 versus the NZX50 decline of 12% • Reset cost of funding and access to capital markets with bond issue and bank refinancing • First Sustainability Report published in April 2022, with climate position statement and transition targets set
Progress opportunities for growth, including repurposing of Marsden Point	• Over half of contracted private storage agreements commissioned • Additional $25m of terminal revenue contracted over next 5 years • Working closely with Government on fuel security measures with proposed 70ML strategic diesel fuel reserve and minimum domestic stockholding obligation a significantly opportunity for Marsden Point

A long-term sustainable operating model with strong aspirations for growth

Channel Infrastructure NZ

OUR VISION

New Zealand's leading fuel infrastructure company

OUR STRATEGIC PRIORITIES

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

Clear capital allocation framework and a return to dividends

Long-term contracts delivering strong cash flow

Returns to shareholders

Dividend Policy of 60-70% of normalised Free Cash Flow [1]

Strong cash flow provided confidence to return to dividends for 2022

- Fully imputed Final dividend of 5 cps and special dividend of 2 cps declared for 2022 ~ dividend yield of 6.5%[2]
- 2023 guidance implies indicative dividend range of 9 to 11 cps, with targeted 40:60 split

Deleveraging

Target leverage of 3 to 4 times EBITDA

Shadow BBB+ rating

c.$300m target net debt based on current asset/earnings base

Focused growth

Criteria for investment:

- above WACC return on investment
- customer contracts that provide revenue certainty

[1] Normalised Free Cash Flow is calculated as cash flow from operations less maintenance capex (excluding conversion costs and growth capex). The dividend policy is subject to the Board's due consideration of the Company's medium term asset investment programme; a sustainable financial structure for Channel Infrastructure, recognising the targeted investment grade rating; and the risks from short and medium term economic and market conditions and estimated financial performance. It is the intention of the Board to attach imputation credits to dividends to the extent that they are available.
[2] Based on a dividend declared and annualised, and share price as at 31 December 2022 of $1.43 per share

Board refresh through a staged transition

James Miller

Chairman, Independent Director

Appointed: November 2018.
Chairman from July 2022

Board Committees: Audit and Finance, People and Culture, Health, Safety, Environment and Operations

Anna Molloy

Independent Director

Appointed: April 2022

Board Committees: Audit and Finance (Chair), Health, Safety, Environment and Operations

Andrew Holmes

Independent Director

Appointed: April 2022

Board Committees: People and Culture, Health, Safety, Environment and Operations

Lucy Nation

Director

Appointed: February 2021

Committees: People and Culture, Health, Safety, Environment and Operations

Vanessa Stoddart

Independent Director

Appointed: May 2013

Board Committees: People and Culture (Chair), Health, Safety, Environment and Operations

Paul Zealand

Independent Director

Appointed: August 2016

Board Committees: Audit and Finance, Health, Safety, Environment and Operations (Chair)

Lindis Jones

Director

Appointed: March 2018

Board Committees: Audit and Finance, Health, Safety, Environment and Operations

5/7

directors independent

3/7

directors female

Average tenure

4.2 years

Strong and capable Board with right skill set

- Board refresh through a staged transition
  - appointed two new directors in April 2022 with skills and experience aligned with the new business
  - ceased historical practice of inviting nominations from the three customer shareholders of candidates for appointment as directors
  - smooth transition in Chairman following completion of Strategic Review
- Each director brings the critical skills we need

Board structure & policies are aligned with new business, operations & strategy

The Board

Is responsible for overseeing the performance and operations of the Company

Approves CHI's:

- Code of Conduct and monitors performance in line with the Code of Conduct
- Sustainability strategy, including aspirations and targets and guides sustainability performance and response to evolving stakeholder expectations
- Regularly monitors progress of implementation plans and recommends opportunities to mature aspirations and targets based on operational and industry learnings

Board Committees

Assist the Board to discharge its responsibilities in relation to:

People and Culture	Audit and Finance Committee	Health, Safety, Environment and Operations
Oversees remuneration framework, people and culture strategies including diversity and inclusion, community engagement and human rights	Audit and Finance Committee Overseas risk management framework, internal audit, financial reporting and the integrity of our sustainability reporting	Oversees the environmental aspects of sustainability as well as health, safety, operational risk (including product quality), asset management, contingency planning and emergency response

Channel Infrastructure's Management System

Company policies, operating procedures, including risk appetite and the Risk Management Framework

Management under the leadership of the CEO

Are responsible for delivering the strategic direction and goals approved by the Board

The CEO is responsible for instilling a culture that aligns with CHI's values

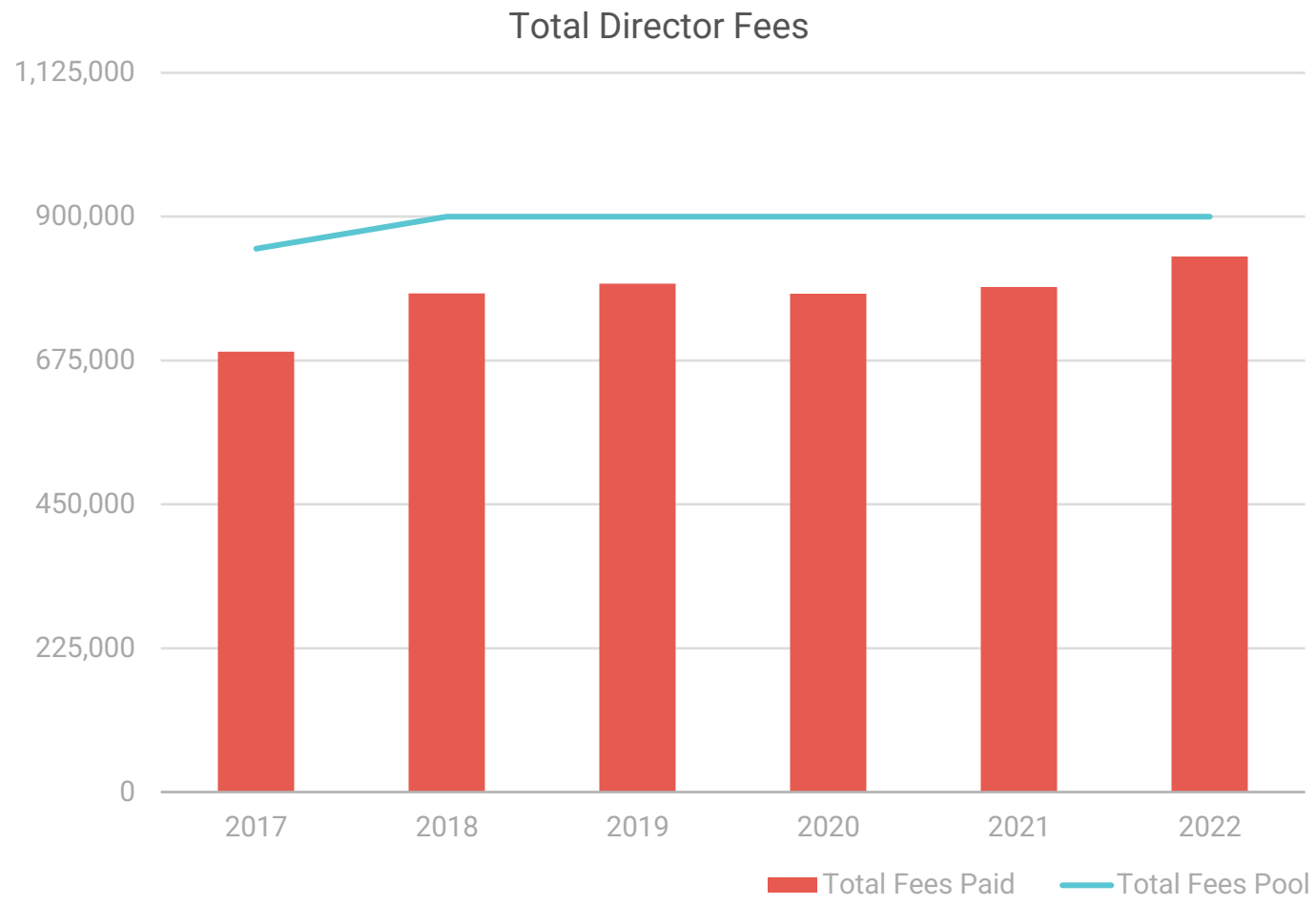
- Completed Corporate Governance Review in 2022 to ensure alignment with new business, operations and strategy
- Propero Consulting undertook an evaluation review of Board late 2022 providing insights and recommended actions to continually strive for improvement

Focus on Health, Safety and environmental risks

- The updated 2023 Governance Statement reflects a revised Health, Safety, Environment and Operations (HSEO) board sub-committee
  - enable us to increase time and focus on asset management planning, resilience and emergency response, in addition to continuing to provide oversight of health, safety, cyber and environmental risks
  - committee will include Paul Zealand (Chair), Andrew Holmes and Lucy Nation, who each have specialist expertise
  - meet at least four times each year, and more frequently as required

Directors' Fees review underway

- Director fee pool limit last increased in 2018
- No change sought through a significant period of business transformation and workload
- Following transition to the new operating model, a review of director fees has been undertaken, including a PWC benchmarking report
- Proposing a 3% fee pool increase (half the rate of inflation)[1] from $900,000 to $927,000 to allow for:
  - additional remuneration of a reconstituted Health, Safety, Environment and Operations (HSEO) board sub-committee
  - retain headroom in pool to allow flexibility to manage board succession changes and unexpected additional workload



[1] Consumer Price Index increased 7.2% in 12 months ended December 2022

Proposed 2023 Annual Shareholders Meetings resolutions

- That Directors be authorised to fix the fees and expenses of EY as auditors to the Company for the year ending 31 December 2023.
- That the total amount of Directors' fees that may be payable annually to all Directors taken together be increased with effect from the commencement of the current financial year by 3% from $900,000 to $927,000, such sum to be divided among the Directors as the Directors deem appropriate

New CEO to deliver to company's strategic plan

- Board has approved a 3-year Strategic Plan ahead of planned CEO transition
- CEO transition began November 2022 following the successful transition to Channel Infrastructure
- Rob Buchanan joined the team on 31 January 2023, with Naomi James departing the company on 1 April 2023 (2-month handover)
- Rob Buchanan became CEO on 6 March 2023 and is ideally placed to deliver on our strategy with leadership style and deep experience in energy and infrastructure sector

Experienced and Proven Management Team

Rob Buchanan
Chief Executive

Jack Stewart
GM Operations

Jarek Dobrowolski
Chief Financial Officer

Peter van Cingel
Business Development Manager

Chris Bougen
General Counsel and Company Secretary

Phil Jones
GM Projects

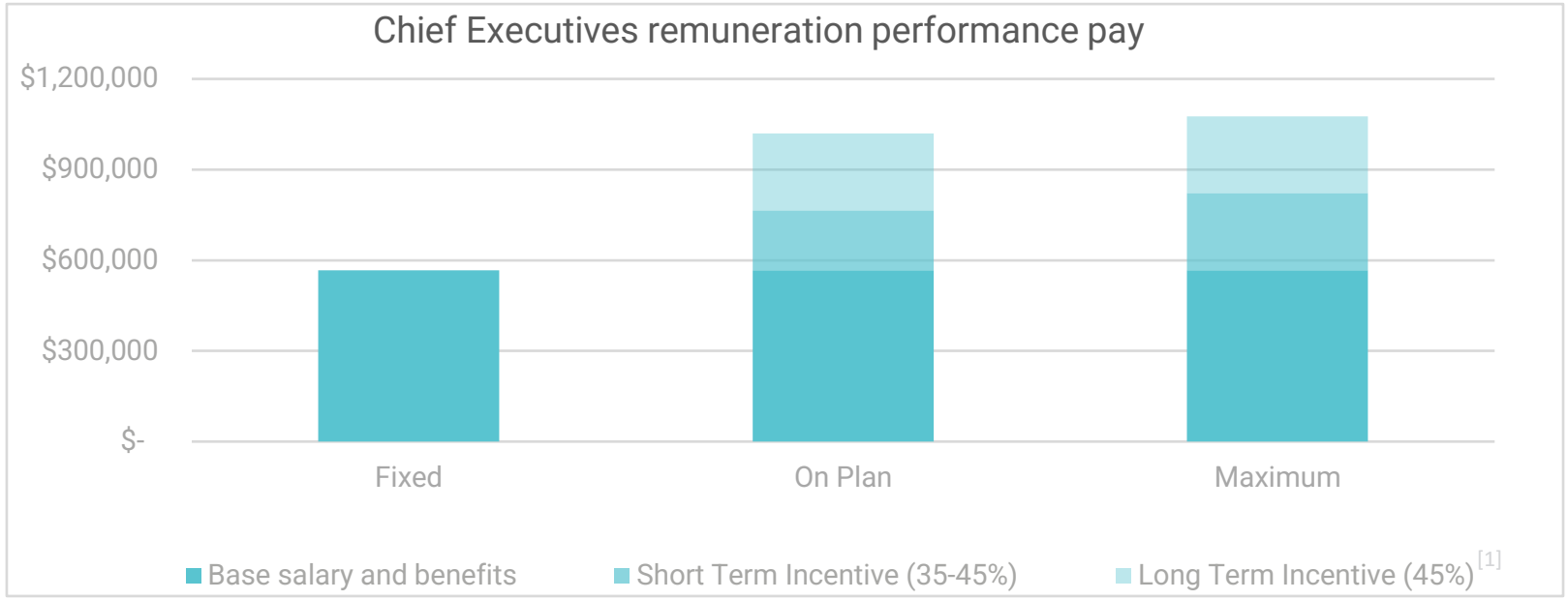
Steve Levell
General Manager – Independent Petroleum Laboratories (IPL)

Caz Jackson
Chief People Officer

- Key talent retained in management team and wider workforce through transition

Executive remuneration linked to Strategy, Performance & Sustainability

- CEO base salary of $550,000 p.a
- Our CEO is incentivised to deliver long-term shareholder value through a high portion of pay at risk and an appropriate weighting of short- and long-term incentives
- Our CEO KPIs for short-term incentive are based 50% on delivery against Company Scorecard (in year performance) and 50% on future sustainability and growth

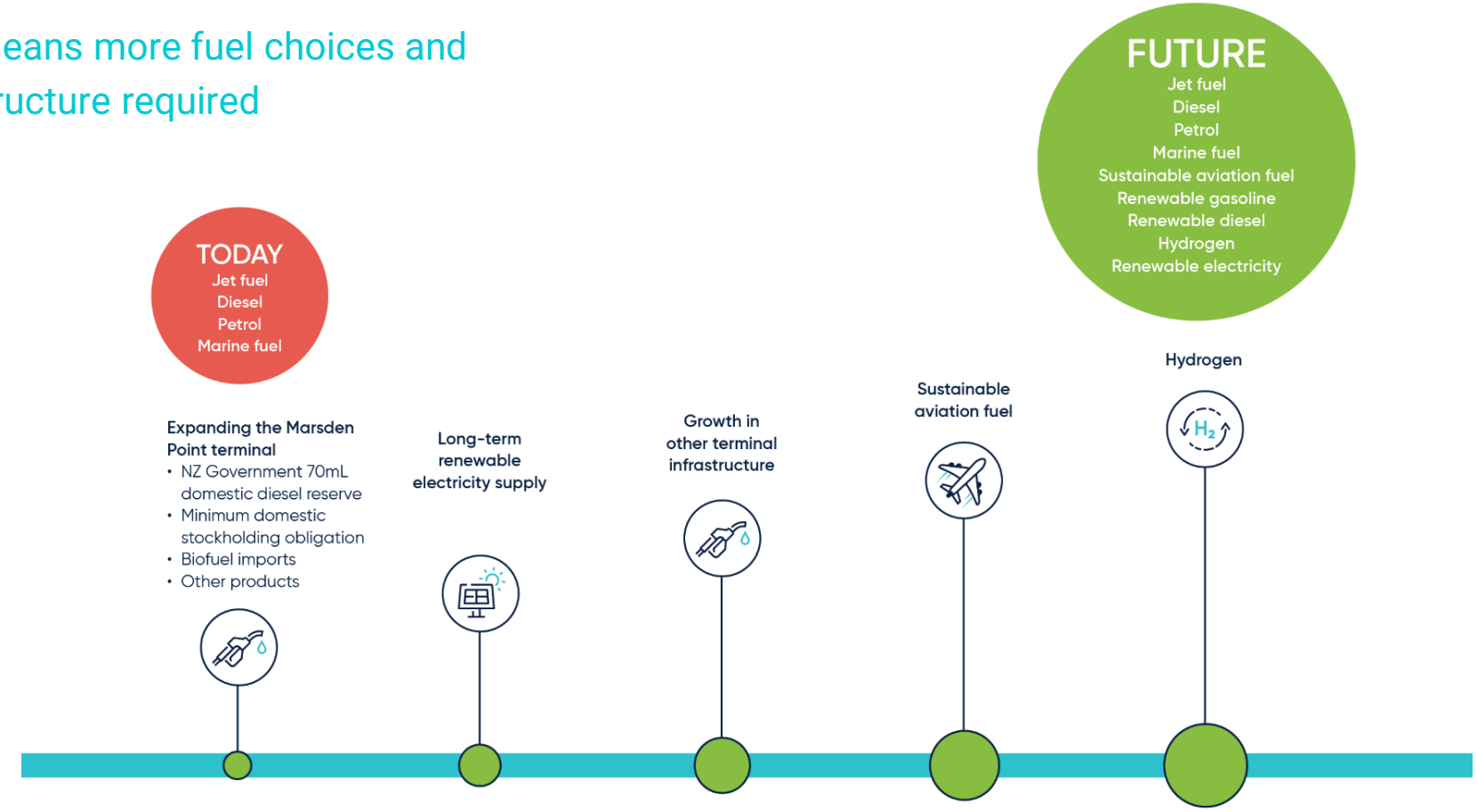


KPI Category FY23	Weighting
Delivery against the Company Scorecard: HSE, financial, deliver conversion commitments, customers commitments, build systems and people capability, grow shareholder value	50%
Core individual KPI's: Effective CEO transition, position Channel for growth, engaged workforce, embed terminal systems, support New Zealand's decarbonisation	50%

[1] Share rights equivalent to $500,000 issued to the CEO upon commencement as CEO (subject to a 5-year vesting period, unless agreed otherwise by the Board, and to the achievement of a minimum "on target" performance against annual controllable KPIs during the vesting period). LTI comprises share rights equivalent to $247,500 (45 per cent of base salary) on the first anniversary of commencement as CEO and each anniversary thereafter, with each tranche having a three-year vesting period and with measures and targets to be agreed with the Board.

A new business model, supporting NZ decarbonisation

Energy transition means more fuel choices and infrastructure required



Our Climate Targets

Just transition	At least 90% of employees seeking new employment find new roles, or have been retrained, within 6-months	**Net Zero**	Net zero scope 1 and 2 emissions by 2030	**Customer scope 3 emissions**	Our infrastructure utilised to support the decarbonisation of transport sector and facilitate scope 3 emissions reduction by 2030

Significant number of improvements in climate change governance over 2022

- Corporate Governance Review undertaken in early 2022 to align Board and governance processes with new business, operations and strategy
- Board-approved Climate Change Position Statement of Channel Infrastructure
- First and now second Sustainability Report released by Channel Infrastructure, aligned with TCFD reporting recommendations
- Short, medium and long-term climate targets set and reported against
- Continuing focus on the range of risks and opportunities from climate change, including physical risks

Material progress made towards climate change targets

	TARGET	PROGRESS TO DATE	
Just Transition	**At least 90% of employees seeking new employment find new roles, or have been retrained, within 6 months**	• Extensive program of workforce transition support • 97% of staff who left in 2022 have found their next opportunity • Additional (decommissioning and transition-related) staff due to exit in 2023, with transition support planned	 97% of employees in new roles or retraining within 6 months
Net Zero	**Net Zero Scope 1 and 2 emissions by 2030**	• Scope 1 and 2 emissions have reduced from 1,257,173 tonnes CO_2 in 2019 to 284,261 tonnes CO_2 in 2022 and c.20,000 tonnes (annualised) in Q4 2022 - equivalent to a 98% reduction in emissions following refinery closure (over 1 million tonnes CO_2 p.a.) • Almost 90% reduction in electricity consumption and no natural gas requirements - reducing thermal generation demand • Electricity RFI undertaken to explore long-term renewable electricity supply	 98% reduction in Scope 1&2 emissions >1MT CO_2 p.a.
Customer scope 3 emissions	**Our infrastructure is utilised to support the decarbonisation of the transport sector and facilitate Scope 3 emissions reduction by 2030**	• First SAF import received through Marsden Point in September 2022 • Hale & Twomey long-term fuel forecasts updated to include biofuels volumes for the first time • FFI green hydrogen study investigating e-SAF production at Marsden Point	 New Zealand's first shipment of **Sustainable Aviation Fuel** delivered through Marsden Point

Five key areas of focus for the Board, reflecting strategic priorities

Safe, reliable, and cost-efficient terminal operation and maintenance

CEO Transition

Work with customers and Government to improve supply chain resilience

Continue to support Channel's significant contribution to decarbonisation

Deliver increasing shareholder value through both dividends and focused growth opportunities

Channel

Infrastructure NZ

PWC Non-executive director fees benchmarking report

- PWC has collected market remuneration data for directors' fees from a comparator group of 14 NZX-listed companies
- Comparator group comprised Vulcan Steel, Stride, Arvida, Synlait Milk, Oceania Healthcare, Tourism Holdings, Napier Port, Michael Hill, Sanford, Sky Network Television, T&G Global, PGG Wrighton, Turners Automotive and Steel and Tube.
- The comparator group was evenly weighted between larger and smaller companies than Channel Infrastructure by market capitalisation at the time the PwC report was prepared.
- PWC notes that where the Board chooses to position its fees against this market data will depend on the Board's view of the overall relevance of the comparator group and specifically Channel Infrastructure's perceived relative complexity of operations, scale, ranking (by scale) and risk profile

Observation	Sample	25th percentile	Median	75th percentile	Average	Channel Infrastructure's current fees	Against market median
Total fee pool	11	660,500	827,600	895,200	823,800	**900,000**	**109%**
Actual fees paid	14	572,700	681,500	752,000	664,300	**805,000**	**118%**

Remuneration for outgoing Chief Executive

- Total remuneration paid to Naomi James (Chief Executive until 6 March 2023, departing company 1 April 2023) paid in 2022
  - Fixed remuneration - base salary of $995,000
  - STI paid on achievement of agreed performance objectives of $646,750
  - Share rights (equivalent to 25 per cent of base salary ($248,750) and subject to vesting conditions including the achievement of outcomes sought from the material decisions made by the Board from the strategic review process
  - $2,000 Employee Share Scheme award, and
  - Other benefits of $40,552 (accommodation and mileage)
- In accordance with the terms of her employment agreement, upon her exit from the Company in 2023, Naomi James will be paid six months redundancy and accrued leave. [1]
- On 6 March 2023, Naomi James was issued 2,661,773 ordinary shares upon vesting of her share rights under the Company's Share Rights Plan, authorised pursuant to a resolution of the Board on the basis that the outcomes contemplated by the vesting conditions have been delivered