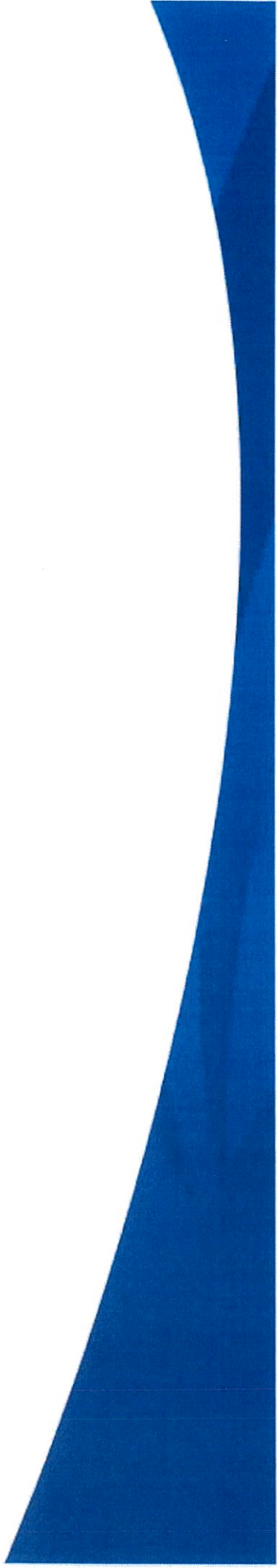




Statement of Corporate Intent

2019-20



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Shareholder agreement



This statement of corporate intent for the period 1 July 2019 to 30 June 2020 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 large, stylized handwritten signature in blue ink, written over a horizontal line.

The Honourable Dominic Perrottet MP
Treasurer

David Harris
Chief Executive Officer, WaterNSW

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

The Honourable Damien Tudehope MP
Minister for Finance and Small Business

WaterNSW overview



We are 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
- bulk water supply
- system operator
- infrastructure planning, delivery and operation
- customer water transaction and information services.



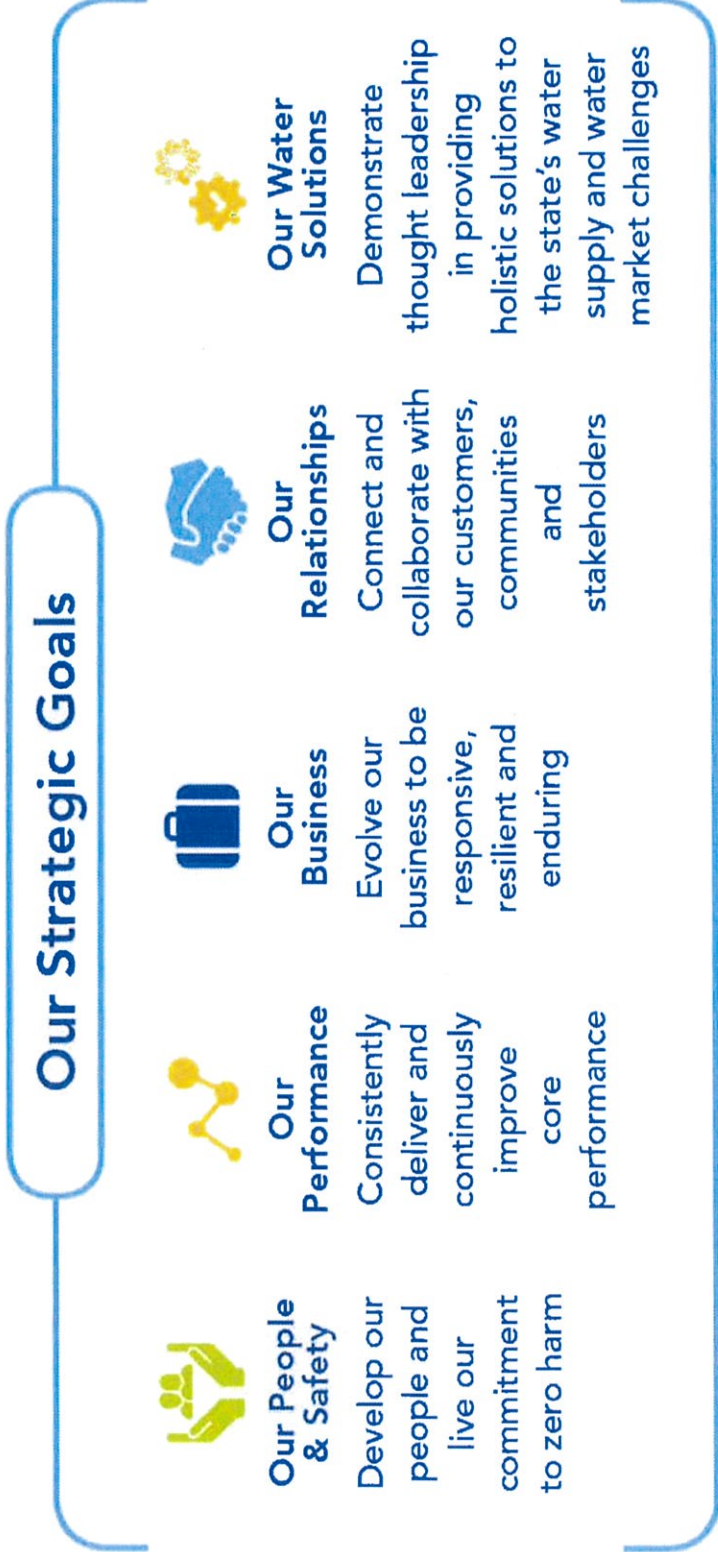
Our Vision



"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 Priorities



Be Safe4Life



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.

Be a Customer Centric Organisation



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.

Deliver Reliable Performance in a Changing Environment



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.

Develop Our People and the Effectiveness of Our Team




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.

Improve Organisational Performance



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.

Support Performance Through and Adoption of New Technology and Scientific Advances



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.

Provide Strategic Solutions



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.

Leverage our Water Quality and Water Information Expertise











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.

Key statistics



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 summary



	FY20	FY21	FY22
Revenue	\$392.7 million	\$386.4 million	\$433.4 million
Earnings before interest, tax, depreciation and amortisation	\$197.6 million	\$197.9 million	\$243.5 million
Earnings before interest and tax	\$131.9 million	\$125.9 million	\$167.5 million
Operating profit before tax	\$47.4 million	\$19.5 million	\$49.6 million
Net profit after tax	\$33.2 million	\$13.7 million	\$34.7 million
Capital expenditure	\$231.8 million	\$220.4 million	\$372.4 million
Dividend	\$20.0 million	\$20.0 million	\$20.0 million

Financial performance targets



Performance measure	Key performance indicator	FY20 target
Cash returns to shareholders	Distributions plus tax plus government guarantee fee	\$69.5 million
Operating expenditure	Core operating expenditure	\$166.4 million
Capital expenditure	Core capital expenditure	\$231.8 million
Capital structure efficiency	Target credit rating	Baa2
	Target capital structure (Net Debt to RAB)	59%
Profit	Core earnings before interest, tax, depreciation and amortisation	\$191.8 million

Non-financial performance targets



Performance measure	Key performance indicator	FY20 target
Safety	Zero harm	Zero lost time injuries
	Total reportable injury frequency rate (TRIFR)	5.16
	Safety observations and resulting actions addressed within agreed timeframes (monitor only)	Monitor only
Customers	Skyline	By 2021 more than 70% of our customers rank our service delivery as greater than 7 out of 10
	Quality of water supplied to Sydney Water	Water supplied meets standards under the Raw Water Supply Agreement >95%
	Minimise operational water losses	River system operational water losses will not exceed the long term average losses by more than 5%
Staff engagement	Employee engagement survey	Midpoint (50%) of the 'Best Employer' group
Delivery of asset projects	Overall measure of delivery	250 points

Representation and commitment statement



The Board of WaterNSW confirms that:

- key performance indicators within the 2019-20 SCI 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 SCI 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 (TPP 15-03)* for the NSW Public Sector; and
- 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.

Representation and commitment statement



- 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, as listed in the State Owned Corporations Mandatory Accounting Policies – NSW Treasury Circulars and Treasury Policy Papers.
- WaterNSW agrees to provide information during the year to NSW Treasury, as the representative of the Voting Shareholders, as specified in the State Owned Corporations 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; and
 - Premier's Memoranda M2013-04 Implementation guidelines for procurement of publicly funded construction services.