



Statement of Corporate Intent

2020-21



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Shareholder agreement



This Statement of Corporate Intent for the period 1 July 2020 to 30 June 2021 has been agreed between:

A handwritten signature in blue ink, appearing to read "Anne McDonald", written over a horizontal line.

Anne McDonald
Chair, WaterNSW

A handwritten signature in blue ink, appearing to read "Dominic Perrotet", written over a horizontal line.

The Honourable Dominic Perrotet MP
Treasurer

A handwritten signature in blue ink, appearing to read "Andrew George", written over a horizontal line.

Andrew George
Acting Chief Executive Officer, WaterNSW

A handwritten signature in blue ink, appearing to read "Damien Tudehope", written over a horizontal line.

The Honourable Damien Tudehope MLC
Minister for Finance and Small Business



Introduction

WaterNSW is a State-Owned Corporation established under the *WaterNSW Act 2014*. We operate under an Operating Licence issued and monitored by the Independent Pricing and Regulatory Tribunal.

Our responsibilities include:

- **Source water protection** of the Greater Sydney drinking water catchment to ensure safe water is supplied to Sydney Water, local councils and other distributors for treatment and distribution to their customers.
- **Bulk water supply** from our storages to customers in the Greater Sydney drinking water catchment, and in the state's regulated surface water systems.
- **System operation** - efficient management of the state's surface and groundwater resources to maximise reliability for users through operation of the state's river systems and bulk water supply systems, in collaboration with the Murray-Darling Basin Authority which directs operations of the River Murray system.
- **Infrastructure planning, delivery and operation** to meet customer-defined levels of service consistent with NSW Government policy and priorities to increase the security and reliability of water supplies to our customers and communities of NSW.
- **Customer water transaction and information services** – provide efficient and timely services for water licencing and approvals, water trades, billing and water resource information for surface and groundwater quantity and quality.

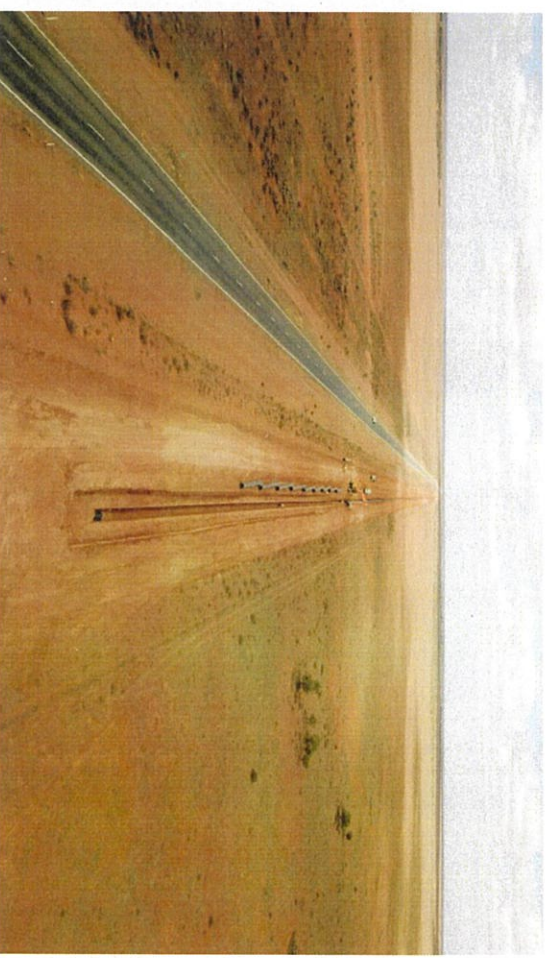
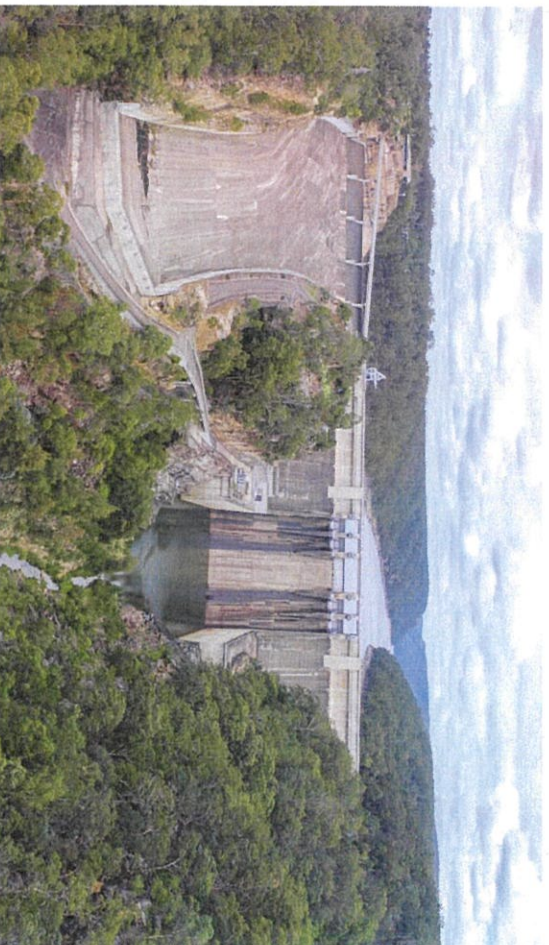
Our purpose

To improve the availability of water resources that are essential for the people of NSW.



Our vision

We are recognised and valued by our customers for excellence in efficiently delivering their water needs to help make our communities healthy and prosperous.



Our strategic goals



Our Strategic Goals



Our People & Safety

Develop our people and live our commitment to zero harm



Our Performance

Consistently deliver and continuously improve core performance



Our Business

Evolve our business to be responsive, resilient and enduring



Our Relationships









Connect and collaborate with our customers, communities and stakeholders



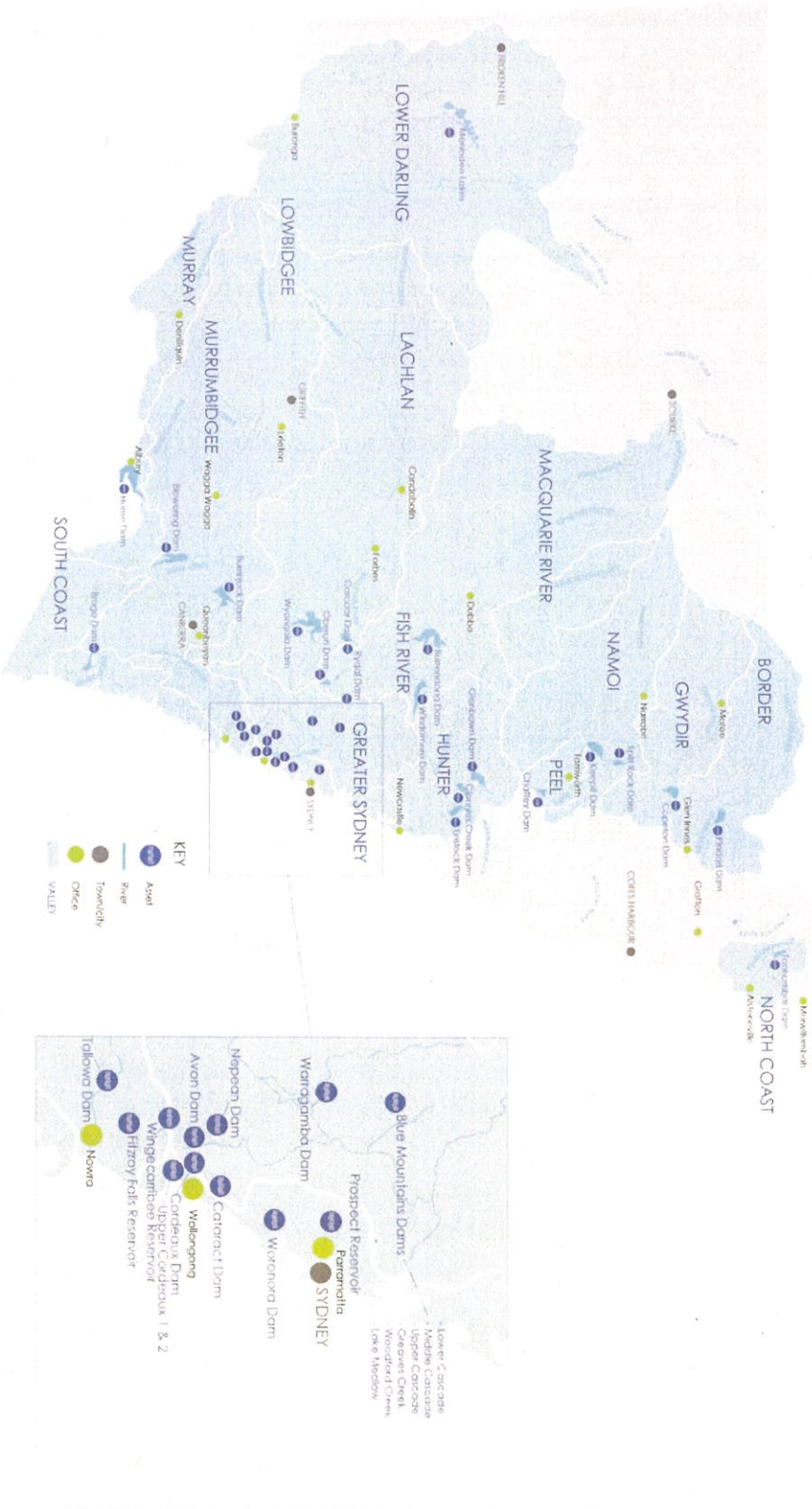
Our Water Solutions

Demonstrate thought leadership in providing holistic solutions to the state's water supply and water market challenges

Our strategic priorities

<p>Be Safe4Life</p>  <p>Achieve our safety-first commitment to zero harm (employees, contractors and the public) through decisions, behaviours and leadership actions that embed and continually improve our safety performance.</p>	<p>Be a Customer Centric Organisation</p>  <p>Focus on activities that prioritise our customers in our decisions and actions so that we improve the value customers receive along with the quality of their experience. Ensure by 2021 more than 70% of our customers rank our service delivery as seven or greater out of 10.</p>	<p>Deliver Reliable Performance in a Changing Environment</p>  <p>Achieve reliable and consistently improving performance and operational strength across all of our key functional areas by continuing to build our capability, flexibility and resilience.</p>	<p>Develop Our People and the Effectiveness of Our Team</p>  <p>Create the high-performance business we want to be by investing in and developing the competencies and leadership capabilities of our people, and by uniting them into one engaged and effective team that takes personal accountability for outcomes.</p>
<p>Improve Organisational Performance</p>  <p>Improve organisational performance by embedding a mindset of 'real-world' continuous improvement in all that we do, by embracing new ideas from national and global benchmarking research and by creating effective internal customer delivery chains that are commercial and meet evolving customer needs and shareholder requirements.</p>	<p>Support Performance Through and Adoption of New Technology and Scientific Advances</p>  <p>Through innovation and adoption of new technology and scientific advances ensure we do things safer, automate routine activity, reduce waste and costs, provide value adding information products to our customers and improve our performance.</p>	<p>Provide Strategic Solutions</p>  <p>Proactively collaborate and demonstrate thought leadership so that we anticipate, influence and strategically respond to our changing external environment and paradigms, including the water market and the implementation of the Murray-Darling Basin Plan, and develop innovative solutions that go beyond traditional thinking and span asset, operational, rule change and funding solutions.</p>	<p>Leverage our Water Quality and Water Information Expertise</p>  <p>Use our specialised knowledge, leverage our water quality and water information expertise to provide enhanced services for water quality causes and effects consistent with the aspiration of our communities to ensure water quality outcomes across the state; and water information applications and modelling to enable us to convert data into value added information applications for our customers and improve our performance in operating water supply systems.</p>









Our area of operations



Our services



We provide our customers and communities of NSW with the following service offerings.

-  Water licensing advice, applications and renewals
-  Water account transactions and dealings processing
-  Water entitlement and allocation trade
-  Water ordering
-  Water resource and market information
-  Metering and billing
-  Information services including water quantity, water quality, cease to pump and algae alerts
-  Fee for service maintenance and operation of bulk water infrastructure (such as for the Murray-Darling Basin Authority)

Financial performance summary



	FY21	FY22	FY23
Revenue	\$464.7 million	\$421.0 million	\$398.4 million
Earnings before interest, tax, depreciation and amortisation	\$172.6 million	\$199.0 million	\$204.5 million
Earnings before interest and tax	\$80.5 million	\$97.9 million	\$95.9 million
Operating profit before tax	\$7.4 million	\$9.2 million	-\$2.6 million
Net profit after tax	\$5.0 million	\$5.6 million	-\$1.2 million
Capital expenditure	\$352.4 million	\$246.4 million	\$152.6 million
Dividend	\$20.0 million	\$20.0 million	\$20.0 million

Performance targets



Performance measure	Key performance indicator	FY21 target
Returns to shareholders	Distributions plus tax plus government guarantee fee	\$52.4 million
Operating expenditure	Core operating expenditure	\$181.0 million
Capital expenditure	Core capital expenditure	\$351.9 million
Capital structure efficiency	Target credit rating	Baa2
	Target capital structure	60% net debt to regulated asset base
Profit	Earnings before interest, tax, depreciation and amortisation	\$172.6 million
Safety	Zero harm	Zero lost time injuries
	Incident severity rate	4 or less Class 4 and 5 severity incidents in FY21
Customers	Skyline	2.5% improvement on FY20, with a long term target of 70% of our customers ranking our service delivery as greater than 7 out of 10
	Quality of water supplied	Water supplied meets standards under the Raw Water Supply Agreement, Australian Drinking Water Guidelines or other agreed criteria more than 95% of the time
	Minimise operational water losses	River system operational water losses will not exceed the long term average losses by more than 5%
	Improving business performance and resilience by closing identified improvement actions within agreed timeframes	No more than 10 significant improvement recommendations not addressed within agreed timeframes
Staff engagement	Employee engagement survey	At least 55% of employees are fully engaged
Delivery of asset projects	Overall measure of delivery	250 points

COVID-19 response



WaterNSW has reviewed our business continuity plans to ensure appropriate management of the following key risks identified for the business:

- the health and wellness of our people;
- the availability of resources and supplies to undertake critical processes;
- business continuity, including our ability to meet regulatory, operational and governance obligations; and
- management of potential financial risk such as supplier default, customer credit risk, higher defined benefit superannuation liabilities, construction project delays, lower asset values and the availability of credit.

WaterNSW has implemented the following actions and initiatives:

- employees required for critical processes, such as water monitoring, have safely modified their working arrangements;
- revised protocols were provided to employees for undertaking field work covering employees in high risk categories, lone workers or teams and working with contractors;
- delivery modes for necessary training, induction and meetings moved from face to face to online, with employees working from home where possible.
- wellbeing conversations have been continuously held with employees and additional employee assistance program support has been put in place;
- proactive engagement with critical vendors to ensure continuity of supply, with alternative vendors identified and sourced where possible;
- customer engagement and communication has moved from face-to-face to online mediums including print media, radio and web-based services.
- support for customers by facilitating bill payment deferrals and payment plans; and
- a financial risk management action plan has been developed aimed at continuing to monitor the COVID-19 financial risks and mitigate these wherever possible; and
- mobilised a team to plan and execute the transition forward out of COVID-19 to both an interim and future way of working.

Representation and commitment statement

The Board of WaterNSW confirms that:

- Key performance indicators within the 2020-21 SCL are based on and supported by WaterNSW's Corporate Plan.
- The Voting Shareholders will be provided with financial and other information, including information on major capital expenditure projects, on a quarterly basis to assess the performance against commitments in this SCL and to assess the value of the Shareholders' investment in the business.
- Asset maintenance policies and processes are adequate and appropriate to manage and control risks associated with physical assets.
- All known 'key risks' and 'major emerging contingent liabilities' which could materially impact the current and future results of WaterNSW for the coming year have been disclosed.
- Internal audit and risk management practices are consistent with standards recommended for Australian Securities Exchange (ASX) listed companies and where appropriate, has applied any additional requirements that are set out in *Internal Audit and Risk Management Policy (TRP 15-03)* for the NSW Public Sector.
- The Chief Executive Officer has an employment contract and performance agreement. The performance agreement is appraised every six months. The employment contract entitles the Chief Executive Officer to ongoing employment with WaterNSW.
- WaterNSW adheres to *Commercial Policy Framework* policies, as listed in *State Owned Corporations: Applicable TPPs under the Commercial Policy Framework*.
- WaterNSW complies with NSW Treasury accounting circulars and policies applicable for State Owned Corporations.
- WaterNSW agrees to provide information during the year to NSW Treasury, as the representative of the Voting Shareholders, as specified in the State Owned Corporation Reporting Obligation Requirements.
- WaterNSW has agreed to comply with the requirements of *Premier's Memoranda M2012-04 Application of NSW Public Sector Wages Policy 2011 to State Owned Corporations* and further guidance contained in the Treasurer's January 2015 letter.
- WaterNSW will apply the principles of:
 - Premier's Memoranda M2012-08 Application of Biofuels.
 - Premier's Memoranda M2013-04 Implementation guidelines for procurement of publicly funded construction services.