

WATERCARE SERVICES LIMITED

AGENDA	BOARD MEETING	Monday 29 July 2019
Venue	Watercare Services Limited, Level 3, 73 Remuera Road, Newmarket	
Time	10am	

Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material
1 Apologies	Chair	Record apologies	
2 Minutes of Meeting	Chair	Approve Board Meeting Minutes 28 May 2019	Board Minutes 28 May 2019
3 Disclosure of Directors' Interests	Chair	For noting	Report
4 For discussion			
4.1 Safety Moment	All	For sharing	Nil
4.2 Chief Executive's Report	Raveen Jaduram	For discussion	Report
4.3 Board Committee Updates	Committee Chairs	For discussion	Nil
5 For information			
5.1 Puketutu Island Rehabilitation Project - Health and Safety update	Steve Webster	For information	Report
5.2 Ask Your Team Update	Sarah Phillips	For information	Presentation
5.3 Strategic Business Plan Update	Executives	For information	Presentation
6 For approval			
6.1 Annual review of the Audit and Risk Committee Charter	Emma McBride	For approval	Report
7 Directors' Corporate Governance Items			
7.1 Board Planner	Chair	For noting	Report
7.2 Disclosure of Senior Executives' Interests	Chair	For noting	Report
7.3 Directors' Appointment Terms and Committee Memberships	Chair	For noting	Report
8 General Business	Chair	For discussion	Nil
Date of next meeting	Friday 30 August 2019		
Venue	Watercare, Level 3, 73 Remuera Road, Newmarket		

MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	28 May 2019
TIME	9.40am
STATUS	Public Session

	<p>Present: Margaret Devlin (Chair) Julia Hoare (Deputy Chair) Nicki Crauford Brendon Green Catherine Harland</p> <p>Board intern C Magee (from 10am – end)</p>	<p>In Attendance: Marlon Bridge (Acting CE) Jason Glennon David Hawkins Emma McBride Rebecca Chenery Shane Morgan Steve Webster Rob Fisher Amanda Singleton Julian Stewart Chris Thurston (from start until 9.55am) Bronwyn Struthers (from start until 10.25am)</p>	<p>Members of the Public: Three members of the public in attendance from start until 9.55am:</p> <ul style="list-style-type: none"> - Dr Grant Hewison from the Waitematā Low Carbon Network - Hutham Barakat and Raksha Tiwari from Equal Justice Project <p>Board Evaluation Observers from Propero</p> <ul style="list-style-type: none"> - Sarah Naude - Jacob Smith-Jude
1.	<p>Apologies</p> <p>Apologies were received from David Thomas and Raveen Jaduram, CE.</p>		
2.	<p>Minutes of Previous Meetings</p> <p>The Board resolved that the minutes of the public section of the Board meeting held on 30 April 2019 be confirmed as true and correct.</p>		
3.	<p>Review Disclosure of Directors' Interests</p> <p>The report was noted.</p>		
4.	<p>For Approval</p> <p>4.1 Shareholder's feedback on Watercare's Draft Statement of Intent 2019-2022</p> <p>E McBride, Governance Manager, presented the report.</p> <p>The Board then received a submission from Dr Grant Hewison representing the Waitematā Low Carbon Network, and Hutham Barakat and Raksha Tiwari law students, who are part of the Climate Change team of the Equal Justice Project (the "group"). Prior to the meeting, the group provided Watercare with a joint written submission (Appendix A).</p> <ul style="list-style-type: none"> - Ms Barakat and Ms Tiwari highlighted the policy environment in which Watercare operates, which is characterised by the Auckland Plan. This Plan outlines Auckland Council's Governing Body strategic commitment to sustainability. 		

	<ul style="list-style-type: none"> - Dr Hewison noted that Watercare was the first CCO to have a Climate Change Strategy and they welcomed Watercare's leadership in this area. He was also pleased to see the frankness that appeared in Watercare's Climate Change Strategy, including what Climate Change could mean for drinking water assets (e.g. the Hunua Ranges) and wastewater assets (many of which are in low-lying areas). - Dr Hewison also noted that he is currently reviewing the various climate change commitments made by Auckland Council and the CCOs. - The issues that the group wishes to see Watercare addressing in its SOI are: <ul style="list-style-type: none"> o The measurement of greenhouse gas emissions publicly and consistently over time o More information on how Watercare will translate its Public Emissions Targets into commitments which will involve working with suppliers o More detail on how Watercare will reduce its concrete use, which is a large emitter of carbon. This request came with the suggestion that Watercare work with other CCOs, such as Regional Facilities Auckland and Panuku to reduce the carbon impact of built structures and investigate more sustainable concrete products o A company wide climate change mitigation and adaptation corporate policy including a detailed work programme o Setting interim targets for climate change related KPIs. <p>Following the meeting, the Company Secretary sent the following response to the group (Appendix B).</p> <p><i>Dr Hewison, Hutham Barakat, Raksha Tiwari and C Thurston, Head of Sustainability departed the meeting at this point (9.55am).</i></p> <p>The Board and Management then had a general discussion regarding the draft SOI. This discussion covered the following points:</p> <ul style="list-style-type: none"> - The dry weather overflow target. S Morgan, Chief Operations Officer, noted that the primary driver of dry weather overflows is power failures. It was agreed that the target should be lowered from 10 or less, down to a more ambitious 5 or less. - The climate change submissions by the group. The Board agreed that interim targets should be part of our internal business plans and not the SOI. In light of this, the appropriate place for reporting on such targets (e.g. our 40:20:20 Vision targets) is the Annual Report, not the SOI. <p>The Board resolved:</p> <ul style="list-style-type: none"> - to approve the draft SOI, subject to it noting that internal climate change targets will be identified and reported on via our Annual Report; - to approve the covering letter to the Mayor; and - to delegate final sign off of the SOI and covering letter to the Mayor to the Chair of the Board.
5.	<p>For discussion</p> <p>5.1 Safety Moment</p> <p>D Hawkins, Chief Corporate Affairs Officer, provided a safety moment regarding the unsafe use of electric scooters in the Watercare car park at Newmarket by visitors. Non-Watercare workers were cautioned by him after they were seen riding the scooters in the car park at great speed, which caused a danger to themselves and others in the vicinity.</p>

5.2 Chief Executive's Report

The report was taken as read. Management answered questions raised by the Board.

Health, Safety & Wellness (HS&W) (Page 60 of Boardbooks)

- S Webster, Chief Infrastructure Officer, updated the Board on the Puketutu incident involving the chain that broke, which was being used to pull a machine.
- The learnings from this incident have been communicated to all of our sites and the worker involved has been spoken to.
- The correct, new equipment has been distributed to the site, so that this type of job can be undertaken safely in the future.
- The Site Manager now needs to be notified if a large item needs to be moved.
- The main learning is that there should not be a change in procedure. Our contractors focus on this with their staff, via various methods, such as Take 5 meetings and stopping work before making changes to procedures.
- The Chair noted that there had now been a few incidents at Puketutu, and for the July 2019 report, Management is to provide an update on H&S at Puketutu, covering both our workers and our two main contractors.
- B Struthers, Head of HS&W discussed the Telarc report. The key finding of the Telarc audit was that Watercare has more work to do involving contractor management. This will involve educating our contractors that plan changes must be thought about properly, risks reviewed and the new process documented and approved. This involves a change of culture, with our contractors, which is also an education process.
- Management is looking at adopting additional lead indicators in the H&S area, which will be rolled out to our contractors as well.

B Struthers departed the meeting at 10.35am.

Leak at Hillsborough (Page 77 of Boardbooks)

- S Morgan, Chief Operations Officer, explained that this pipe dates back to the 1960s and is nearing the end of its life. It will be replaced by the Central Interceptor (CI) in around 6 years' time.
- Since our report went to the Board, we have had a third leak on this pipe. However, because we have dealt with the same kind of leak before, our contractors are well equipped to respond quickly and repair it. Like the second leak, this third leak was also discovered by a Watercare worker.
- It is not sensible to invest significant additional capital into this asset, as it is being replaced by the CI. However, we are continuing to monitor the area where the pipe is buried, and will do our best to manage it over the next 6 years.
- Actions being taken include regular visits by our odour scouts from the Laboratory. This will warn of leaks. At the request of the Board, we will also install electronic odour sensors at the site.
- Our Structural Engineer is also assessing the condition of the pipe and will advise whether any further reinforcements of the pipe are required in the short term, while we await the CI.

Construction Accord (Page 80 of Boardbooks)

- Management confirmed that updates on how the Construction Accord is progressing will be presented to the AMCC Committee.

Solar Array (Page 83 of Boardbooks).

- The Board was interested to know more about the size of the array at Pukekohe.
- The total amount of green solar power that we will be generated by us, once all three arrays are installed, will be 329KwH, plus a Tesla battery at Redoubt Road.
- Mercury installed the Pukekohe array, after bidding for the job.
- The next project we are investigating is a floating array in Rosedale, which would involve a strategic partnership with Vector.

Water Symposium

- Watercare is holding a two day Water Symposium on 19/20 August at Eden Park.
- The event will involve key-note speakers and round table discussions.

5.3 Board Committee Updates**Audit and Risk Committee (ARC)**

J Hoare, Committee Chair, updated the Board on the ARC Meeting that was held on 27 May 2019 from 3-5.30pm.

- The meeting considered a new Supplier Code of Conduct, a deep dive into Strategic Transformation Programme Risks, including in relation to the transfer of our Finance System on 1 July 2019, as well as a detailed insurance update.
- The ARC also noted the Board should schedule a detailed discussion around a single price for water.

People, Remuneration and Appointments Committee (PRAC)

C Harland, Committee Chair, updated the Board on the PRAC meeting held at the end of April 2019.

- The PRAC discussed a talent matrix for the Senior Executives.
- The meeting also considered advice from Strategic Pay regarding the CE's pay. This was ahead of the July 2019 PRAC Meeting, where the PRAC will consider the CE's performance and pay.

Strategic Transformation Programme Committee (STPC)

B Green, Committee Chair, updated the Board on the next STP Meeting.

- The next STP meeting on 1 July 2019 will be held at Huia WTP.
- In the last week, Huia WTP has started using EAM for its asset management (around 4,000 assets). The production release has gone well at this small site.

	<p>AMP and Major Capex Committee (AMCC)</p> <p>N Crauford, Committee Chair, reported that the AMCC is meeting at 1pm this afternoon.</p>
6.	<p>For Information</p> <p>5.1 Water Efficiency Strategy Implementation Update</p> <p>C Harland declared her interest as an owner in Broadway Park.</p> <p>A Singleton, Chief Customer Officer, presented the report. There was then a general discussion that covered the following points:</p> <ul style="list-style-type: none"> - <i>Increased commercial use in Auckland:</i> One of the main reasons why Watercare is not meeting its Water Efficiency targets is because of the increased commercial use of water in Auckland. However, many of these companies have their own water efficiency targets, and the installation of smart meters will help them manage their water use. - While the price of Auckland's water itself is not the cheapest in New Zealand, other factors are driving industry to Auckland. These include industry wanting to be closer to their main markets, which makes being in Auckland more cost effective overall. They are also moving to Auckland for security of supply. - In light of the increased use of water by commercial users, Management will now start providing the Board with details of the split between Residential PPC and Commercial PPC. - <i>Illegal connections:</i> The team continues to focus on illegal connections, including illegal standpipes and hydrants. - The Board requested a further update on this matter in September 2019, including on District Metering Areas (DMAs) and smart metering. <p>6.2 Strategic Business Plan Update</p> <p>The Senior Executives spoke to the presentation.</p> <ul style="list-style-type: none"> - The e-Billing 50% target will be achieved soon. However, the Customer team will keep raising the target as e-Billing is more sustainable and a cheaper option. - The 8 x Bot target has been achieved. Work is continuing on automating other processes that result in efficiencies. - Our Ways of Working project is working well and will see a physical relocation of some teams around the Newmarket office shortly. - Nominations for the Diversity and Inclusion Committee have closed and the Committee will be formed soon. - The eNPS survey has been conducted and the results are being analysed. 68% of staff responded to the survey. The last survey's result was minus 5. This time the result is positive 25. - We are continuing our discussions with Treasury around the Infrastructure Funding and Financing Framework (IFF). - We have had no further discussions with the DIA regarding the three waters review. - We would have been on-track to achieve our efficiency saving target, if we did not have a number of one-off expenses, such as the Māngere odour issue and the money we have invested into the negotiations around the Waikato District Council commercial deal.

	<ul style="list-style-type: none"> - Watercare will be providing submissions on the Zero Carbon Bill and discussing with Council whether we do a combined response, or an individual response. - Our Watercare Guardians programme will launch in August 2019.
7.	<p>Directors' Corporate Governance Items</p> <p>7.1 Board Planner</p> <p>The report was noted.</p> <ul style="list-style-type: none"> - E McBride will set dates for 2020 shortly. <p>7.2 Review Executive Management Disclosure of Interests</p> <p>The report was noted.</p> <p>7.3 Director Appointment Terms and Committee Memberships</p> <p>The report was noted.</p> <ul style="list-style-type: none"> - Interviews for a new Board member continues. We should receive formal confirmation of our two new Board members in early July 2019. Once the new Board members are appointed, the membership of the Committees will be reviewed.
8.	<p>General Business</p> <p>There was no general business.</p>
	<p>The meeting closed at 11.15am.</p>

CERTIFIED AS A TRUE AND CORRECT RECORD

Margaret Devlin
Chair



Equal Justice Project – Watercare Submissions

The Waitematā Low Carbon Network (WLCN) and the Equal Justice Project (EJP) at the University of Auckland Law School welcome the opportunity to offer feedback on the draft statement of intent of Watercare Services Ltd ('Watercare').

The purposes of Council-Controlled Organisation (CCO's) Statements of Intent (SOI) are outlined at s 64 and schedule 8 of the Local Government Act 2002, being to:

- (a) state publicly the activities and intentions of a council-controlled organisation for the year and the objectives to which those activities will contribute; and
- (b) provide an opportunity for shareholders to influence the direction of the organisation; and
- (c) provide a basis for the accountability.

It is within this statutory context that we are presenting our submissions.

Governance Context

At the outset, we note overall that Auckland Council is committed to the avoidance and mitigation of climate change.

This commitment is currently being implemented through the Low Carbon Auckland policy, but also is a strategic obligation for CCOs like Watercare, in the form of clause 1.1.8 of the Auckland Council CCO Accountability Policy. Thus, as a matter of statutory obligation, Watercare is obliged to consider the climate impact of its strategies and plans, especially within the formulation of its Statement of Intent.

More generally, the policy environment in which Watercare operates is characterised by the Auckland Plan which outlines the Auckland Council's Governing Body strategic commitment to sustainability. Auckland has also become a signatory of the C40 Cities Declaration which provides a further set of commitments relating to sustainability across our city. Auckland Council has also resolved to endorse "the requirement to develop a climate plan consistent with the Paris Agreement aspiration of 1.5°C maximum temperature rise". Finally, the government has recently provided the entire economy with firm guidance as to their intention to transition New Zealand to a sustainable future through the Climate Change Response (Zero Carbon) Amendment Bill, and in our view, it is critical that Watercare's strategic planning takes into account the new obligations created under this statutory regime.

Watercare's Approach

We welcome the commitments made in the Watercare SOI on climate change and especially the leadership that Watercare has shown in developing its Watercare Climate Change Strategy.

As noted in a very frank way in its Climate Change Strategy, Watercare acknowledges that the dramatic changes in the climate have the potential to significantly impact water supply and wastewater services, disrupting service continuity and incurring substantial costs.

We understand there are key concerns for Watercare across both water and wastewater services in terms of climate change, which include:

- Water - Catchment land instability, water scarcity, diminishing raw water quality, on-site flooding, power/access road failures to plants, increasing pipe breakages, impacts on assets due to sea-level rise, dramatic changes in demand for water services with increasing peak demands, potential 'stranded assets' following land-use changes and sea-level rise.
- Wastewater - Decreased effectiveness of oxidation ponds, increasing probability of wastewater bypasses, on-site flooding, impacts on critical third-party services, changes to assimilative capacities, increased instances of consent non-compliances, submerged outfalls, migratory bird impacts, greater corrosion/odour issues, a greater number of overflows, increased pumping costs, increased saltwater intrusion and flotation of assets.

We note the observation that in late 2016, Watercare adopted an Energy Policy that commits Watercare to being net-zero carbon by 2050. In light of urgency related to climate change, we ask that work be done on whether that target of being net-zero carbon by 2050 can be brought forward and that 3-5 year increments be incorporated into the overall target.

We also note that in October 2017, Watercare committed to the Climate Leaders Coalition. This means that Watercare: (i) measures its greenhouse gas emissions and publicly reports on them; (ii) Watercare sets a public emissions reduction target; and (iii) Watercare works with its suppliers to reduce their greenhouse gas emissions.

With regard to the commitment to measure greenhouse gas emissions and publicly report on them, we ask that these be as simple and transparent as possible so that the public may readily understand the progress being made. We look forward to reading your 2018/19 Annual Report with this in mind.

On setting a public emissions reduction target, although you have stated that you have updated this target to keep within 1.5 degrees of warming, we would appreciate clarification of this means in regard to Watercare. For example, does this mean being net-zero carbon by 2050 or earlier?

Turning to Watercare working with its suppliers to reduce their greenhouse gas emissions, we would also appreciate clarification of what programmes Watercare has in place to do this during the 2019/20 SOI period. We also note the commitments to introducing carbon budgets and targets as a performance measure for your infrastructure projects and procurement. We look forward to seeing these matters progressed quickly.

Climate Change Strategy – Short Term Targets

While we welcome the statements in Watercare’s SOI, in light of the frank concerns regarding climate change in its strategy, we suggest Watercare must advance the actions in its strategy with far more urgency through its SOI.

We recommend amending the Watercare SOI on Climate Change (pages 8-9) to include the following text:

“In particular, in the financial year 2019/2020, Watercare will:

- a) complete a company-wide climate change mitigation and adaptation corporate policy including a detailed work programme. This Policy will communicate to staff and suppliers what is expected of them to contribute to its climate objectives so that it becomes ‘business as usual’ across the organisation as part of Watercare’s enterprise business plan. It will include targets in job descriptions and performance reviews and be embedded in practices, such as strategy, planning, design of assets and ecosystem management;
- b) complete an emission reduction pathway for its operations, with a reduction target of 45% by 2030 and transparent interim targets for 2021, 2024, 2027 (incorporating energy efficiency, generation of renewable energy, energy neutrality, reduction in process and treatment emissions, but NOT relying on planting¹); and
- c) complete an infrastructure carbon reduction pathway, with a reduction target of 40% in infrastructure emissions by 2025 and an interim target of a reduction in 20% by 2022.” *The Climate Change Strategy notes Watercare’s large infrastructure influence and ambitious target to drive innovation and new thinking and rethinking of design standards, facility plans, servicing strategies and business cases to reduce carbon (such as that in concrete) used in infrastructure.*

With regard to the infrastructure carbon reduction pathway above, we suggest that Watercare work with other CCOs, such as Regional Facilities Auckland and Panuku to reduce the climate impact of built structures, investigating more sustainable concrete products.

Conclusions

While we acknowledge that Watercare has made progress on addressing climate change, no doubt Watercare would also agree that much more needs to be done in light of the climate emergency. Overall, we ask that Watercare prioritise this aspect of its work.

Hutham Barakat
Raksha Tiwari
Dr Grant Hewison

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¹ See the recommendations of the recent report of the Parliamentary Commissioner for the Environment, *Farms, forests and fossil fuels: The next great landscape transformation?* (2019)

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6 June 2019

Dr Grant Hewison, Waitemata Low Carbon Network
Hutham Barakat and Raksha Tiwari, Equal Justice Project

grant@granthewison.co.nz

Dear Grant, Hutham and Raksha

Response to your “Submission on Watercare Services Limited draft Statement of Intent for 2019-2022” and the presentation made to Watercare’s Board Meeting of 28 May 2019

Thank you for your letter of 23 May 2019 providing submissions on Watercare’s draft Statement of Intent (SOI) 2019-2022, and also for the presentation you made to our Board on 28 May 2019.

We address the various points you raised in your letter and presentation below.

Submission: *That the net-zero carbon by 2050 be brought forward and 3-5 year increments be incorporated into the overall target.*

Our focus is on the near term target of 45% reduction in operational emissions by 2030 (in line with a 1.5 degree future), which is a stepping stone to our net-zero target.

We will review targets and increments in line with the soon to be established Climate Change Commission, who are setting five year emission budgets for New Zealand.

We will also review the targets in line with Auckland’s Climate Action Plan (ACAP), once this has been finalised.

Submission: *Regarding the measurement of greenhouse gas emissions, we ask that the public reporting of these be as simple and transparent as possible so that the public may readily understand the progress being made.*

To increase transparency, in our FY2019 Annual Report, we have committed to providing up to five years of emission data (in order to show trends). We will also provide more information on the sources of our emissions in this Annual Report.

After you left the Board meeting, the Board requested that we add a statement into the SOI along the lines that internal climate change targets are to be identified and reported on in the annual report.

Submission: *On setting a public emissions reduction target, although you have stated that you have updated this target to keep within 1.5 degrees of warming, we would appreciate clarification of what this means in regard to Watercare.*

As noted above, this target is our 45% reduction in operational emissions by 2030. This has been set in line with keeping global warming within 1.5 degrees.

Submission: *Turning to Watercare working with its suppliers to reduce their greenhouse gas emissions, we would also appreciate clarification of what programmes Watercare has in place to do this during the 2019/20 SOI period.*

We have recently launched our 40/20/20 Vision for our infrastructure programme. The emissions from our construction partners are by far our largest in our supply chain. Our 40/20/20 targets are:

- Reduce carbon in construction, or "build carbon", by 40 per cent across Watercare by 2024
- Reduce the cost to deliver our infrastructure programme by 20 per cent by 2024
- Reduce the number of injuries during construction by 20 per cent year on year.

A 40/20/20 taskforce has been established to oversee the implementation of the Vision. A team of six people from across the business will be setting target measurements, monitoring performance against the targets and maintaining momentum within the business and with our suppliers.

Construction is the largest of our Scope 3 emissions source so we will be working very closely with our infrastructure suppliers to help us achieve these targets. In particular, we are starting to partner with market players, via our new Enterprise Model procurement delivery model, to deliver our programme of works. This will mean working with just two contractors via the Enterprise Model, but getting them involved far earlier and working together much more closely with them, to achieve and hopefully beat our 40/20/20 targets.

Additionally, our soon to be launched Supplier Code of Conduct sets out our expectations that all of our suppliers should also share our commitment to a fair, safe, responsible and sustainable approach to business. In particular, the Code requires our suppliers to:

- Implement and maintain environmental management systems appropriate to their business, and to make these systems available to Watercare upon request. Suppliers are expected to make ongoing efforts to improve these systems;
- Comply with relevant regulations, legislation and environmentally responsible business practices; and
- Maximise the efficient use of energy, water, resources and raw materials and minimise waste and pollution.

While not all of our suppliers will currently be able to do this, the introduction of the Code allows us to easily communicate our high expectations around environmental management to our suppliers and work with them on these important areas over time.

Submission: *That the SOI should be amended to include the text "In 2019/2020, Watercare should complete a company-wide climate change mitigation and adaptation corporate policy including a detailed work programme. This Policy will communicate to staff and suppliers what is expected of them to contribute to its*

climate objectives so that it becomes ‘business as usual’ across the organisation as part of Watercare’s enterprise business plan. It will include targets in job descriptions and performance reviews and be embedded in practices, such as strategy, planning, design of assets and ecosystem management”

Our recently released Climate Change Strategy already includes a Climate Change Policy, which includes our Short Term 2019 Targets (refer Page 10 of the Climate Change Strategy).

We have also already prepared a detailed work programme. Stage 3 of this Programme is for climate change considerations, tools and processes to be integrated into “business as usual”.

In particular, our SOI now includes the following text:

Watercare’s adaptation work plan will focus on the delivery of nine short term portfolios by 2025 with the overarching aim of improving monitoring protocols and establishing a greater understanding of existing asset resilience to future threats. These are characterised into three value streams – (1) Informed decision making; (2) Assets; and (3) External dependencies. Desired future states within these portfolios have been established to provide a direction of travel and numerous individual actions are being mapped in the short term.

The fourth value stream (4) Mitigation, focusses on delivery of five portfolios to meet the Net Zero emission by 2050 and the 45 percent reduction by 2030 targets.

During 2019 a work plan will establish priority functions and future timelines. This comprises three stages:

- *Stage 1: Establish framework and identify teams*
- *Stage 2: Initiate priority activities that are required as building blocks*
- *Stage 3: Integration of climate change considerations, tools and processes to adopt a ‘business as usual’ (BAU) approach.*

The SOI also includes a detailed summary of the above four value streams, and the 14 portfolios of work that we will undertake.

Bearing this in mind, as well as the actions in the Climate Change Strategy, Management considers the current detail in the updated SOI is sufficient.

Submission: *That the SOI should be amended to include the text “In 2019/2020, Watercare should complete an emission reduction pathway for its operations, with a reduction target of 45% by 2030 and transparent interim targets for 2021, 2024, 2027 (incorporating energy efficiency, generation of renewable energy, energy neutrality, reduction in process and treatment emissions, but NOT relying on planting)”.*

Management’s position is that this is more detail than is required in the SOI.

The emission reduction pathway for operations is a stated objective of the Climate Change Strategy.

We already have short term targets for energy (8GWh reduction by 2022) and energy neutrality (by 2025). These interim targets are a challenge due to changing nature of the business and factors outside of control such as weather.

Process emission reduction is a new focus which will be established in the next 12 months.

Submission: *That the SOI should be amended to include the text “In 2019/2020, Watercare should complete an infrastructure carbon reduction pathway, with a reduction target of 40% in infrastructure emissions by 2025 and an interim target of a reduction in 20% by 2022.*

We are building our understanding of the opportunities and process to deliver the 40% reduction target in build carbon by 2024. As noted above, we will be doing this via the Enterprise Model, and also working more closely with our suppliers.

We will be establishing an interim target in the next 12 months as we gain a better understanding of our current baseline, and learning more about where opportunities exist in the short to medium term.

We will be setting these interim targets in partnership with our Enterprise Model partners, once these two contractors have been selected. This is part of the collaborative approach we wish to take when working with the construction market and our suppliers.

Submission: *With regard to the infrastructure carbon reduction pathway above, we suggest that Watercare work with other CCOs, such as Regional Facilities Auckland and Panuku to reduce the climate impact of built structures, investigating more sustainable concrete products.*

We agree. We have already started these discussions with a view to coordinating our approach to measurement and terminology.

Our Enterprise Model, as noted above, seeks to reduce both the use of carbon and the cost. This will necessarily include looking at lower carbon alternatives and partnering specifically with our major supply partners that deliver these products.

Submission: *While we acknowledge that Watercare has made progress on addressing climate change, no doubt Watercare would also agree that much more needs to be done in light of the climate emergency. Overall, we ask that Watercare prioritise this aspect of its work.*

Thank you for acknowledging the progress Watercare has made to date. Although we have a Head of Sustainability at Watercare, we consider improved sustainability to be a component of the roles of all people at Watercare.

The Board, Senior Executive and all of our people are well aware that as Auckland and New Zealand’s largest water utility, we have a wider responsibility to run a sustainable and resilient operation. We are proud to be at the forefront of adopting more environmentally sound innovations, such as thermal hydrolysis treatment at our wastewater treatment plants, EV pool cars, and the pilot installation of large solar arrays at some of our sites.

Our interest and investment has for many years extended beyond our plants to their surrounding environments, including the harbours and waterways. Examples include:

- our support of the Watercare Harbour Cleanup Trust

- our management of the foreshore environment along the Watercare Coastal Walkway at Māngere, where migratory wading birds roost
- the use of biosolids to rebuild the volcanic cones at Puketutu Island.
- pest control and non-glyphosate weed control that we do in and around our sites
- the use of sheep as lawnmowers at our Māngere plant
- the introduction of e-billing (which has significantly reduced our use of paper)
- the native revegetation project we have underway, which will cover 1,900 hectares of the Hūnua Ranges and involve the planting of millions of native trees.

While we are pleased with the work we have done to date, we also agree that there is still much more that needs to be done. We will therefore continue to prioritise our climate change work.




If you have any other questions, please do not hesitate to contact us.

Yours sincerely



Amanda Singleton
Acting Chief Executive

Disclosure of Directors' interests

Purpose			Team		
Information	Discussion	Approval	Prepared	Recommended	Submitted
			E McBride Governance Manager	R Fisher Company Secretary	R Jaduram Chief Executive
Intellectual capital	People and culture	Community and stakeholder relationships	Financial capital & resources	Natural environment	Assets and Infrastructure
					

1. Purpose and context

s140 Companies Act 1993 requires all companies to keep an Interests Register, which must be disclosed to the Board of the company.

2. The details

Watercare Services Limited's Directors' Interests Register is set out below.

Director	Interest
Margaret Devlin	<ul style="list-style-type: none"> • Director, Meteorological Services of NZ Limited • Director, Waikato Regional Airport • Chair, Titanium Park (wholly owned subsidiary of Waikato Regional Airport) • Director, IT Partners Group • Director, Aurora Energy • Independent Chair of Audit and Risk Committee, Waikato District Council • Chair, Women in Infrastructure Network • Councillor, WINTEC • Councillor, The University of Waikato Council • Member, Audit and Risk Committee of The University of Waikato • Director and Chair, Lyttleton Port Company Limited • Director, Infrastructure New Zealand • Chartered Fellow, Institute of Directors • Member, Institute of Directors, Waikato Branch Committee • Member, National Infrastructure Advisory Board
• Catherine Harland	<ul style="list-style-type: none"> • Director, McHar Investments Limited • Director, Interface Partners Limited • Trustee, One Tree Hill Jubilee Educational Trust • Member, Auckland Regional Amenities Funding Board • Member of the Committee of Broadway Park Owners' Society Incorporated. • Independent Chair of the Aircraft Noise Community Consultative Group • Co-Chair, Sea Change Tai Timu Tai Pari Ministerial Advisory Committee

Director	Interest
Julia Hoare	<ul style="list-style-type: none"> • Director, AWF Madison Group Limited • Director, New Zealand Post Limited • Deputy Chair, The a2 Milk Company Limited • Director, The a2 Milk Company (New Zealand) Limited • Director, Port of Tauranga Limited • Director, Auckland International Airport Limited • Chair, Auckland Committee, Institute of Directors • Member, Advisory Panel to External Reporting Board • Vice President, Institute of Directors National Council • Member, The Sustainable Finance Forum Leadership Group
Nicola Crauford	<ul style="list-style-type: none"> • Director, Environmental Protection Authority (EPA) • Member of Electoral Authority, Cooperative Bank Limited • Specialist Advisor, WorleyParsons New Zealand Limited • Director and Shareholder - Riposte Consulting Limited • Director, Orion New Zealand Limited • Chair, GNS Science Limited • Independent Chair, Joint Governance Board, Chorus and Visionstream UFB Connect. • Member, EPA Decision Making Committee, OMV Great South Basin marine discharge consent application
David Thomas	<ul style="list-style-type: none"> • Chair, Ngāti Whakaue Tribal Lands Inc. • Chair, Gypsum Board Manufacturers of Australasia • Shareholder / Employee, Fletcher Building Limited • Director, New Zealand Ceiling & Drywall Supplies Limited • Chair, Altus NZ Limited • Director, Winstone Wallboards Limited
Brendon Green	<ul style="list-style-type: none"> • Director, Kaitiaki Advisory Limited • Director, Tainui Kawhia Incorporation • Director, Peak2Peak • Executive Director, Advanced Biotech NZ • Executive, Te Rūnanganui o Ngāti Hikairo • Management contract, Tainui Kawhia Minerals • Representative of Waipapa Marae, Kawhia, Te Whakakitenga o Waikato Tainui. • Runanga Manukau Institute of Technology - Te Whakakitenga o Waikato representative
Colin Magee (Board intern)	<ul style="list-style-type: none"> • Chair, Ākau Ltd and Ākau Foundation • Member, Advertising Standards Complaints Board • Contractor, College of Law • Director, C Magee Limited • Director, MyCap Limited • Director, MyCap Markets Limited • Member, Te Ārai Tūpono (Audit and Risk committee) of Te Wānanga o Aotearoa



Report to the Board of Watercare Services Limited

Prepared for the 29 July 2019 Board meeting



Chief Executive's report for June 2019

HIGHLIGHTS AND LOWLIGHTS

1. Health, Safety & Wellness

- There was one Lost Time Injury (LTI) involving Watercare employees in June 2019. There were no reported Medical Treatment (MTI), Restricted Duties (RDI) or Lost Time Injuries (LTI) involving contractors in June 2019.
- The rolling 12-month Lost Time Injury Frequency Rate (LTIFR) for employees is 6.50 per million hours exceeding our target of ≤ 5 .
- The rolling 12-month Total Recordable Injury Frequency Rate (TRIFR) for employees is 12.41 per million hours, remaining below our target of ≤ 20 .
- On 1 July 2019, we entered the Accredited Employer Programme for workplace injuries, with Gallagher Basset chosen as our Third Party Administrator.
- This report includes our Q4 update on Health, Safety and Wellness.

2. SOI measures

- We met 14 of our 16 SOI targets at year-end. The two targets that we did not meet were the percentage of real water loss from the network and the average consumption of drinking water per day per resident. We are checking the population information. Our hypothesis is that demand has been higher due to the dry six months of 2019 and that Auckland's population is higher than used for this metric.

3. People, Capability and Learning:

- The percentage of voluntary leavers and absences due to illness all remain below our limits.
- The number of FTEs remains below our budget.
- Our most recent Employee eNPS score was +26 (on a scale from -100 to +100). The previous score was -5. A gain of +31.

4. Customer service:

- In June 2019, the e-billing total was 52% and is continuing to rise.
- NPS continues to track strongly at 43 (12month rolling average), with continued focus on shifting our front line call centre culture to be more empathetic, focus on soft skills and driving first call resolution.
- Faults logged online continues to track well ending the year at 30% in June, with just over 1,100 faults logged online.
- Complaints within SLA at 97.8% well ahead of target of 95%.
- The Privacy Act is being reformed. Our customer facing staff will undergo training once the reforms are enacted.
- Unassisted payments are at all time high of 92% with the introduction digital channels; Alipay, WeChat and Apple Pay
- Customer satisfaction of 79% is below the target of 80%.

5. Community and stakeholder relationships:

- **Māori engagement:** We continued to work on Mana Whenua Outcomes by working with Council and Auckland's 19 Iwi.
- **Local Board engagement:** We continue to keep Local Boards up to date with local water and wastewater issues in their areas, including the low winter rainfall and water conservation measures.
- **Large number of documents and bills open for public submissions:** Watercare is reviewing a number of Council and Central Government papers and draft bills and will make submissions where appropriate.
- **WUCAT:** 116 applications were received this last financial year, many with high debts between \$5,000-\$10,500. The Trust continues to work with non-payers to assist these customers with their bills.
- **Communications snapshot:** A snapshot of external media, internal, customer and stakeholder communications is included in this report.

6. Resource Management Act compliance:

- **Resource Consent Compliance:** There were no Category 3 or 4 non-compliances in June 2019.

7. Digital update:

- Our STP Financial system successfully went live successfully on 1 July 2019.
- Work continues on Release 7 goals.

FUTURE OUTLOOK

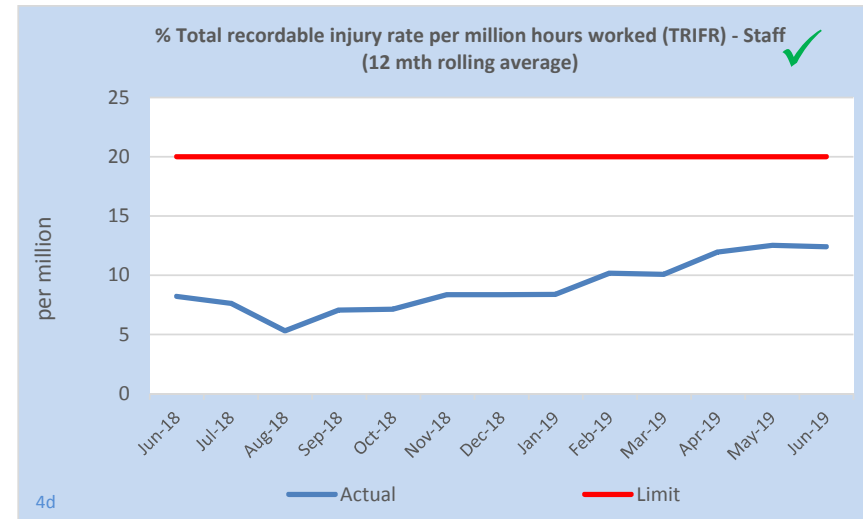
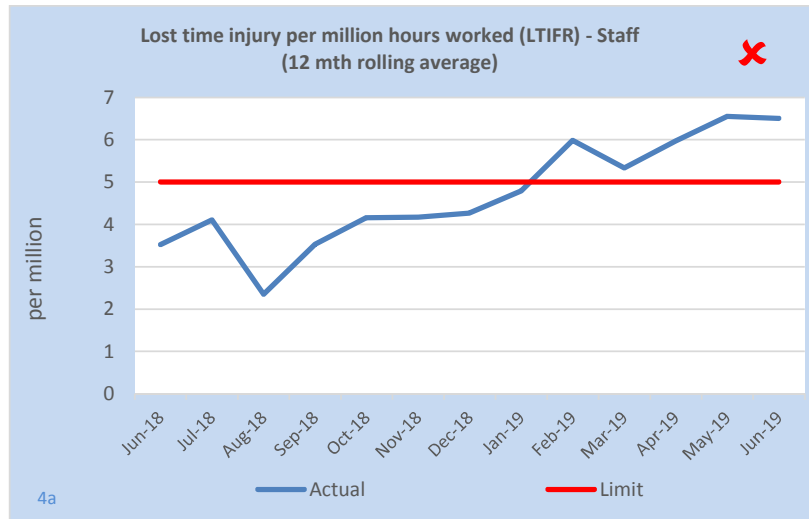
8. Natural Environment

- **Water outlook:** The long-term weather outlook is unlikely to be sufficient to account for the ongoing rainfall deficit. The forecast is for a drier than normal November and December 2019. **Appendix A** is a detailed update on the weather forecast, customer demand and dam levels for July 2019.



Raveen Jaduram
Chief Executive

1. HEALTH, SAFETY & WELLNESS UPDATE



Worker	Description of injury/incident	Our learnings	The actions we have taken
Watercare <i>Lost Time Injury</i>	A team member was picking up samples at the dewatering plant, as he bent down he felt a twinge in his lower back. He continued working until later that day when he reported the injury to his supervisor and sought medical treatment.	<ul style="list-style-type: none"> Better awareness and education for our teams around reporting injuries and incidents as soon as they occur. In this case, earlier intervention and management of the injury (rest and ice) would have prevented further aggravation caused by continuing to work. 	<ul style="list-style-type: none"> A return to work plan is being developed.

SIGNIFICANT INCIDENTS/HAZARDS/NEAR MISSES

There was one significant incident in June.

Worker	Description of injury/incident	Our learnings	The actions we have taken
Watercare Incident at Ardmore Water Treatment Plant	A weld band for the A-mix tank bypass valve, which weighed approximately 300kg, was being lifted out for replacement. It was being lifted with a chain block that was connected by temporary mechanical anchor eye bolts on the concrete ceiling. The anchor bolt mechanical fixing failed, causing the load to drop approximately 1m. Exclusion zones were in place and no injury to people resulted.	<ul style="list-style-type: none"> Fasteners of this nature need to be installed in strict accordance with manufacturer's instructions. Condition of concrete ceiling to be assessed prior to loading Methodology and lift plans need to be developed and incorporated into work plans Training on, or awareness of, contractor's methodology in using anchor bolts for fixing is required 	<ul style="list-style-type: none"> All work stopped immediately A safe methodology for the removal of the weld band was determined and implemented An investigation has been completed and investigation report received from the contractor

ACC – Move to self-insurance with Accredited Employer Programme (AEP)

- Watercare entered the AEP programme for workplace injuries on Friday 21 June 2019. This occurred after the successful completion of the audit and confirmation of acceptance from ACC.
- Gallagher Bassett was chosen as our Third Party Administrator.
- As of Monday 1 July 2019, Gallagher Bassett will also cover non-work injuries.
- All of our people have received a flier titled "Your guide to work and non work-related injuries" and a checklist that advising them what to do in the event of a work injury or illness.
- To date, managers at our Laboratory, MSN and 50% of Newmarket have received training in the new AEP programme.

HEALTH, SAFETY & WELLNESS continued...**Q4 UPDATE ON PROGRESS AGAINST OUR HEALTH, SAFETY & WELLNESS PLAN**

Watercare's 2018-2019 health and safety plan includes a number of programmes to reduce operational risks, develop leadership and management capability, and to develop and implement a company-wide health, safety and wellness system. Outcomes for Quarter Four are summarised below:

Summary of outcomes for Q3, FY19		
Strategic Objective 1 To enhance Safety Leadership Capabilities among officers and Managers to enable the promotion of a proactive health and safety culture.	●	HOP Training <ul style="list-style-type: none"> In February, Watercare hosted an external High Organisational Performance (HOP) course. This training is internationally recognised as an approach to HS&W in line with 'Safety II' thinking. Two operational leaders were trained and have started applying their learning within their work streams. Responsibilities of Leaders <ul style="list-style-type: none"> HS&W Business Partners (HS&W BP) have commenced a program of engagement and education with leaders to enhance understanding of what it means to be a HS&W leader. Business units are developing mechanisms for understanding and measuring safety performance to drive improvements in HS&W.
Strategic Objective 2 To manage our operations to reduce the risk of injury with a focus on serious or fatal injuries.	●	Ardmore Safety Case <ul style="list-style-type: none"> The Major Hazard Facility Safety Case was submitted to WorkSafe 1 March 2019. We anticipate feedback will be received shortly. Control of Work <ul style="list-style-type: none"> Revised paper-based Control of Work integrated into all operational business units in line with the 1 July 2019 target. STP digital tools to support the Control of Work system progressing to plan. Activity tracker due for pilot in STP

Summary of outcomes for Q3, FY19		
		<p>Release 7, digital JSA designed and user design testing planned. Minimum viable product (MVP) in development by S.W.A.T. squad.</p> <ul style="list-style-type: none"> • HSW Business partners continue to work with individual business units to work through needs and challenges.
<p>Strategic Objective 3</p> <p>To engage with our workers through programmes that reduce health and safety risks and support their physical and psychological health.</p>	●	<p>Health and Wellness Initiatives</p> <ul style="list-style-type: none"> • HS&W engaged with workers throughout April 2019's Expo. • Our Wellbeing assessment commenced across the organisation on 6 May 2019. The survey link closed on 7 June with 46% of the business having submitted their feedback/responses. A report will be presented to our Executive in July 2019. • St Johns Ambulance Mental Health First Aid for Leaders program will be delivered across the organisation in the first half of the FY2020. • A series of five Wellbeing sessions have been scheduled for delivery across key sites over the next FY. These sessions will be delivered by our EAP provider, OCP. • Training in protecting and using the body safely during work has been scheduled early in the next FY for four HS&W Business Partners. Bringing this training in-house will increase our ability to respond to events and provide proactive support to the business in a more cost-effective way than using an external agency. • Planning has been completed for a roll-out of financial literacy education and support across the business as financial stress is a significant cause of workplace presenteeism.
<p>Strategic Objective 4</p> <p>To implement and further improve systems and resources that enable continual improvement of health and safety performance by enabling leaders, managers and workers to effectively meet their health and safety responsibilities.</p>	●	<p>ACC Partnership Program</p> <ul style="list-style-type: none"> • Watercare applied to join the Accredited Employers Program (AEP) with ACC on 7 May 2019. • An independent audit was then carried out. The sites chosen by ACC to be audited were Mangere, Laboratory and MSN.

Summary of outcomes for Q3, FY19

- Following confirmation of acceptance onto the AEP programme from ACC, contracts with both ACC and Gallagher Bassett (Third Party Administrator) were signed.
- Watercare entered into the AEP programme for work place injuries on 21 June 2019, and on 1 July Gallagher Bassett began managing all non-work injuries as well.
- To date, managers at the Laboratory, MSN and 50% at Newmarket have received training regarding the AEP programme.
- Promotion and hand-out of the AEP materials will continue to all sites, including Q&A sessions to be held during July 2019. This includes introductions of our designated Case Manager – Rennie Perrie to the teams on site.

Synergi

- A new reporting platform has been reviewed and the HS&W team is working closely with the Digital team to make it appropriate for Watercare's requirements. The new platform will be trialled in August for potential implementation across the organisation in September 2019.

ASSURANCE**TELARC AUDIT**

Telarc conducted our audit against the AS/NZS 4801 standard on 30 April to 1 May. Audit findings have been reviewed and communicated to the business.

Two minor non-conformances were identified during the audit. These were:

1. Lack of evidence seen within the sites visited that an effective method of contractor monitoring has been implemented and no evidence provided of a documented evaluation.
2. Documentation, signage and certificates on display were not current at some sites visited.

Close out actions to address these issues have been confirmed with Telarc and are being implemented.

Health, Safety and Wellness continued...

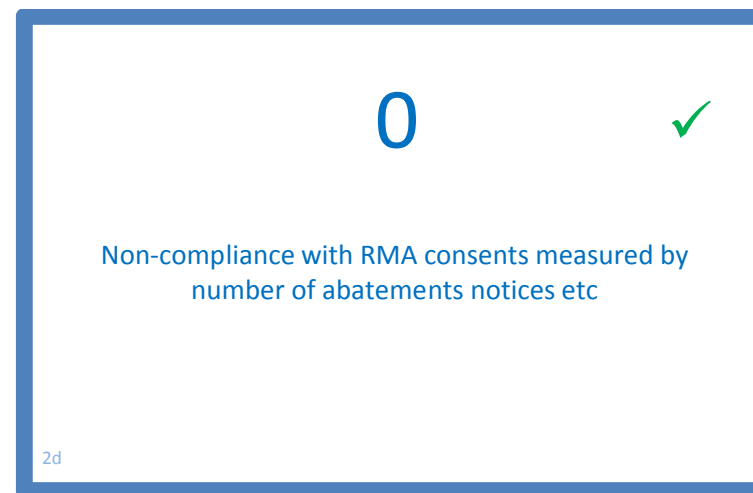
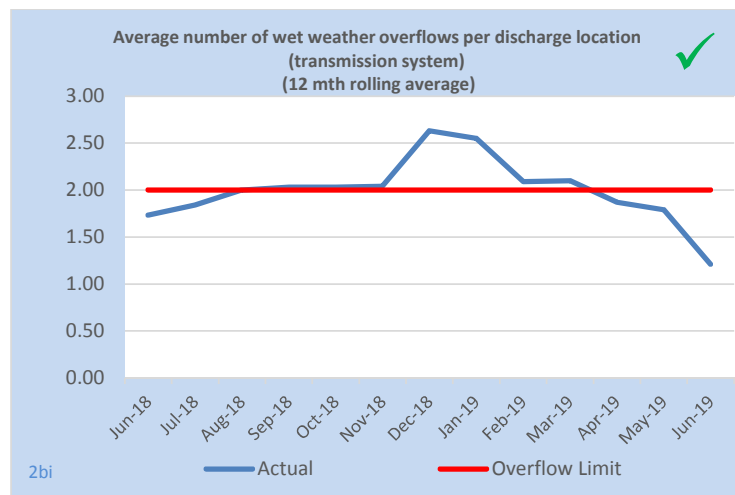
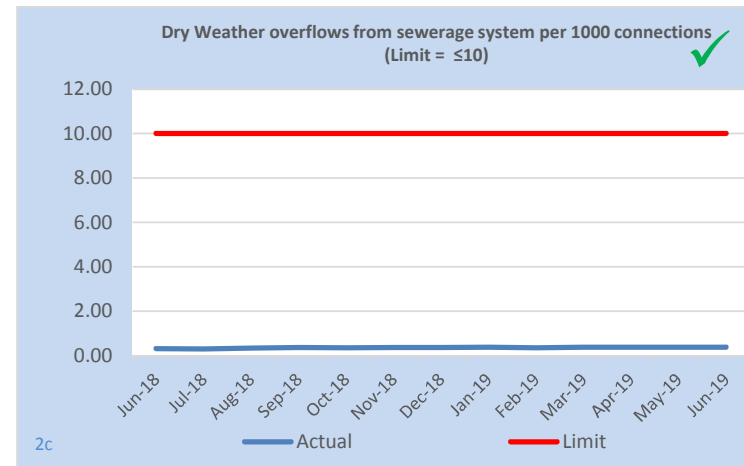
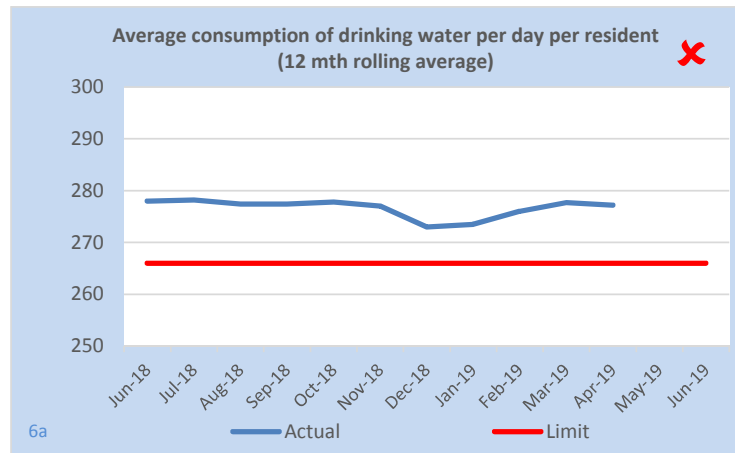
Watercare Injuries per Business Unit

Month	Business Unit	Restricted Duties Injury (RDI)	Medical Treatment Injury (MTI)	Lost Time Injury (LTI)	Total Recordable Injuries (MTI+LTI+RDI)
April-19	MSN	1	0	0	1
	Networks	0	1	0	1
	MSO	0	0	1	1
May-19	MSN	1	0	1	2
June-19	Operations – Wastewater	0	0	1	1
4th Quarter Total (Watercare Employees)		2	1	3	6
Total YTD		3	5	11	19

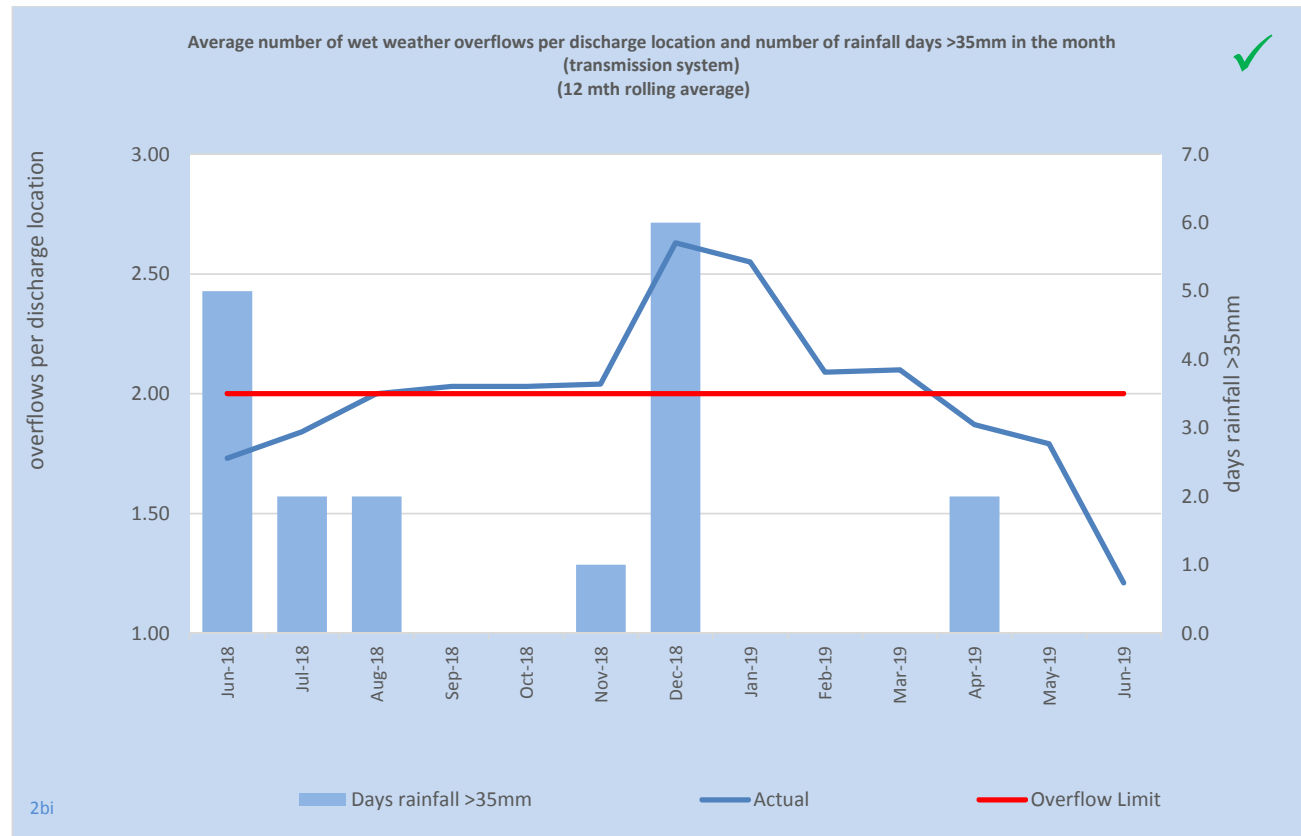
Contractor Injuries per company

Month	Company	Restricted Duties Injury (RDI)	Medical Treatment Injury (MTI)	Lost Time Injury (LTI)	Total Recordable Injuries (MTI+LTI+RDI)
April-19	No recorded injuries	0	0	0	0
May-19	McConnell Dowell	1	0	0	1
	Fulton Hogan	0	0	1	1
June-19	No recorded injuries	0	0	0	0
4th Quarter Total (Contractors)		1	0	1	2
Total YTD		3	7	7	17

2. SOI MEASURES – 2017-2018 - Natural environment



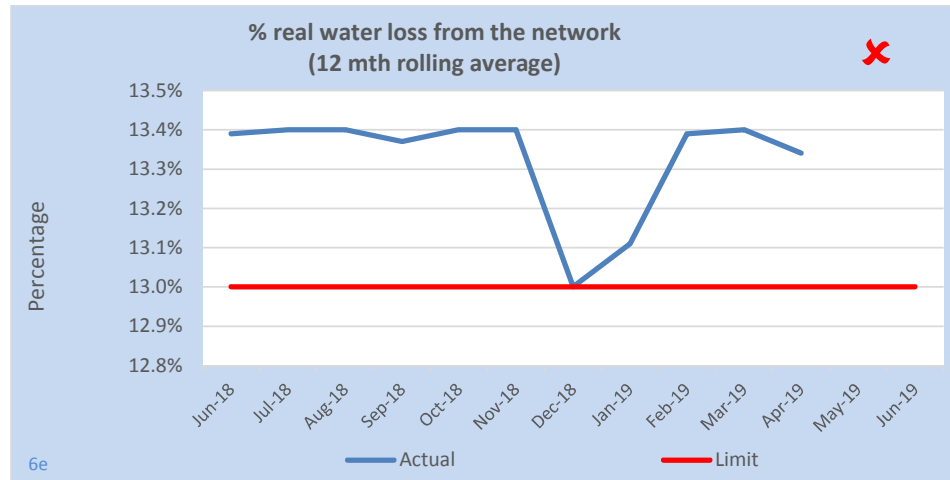
SOI MEASURES – 2017-2018 - Natural environment continued...



This measure is now being contrasted/compared with the average number of rainfall days greater than 35mm.

More wet days results in more wet weather overflows. The graph shows we had a particularly wet November, December 2018 and January 2019. However, the dryer weather has meant there have been less wet weather overflows.

SOI MEASURES – 2017-2018 - Assets and Infrastructure



- We are continuing our work into the accuracy of our Bulk Supply Points.
- In the meantime, our teams are continuing to:
 - pursue operators for revenue where water is being taken without permission or payment, or without meters (theft)
 - accelerate the replacement of old meters with new, accurate meters; and
 - ensure water meters are read in line with our programme.

100%



Compliance with Part 4 of the Drinking
Water Standards (bacterial)

1a

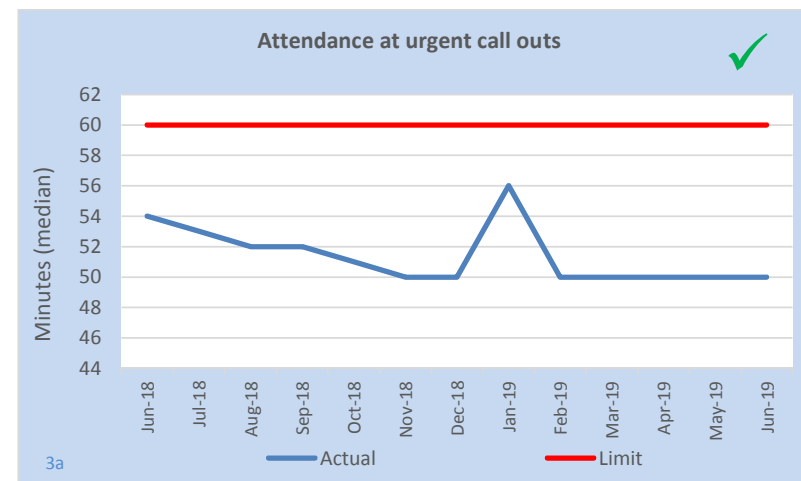
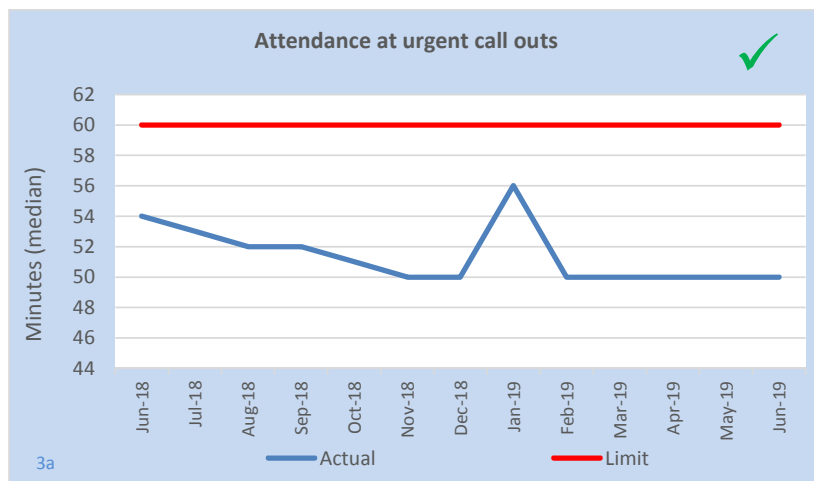
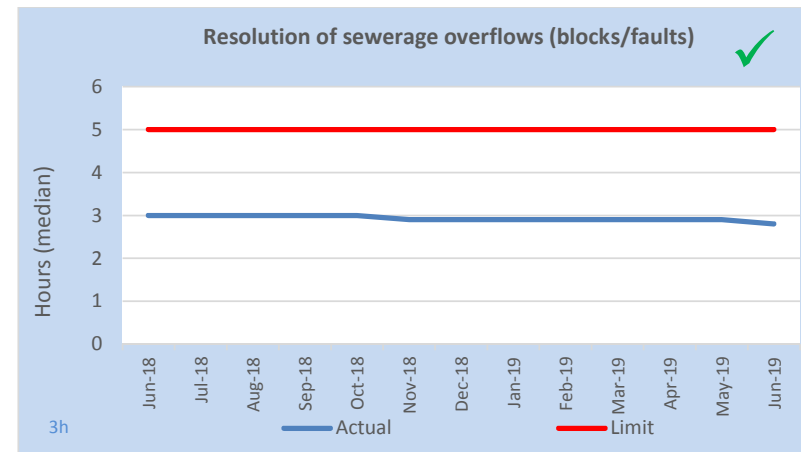
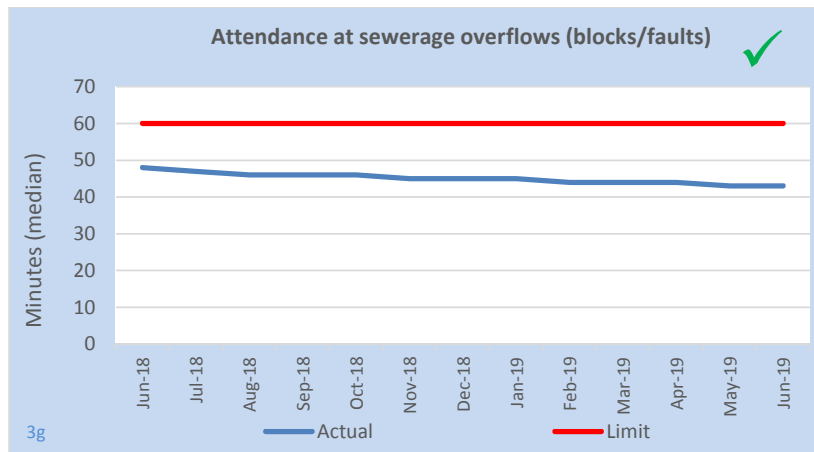
100%



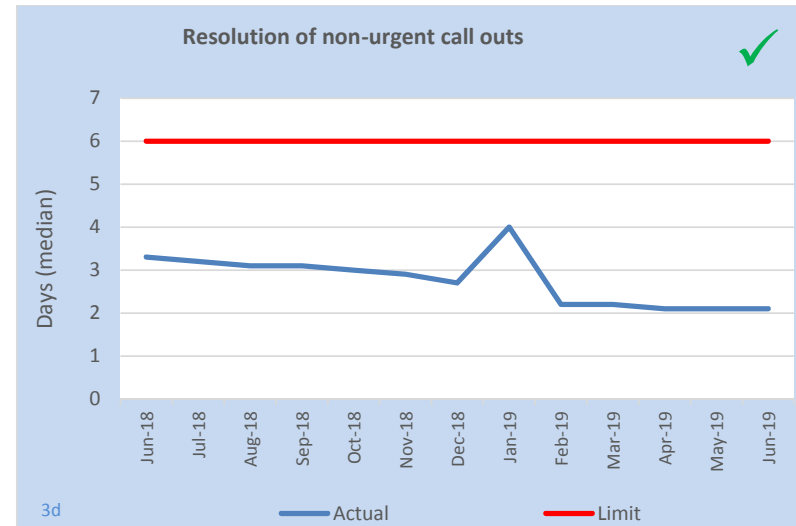
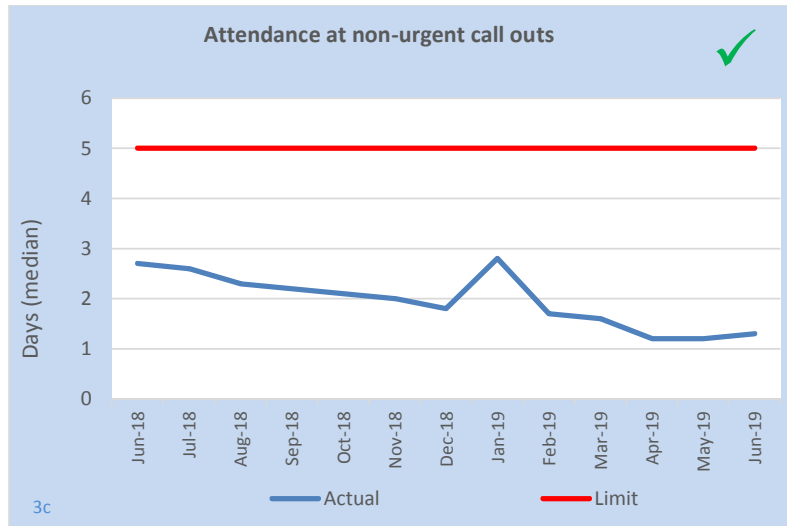
Compliance with Part 5 of the Drinking
Water Standards (protozoal)

1b

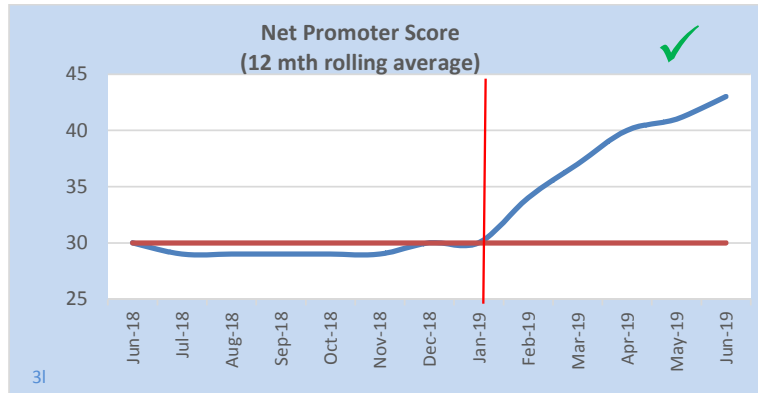
SOI MEASURES – 2017-2018 - Community and Stakeholder relationships



SOI MEASURES – 2017-2018 - Community and Stakeholder relationships

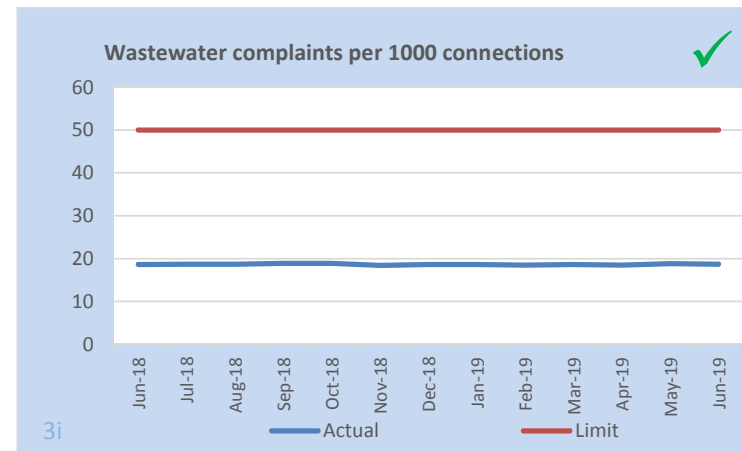
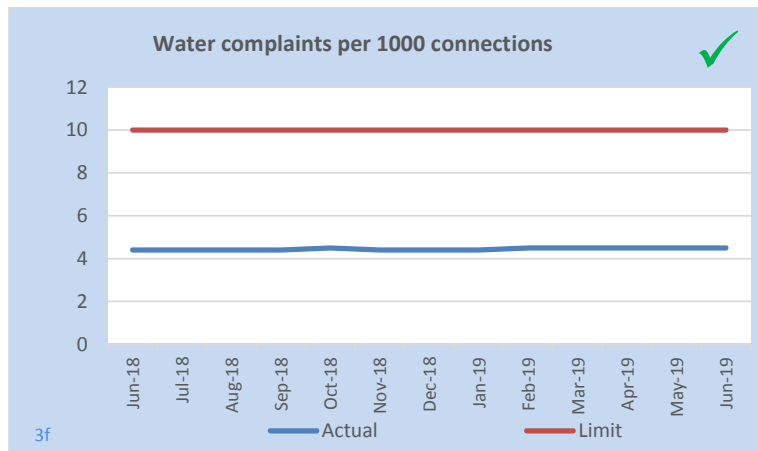


SOI MEASURES – 2017-2018 - Community and Stakeholder relationships continued

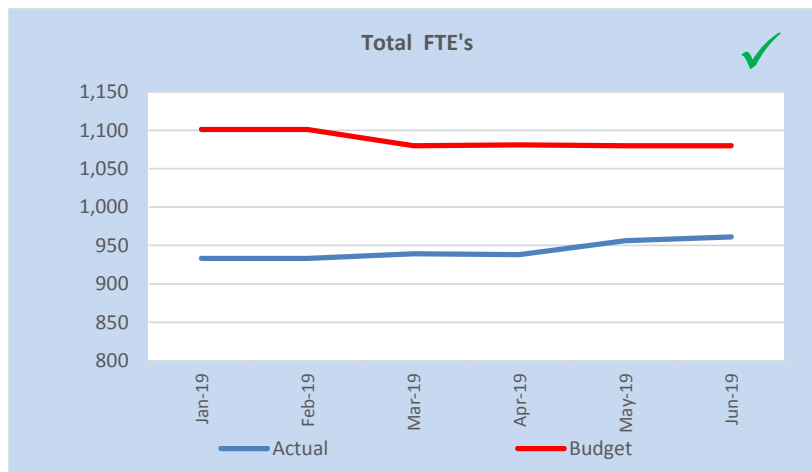
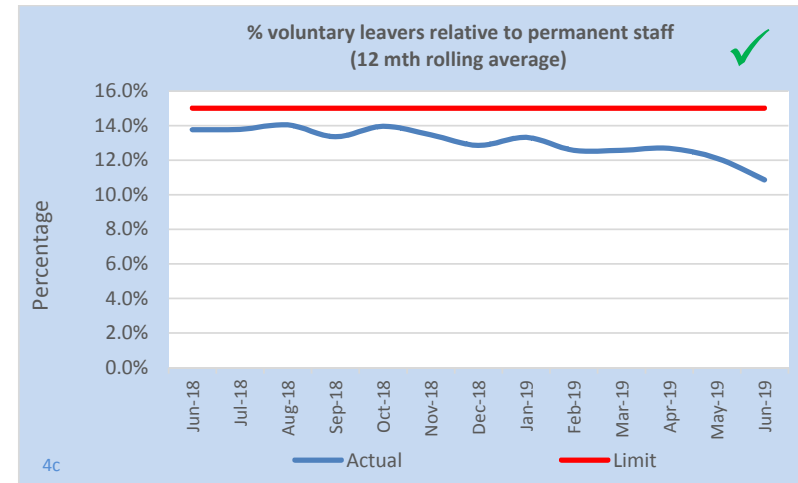
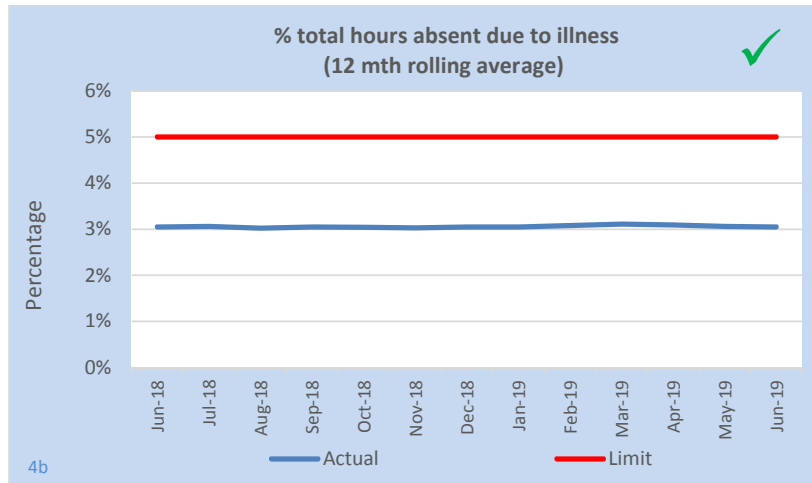


NPS

NPS for the year is at 43 (12month rolling average), with continued focus on shifting our front line call centre culture to be more empathetic, focus on soft skills and driving first call resolution.



3. PEOPLE, CAPABILITY AND LEARNING

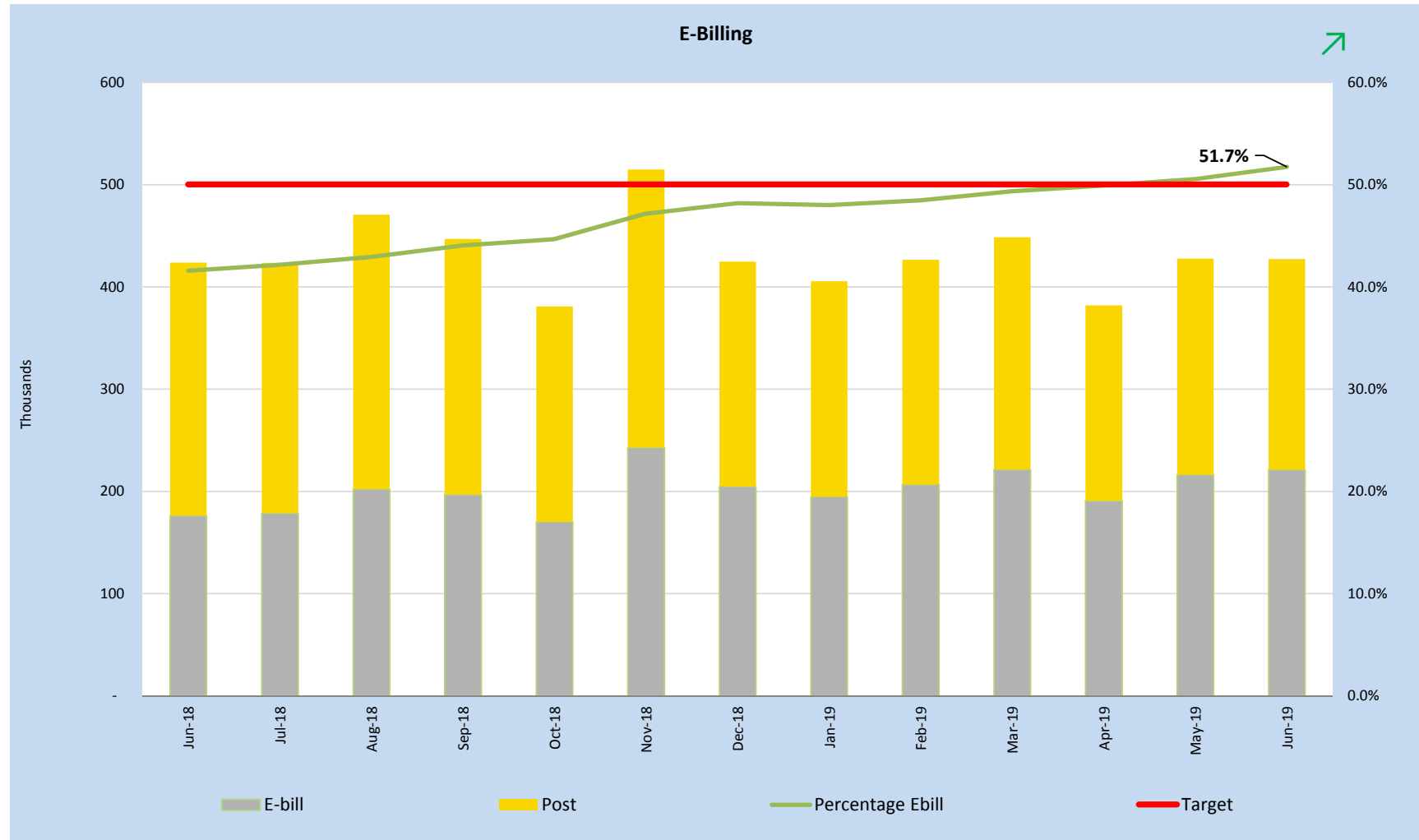


EMPLOYEE NET PROMOTER SCORE (eNPS) UPDATE – RESULTS

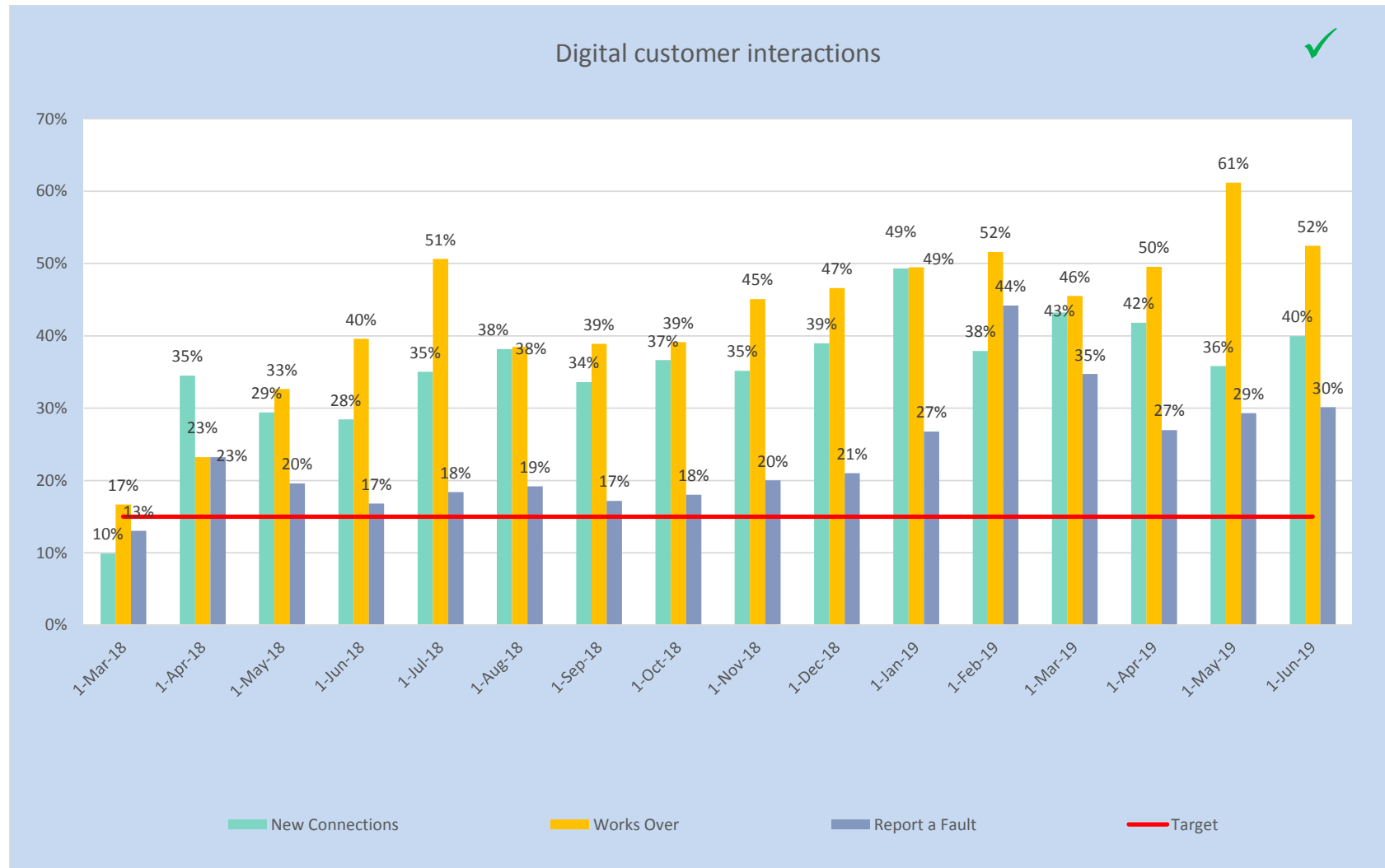
- 68% of our people completed the eNPS survey
- Our overall result was +26, which is encouraging and signifies that overall people enjoy working at Watercare. The previous score was -5.
- A score between +10 and +50 is considered a good score in terms of eNPS.

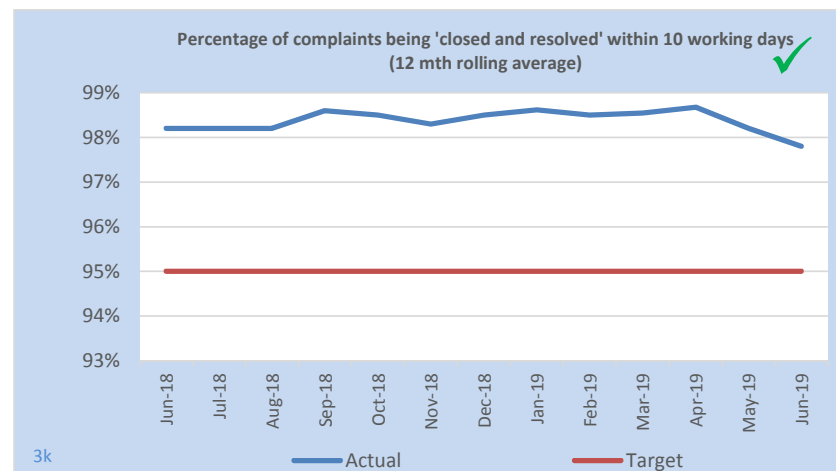
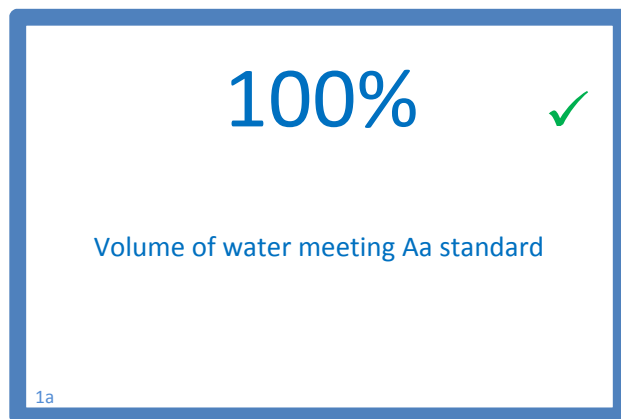
4. CUSTOMER SERVICE

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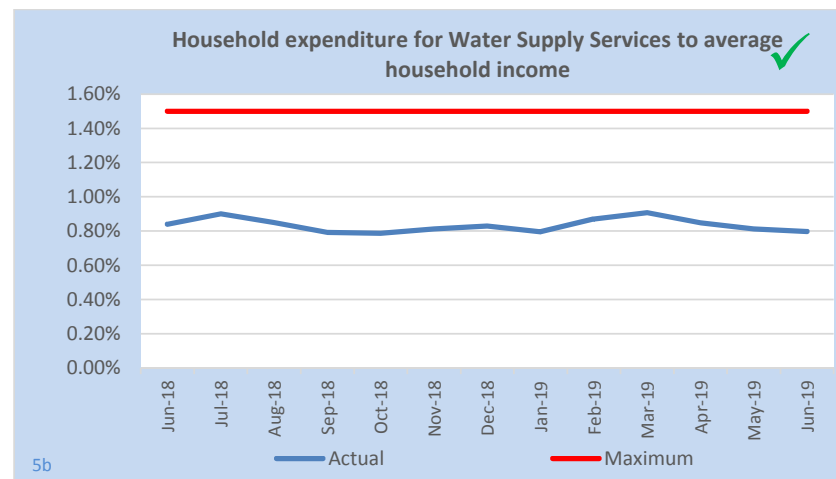
CUSTOMER SERVICE continued



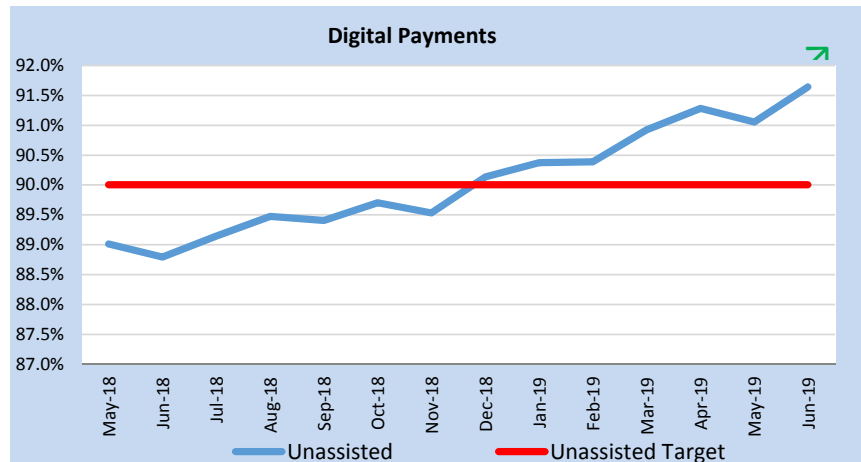
CUSTOMER SERVICE continued**PRIVACY ACT REFORM**

A reform of the Privacy Act is working its way through Parliament. The reforms promote early intervention and risk management by agencies (the name used for any organisation or person that handles personal information), rather than relying on people making complaints after a privacy breach has already happened. The Bill's reforms will also enhance the role of the Privacy Commissioner.

Watercare has an online training tool to help staff increase their awareness of the Privacy Act and its requirements. This is particularly important for customer facing staff. The online tool will be updated to include the new reforms when enacted.



CUSTOMER SERVICE continued



DIGITAL PAYMENTS

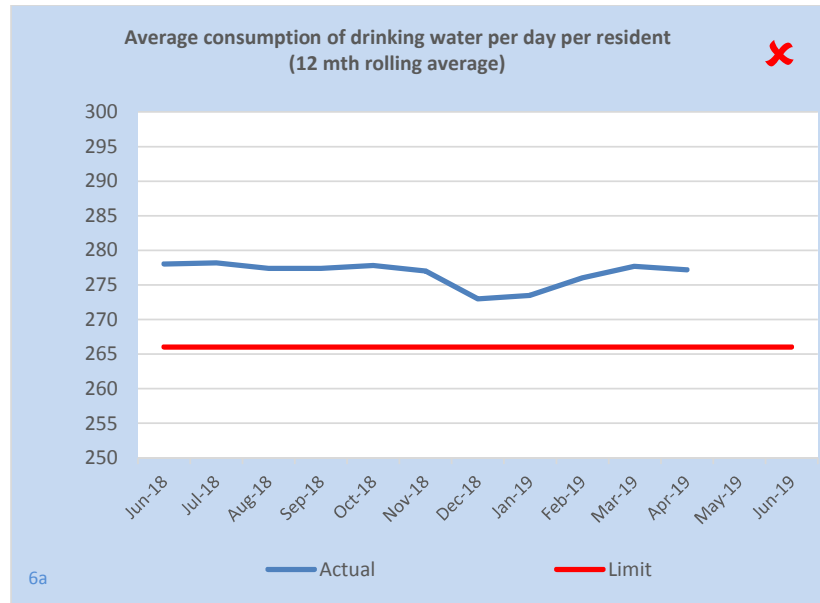
- Automated payments is at 92% for the year, +2.8% increase due to driving direct debit payments and introduction of digital payment channels.



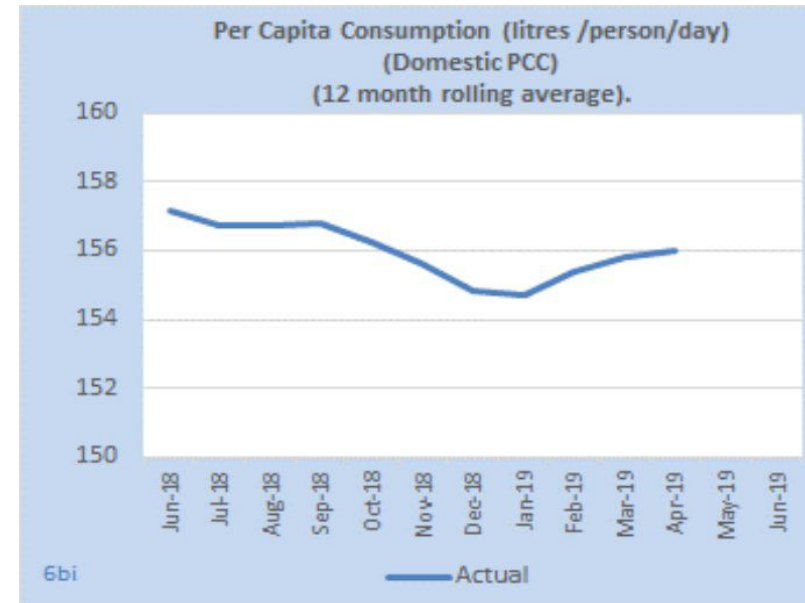
CUSTOMER SATISFACTION

- 78.9% of customers surveyed were satisfied with Watercare's delivery of water and wastewater services (12 month rolling average), which has declined since last month, just below target of 80%.

CUSTOMER SERVICE continued



- The above graph shows our SOI measure (Gross PCC), which is above target. We do not have the population information as census data has not been released. Our hypothesis is that demand has been higher due to the dry six months of 2019 and that Auckland's population is higher than used for this metric.



- The above graph shows residential use of water only (Domestic PCC).
- This excludes non-domestic water and non-revenue water.

5. COMMUNITY AND STAKEHOLDER RELATIONSHIPS UPDATE

MĀORI ENGAGEMENT IN JUNE 2019

Work over the month of June included the following:

- Meetings with Watercare executives, mana whenua regarding the Central Interceptor project and Te Toa Takitini Māori Outcomes & Priorities.
- Relationship meeting were held or arranged with Te Motu a Hiaroa, Te Uri o Hau, Ngāti Tamaoho, Ngāti Rehua, Ngāti Wai ki Aotea, Ngāti Manuhiri, Ngāti Whātua Ōrakei and Waikato Tainui.
- Attend and lead Watercare presentation to the Governing Body of the IMSB council group on Māori Housing & Papakāinga and Effective Māori participation outcomes.
- Attend Meetings at Auckland Council for the Te Toa Takitini portfolio, including providing Watercare response to the 9 priorities, including Water, Marae, Economic Development, Rangatahi, Mana whenua engagement, Māori housing & Papakainga Development.
- Attend Maori Outcomes Steering Group meetings.
- Sharing Watercare consultation models with Māori and Iwi entities with counterparts at Far North District Council, Hamilton City Council and Waipa District Council.
- Providing support to the Project Lead of the Army Bay WWTP discharge project and South West WWTP discharge consent including consultation follow up with Mana whenua representatives.
- Lead Mana whenua Managers Kaitiaki forum June meeting.
- Host mana whenua on a tour of the MSN Training facility, Māngere.
- Continued work on the Te Hōanga input into FY19 quarter one Value for Money Implementation Progress Report, Māori Engagement,
- Continued work on Watercare's Māori responsiveness plan, including providing feedback on potential collaborative projects with Mana whenua and Council whānau.
- Discussions with Ngāti Whanaunga and Ngāti Paoa regarding the Hunua ranges proposal restoration.
- Work with Watercare's Head of Water Value regarding Te Taniwha o Waikato issues
- Sharing our learnings with BECA consultants regarding models of Māori engagement with Council.
- Continued support of Watercare staff with Te Reo Māori me ōna Tikanga sessions.

Community and Stakeholder relationships continued...

LARGE NUMBER OF DOCUMENTS/BILLS OUT FOR PUBLIC CONSULTATION

There are currently many documents out for public consultation. The most relevant documents Management is reviewing include the following:

- Auckland Council: *Draft Climate Action Framework*– currently open for public consultation - closes 6 September 2019. The framework sets out a range of actions that individuals and communities can be involved in delivering. Over the coming weeks, a set of detailed targets and indicators against each of the 11 key moves, informed by the consultation feedback, will be developed.
- NZ Productivity Commission: *Local Government Funding and Financing – Draft report*– currently open for public submissions with the final report going to Government on 30 November 2019. Watercare is considering making a submission. The Commission has identified four key areas where it suggests new funding tools are needed:
 - *New funding and financing tools for growth infrastructure* – 4 new tools are suggested
 - *Adapting to climate change* – A climate resilience agency and associated fund should be set up
 - *Coping with the growth of tourism* – set up an “accommodation levy”
 - The accumulation of responsibilities placed on local government by central government – This includes a discussion around three-waters funding and reform (Chapter 9)
- MBIE: *Proposed Regulatory Framework for Dam Safety*– Open for consultation. Watercare will be making a submission as we play a significant role as a dam owner and manager. Overall, we are in general agreement with the majority of proposals made in this discussion document.
- Central Government: *Climate Change Response (Zero Carbon) Amendment Bill* – Watercare made a submission on this Bill, which was coordinated with Auckland Council.
- Central Government: *“Reviewing the Walking Access Act 2008 – Have your say on public access to the outdoors – Consultation document”*. Watercare contributed some text into Auckland Council’s submission.
 - Central Government: *Kainga Ora-Homes and Communities Bill* – This Bill proposes to disestablish and combine the roles of Housing NZ Corporation, HLC, and the KiwiBuild Unit. This Bill represents “Stage 1”- establishing the new agency, setting out its functions, principles, and a requirement that this agency must produce a Government Policy Statement (GPS). The second “Kainga Ora Bill” (“Stage 2”) will set out its responsibilities and statutory powers to undertake development. Watercare contributed to Auckland Council’s submission to this current Bill.

LOCAL BOARD ENGAGEMENT

- Local Boards were sent a media release and follow up information in relation to low winter rainfall and water conservation measures. The elected members will be kept informed of any changes to the current situation.
- Upper Harbour local board members joined local Councillors and Watercare staff to officially open the Albany to Pinehill Water Pump Station.
- Information on the event was shared on Watercare’s Facebook page along with Auckland Councils online version of “Our Auckland”.
- Albert Eden Local Board received an update on the Tree Privet removal at Roy Clements Treeway in St Lukes. Members of STEPS also joined Watercare staff on site to view the works in progress.

6. WATER UTILITY CONSUMER ASSISTANCE TRUST – QUARTERLY & FULL YEAR UPDATE

Customers experiencing hardship may be eligible to apply to WUCAT for assistance with their water bills.

- Of the 116 applications received in the 2018/2019 period, 39 of these had debts between \$5,000 and \$10,500. In some cases, the higher debt has been due to major water leaks, and despite a leak rebate being granted, high debt still remains on the account. Unfortunately, in a number of cases the high debt has purely been due to non-payment.
- Maureen Little (Trustee and Financial Mentor/Budget Advisor) has been assisting the Trust with difficult budgets/households where there are a number of occupants and a number of differing ways contributions are made to the household. Maureen assists the Trust by completing 'household budgets' which gives a much more accurate position of the household situation, rather than one family member submitting an individual budget that does not reflect the actual financial situation of the household. The Trust has noticed that there are a number of households with 'adult children' receiving income, who do not contribute to the household. The Trust approval letter encourages all income earners to contribute to household expenses.
- The Trust is looking at ways to identify 'non-payers' and are fine tuning our processes for dealing with these clients with earlier identification and methods of communication.
- The Trust has just begun working with two plumbing firms to have leaks repaired following water audits by Eco Matters Trust. Families who have benefited from this service are extremely grateful for this assistance to repair the leaks and save both water and money.

UPDATE ON RESTRICTIONS AS AT 30 JUNE 2019

- We have recently done a reconciliation of restricted meters and have adjusted the reported number accordingly. There are 32 accounts currently with water being restricted, two for non-domestic accounts and 30 for domestic accounts.
- We did not perform any restriction or de-restrictions in June 2019.

COMMUNICATIONS SNAPSHOT

Enabling engaged communities and stakeholders

Media

Media highlights for the month include widespread coverage about the extended dry-weather in Auckland and our Waterwise Winter awareness campaign in NZ Herald, Stuff, TVNZ, TV3, Newshub, Radio NZ, Newstalk ZB.

Enabling safe, happy and empowered teams

Staff

Internally, we featured staff and project milestones, the launch of LN for finance and procurement and promoted the Waterwise Winter messages to our people.

Enabling customer trust and value

Customers

We distributed our winter edition of *Tapped In* to customers. This issue focuses on the work we are doing across Auckland to cater for growth and our Waterwise Winter campaign.

We continued to engage with our customers and the wider community on Facebook and LinkedIn – posts about our water storage levels and historic photos received high engagement.

Stakeholders

We hosted the Upper Harbour Local Board at the newly completed Albany pump station that links Albany and Pinehill Reservoirs and ensures security of supply to the North Shore.

We have undertaken tree privet control at the Roy Clements Treeway in Mt Albert. This is one of a number of environmental initiatives to offset construction proposed for the Lyon Ave site for the Central Interceptor project.

7. RESOURCE MANAGEMENT ACT COMPLIANCE



June 2019 Summary	Compliance proceedings	Nil	Environmental incidents of significance	Nil
	Category 4 non-compliant consents	Nil	Category 3 non-compliant consents	Nil

10 of our 482 active consents are technically non-compliant, but none are in Category 3 or 4

	Jan	Feb	Mar	Apr	May	June
Number of total active consents	485	485	489	495	490	482
Number of non-compliant consents ¹	10	9	13	15	9	10
Number of non-compliant category 3 conditions <i>Non-compliance where the result will have or has the potential to have an adverse or significant adverse effect on the environment, or where there has been a repeat of a lower score non-compliance.</i> <i>We would typically receive notification or have warning of a category 4 non-compliance well before we prepare this report.</i>	0	0	1	0	0	0
Number of non-compliant category 1 or 2 conditions <i>Technical non-compliance with no more than minor potential or actual adverse effect to the environment. For example, reports provided after due date.</i>	11	13	14	18	14	15

Notes:

1 – excludes trade waste consents

8. DIGITAL UPDATES



STRATEGIC TRANSFORMATION PROGRAMME (STP) UPDATE

SUCCESSFUL 1 JULY GO-LIVE

On Monday, 1 July STP had a successful go-live with:

- A new financial system of record, replacing SAP. We have now moved all core financial activity to the new solution, with the remaining functionality being migrated from SAP over the course of this calendar year.
- We have completed the migration of all project management activities has from legacy systems to the new solution. The new functionality will provide significant improvements across programme and project management activities by replacing the existing cumbersome and manual business systems and processes.
- Asset management moved to the new solution with the migration of selected northern region assets from SAP to the new asset management platform and the continued roll out throughout July 2019.

RELEASE 7 WORK UNDERWAY

STP continues to progress to programme with Release 7 planning completed and delivery underway.

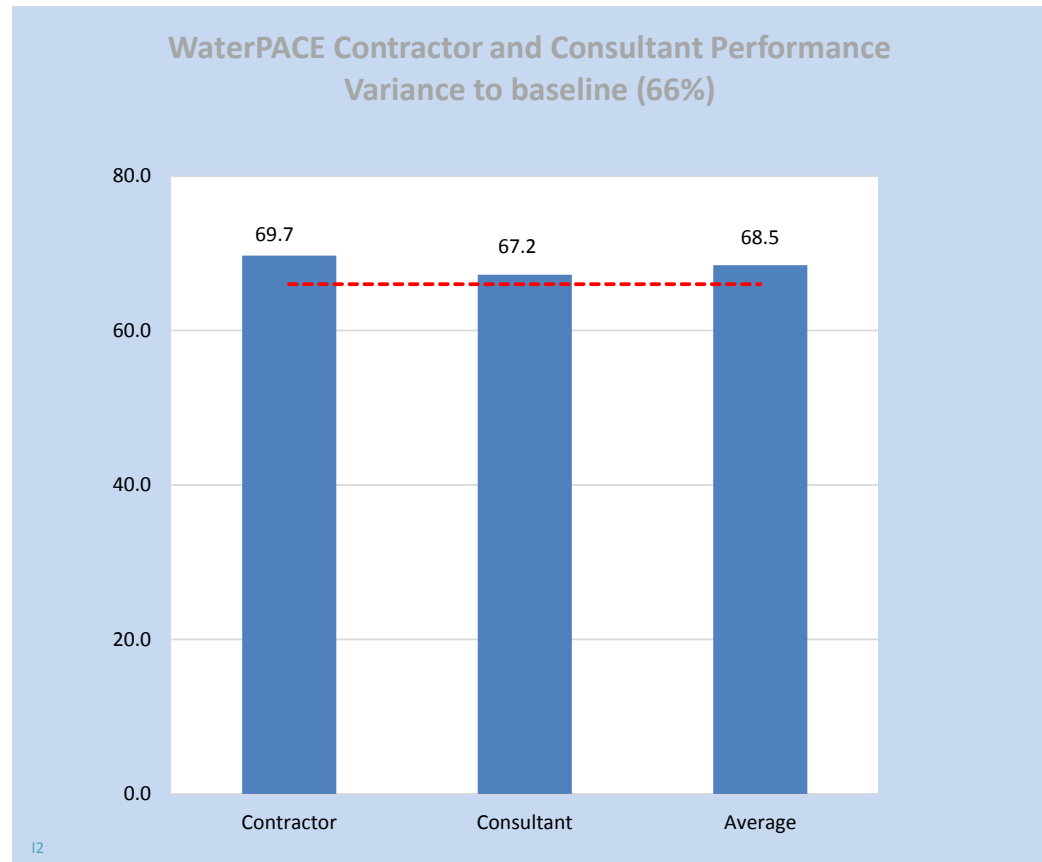
Release 7 goals include:

- Supporting the new financial and project management activities and develop and migrate remaining functionality
- Continue to enhance the new usage to pay processes (core billing functionality) and release across the full Watercare customer base
- Updated web portal integrated with the new core billing functionality.
- Development of the faults and work order management work flow across Watercare, MSN and contractors
- Continue to roll out asset management across Northern and Southern regions
- Development of the activity tracker to view all work order activities across Watercare
- Develop and rollout of predictive connected network models moving closer towards a digital twin of our network
- Development of our Nerve Centre capability

9. ASSETS AND INFRASTRUCTURE



CONSULTANT AND CONTRACTOR PERFORMANCE



WaterPace measures the performance of our contractors and consultants.

The baseline target for “good performance” is 60%.

Our contractors and consultants average performance score rose to 68.5%, which is over the baseline target and well above our target for FY19 of 66%.

The scores are an average of the scores our Project Managers give the contractors/consultants in areas including:

- Project leadership
- Risk management
- Communication and responsiveness
- Customer focus
- Health and Safety relationships, management and compliance
- Administration, documentation and handling of variations

10. DELEGATED AUTHORITY OF THE CHIEF EXECUTIVE

In May and June 2019, Watercare processed sixteen deeds, instruments or documents, with the delegated authority provided to the Chief Executive by the Board.

- Four Grants of Easement in favour of Watercare
- Three Compensation Certificates to reflect a vested interest that Watercare has in private property
- Three Agreements for Sale & Purchase for Watercare to acquire land or assets
- Two Deeds of Covenant to protect Watercare's interest in private property
- Two section 18 Public Works Act notices to acquire rights in private property
- One agreement to Surrender an Easement in favour of Watercare over private property
- One Surrender of Encumbrance in favour of Watercare over private property

In May and June, there was one Capex and Opex contract, over \$100,000, approved by the CE in accordance with the delegated authority provided to the Chief Executive by the Board:

- Consultancy Services - For Central Interceptor (Rider Levett Bucknall Auckland Limited)

In May, were three capex approvals totaling \$5.380m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex approvals below a threshold of \$15m.

- North Western Wastewater Networks Control Cabinets Replacement - \$5,070,000
- Autodilutor Purchase - \$141,760
- Radio Communications Tower - Port Waikato - \$168,500

In June, were two capex approvals totaling \$7.192m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex approvals below a threshold of \$15m.

- Wastewater Transmission Generator Connection Upgrade - \$1,672,000
- Programmed Water Meter replacements 2019/2020 - \$5,520,000

Water outlook for July 2019

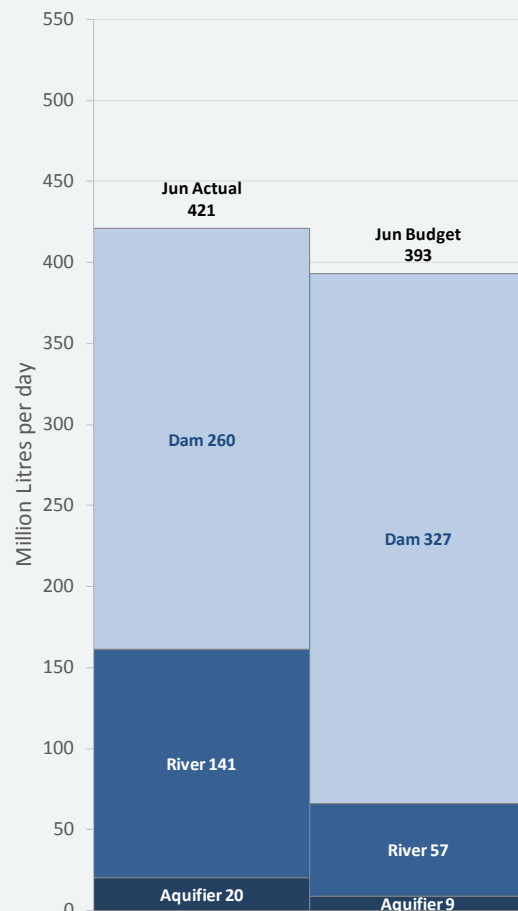
Rainfall for June



	Waitakere	Hunua
June Actual	120.0	104.5
June Normal	187.0	165.0
Jan – June Actual	438.8	498.7
Jan – June Normal	790.0	776.0

4.2

Average daily water produced



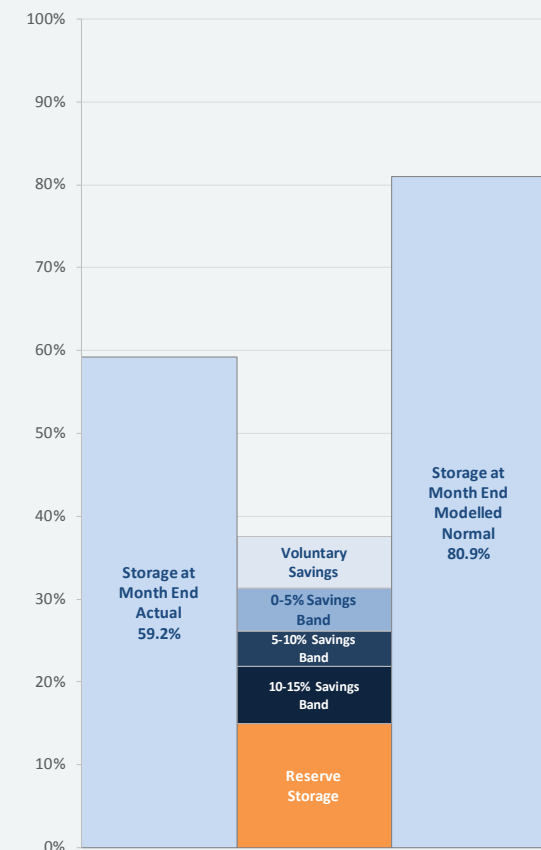
Water resources position

- Total system storage held over June with a slight decrease from 59.5% to end the month at 59.2% with continued high demand, and the ongoing drier than normal weather experienced since January.
- Storage is below levels that would normally be experienced at this time of year, but remains near that of a 10 year dry weather response of 59.7%.
- Abstractions from Waikato and Onewhunga were optimised throughout June to reduce abstraction pressures on the storage lakes.
- Total water treatment plant production was 6.9% above budgeted volumes for June.
- For the 2019 financial year, total water production is 6% above budgeted volumes.
- The increase in demand reflects the continued growth within Auckland, and the dry, warm weather experienced since January.

Long range forecast position

- The month starts out with rain makers coming out of the Tasman Sea, but a major pattern change to stormy westerlies is indicated next week and unsettled westerly weather patterns should continue through much of the rest of the month.
- The first half of July is predicted to run unusually mild for the time of year, but the second half of the month looks markedly cooler.
- This is expected to produce normal totals for the northern region of the North Island, including Auckland.
- Normal rainfall for July will not be sufficient to make up the deficit in rainfall experienced so far this year.
- There continues to be predictions for a stormy and wetter September and October, but again this is unlikely to be sufficient to account for the ongoing rainfall deficit.
- A drier than normal November and December are still forecasted.






Total system storage



Report to the Board of Watercare Services Limited
 Prepared for the 29 July 2019 meeting

Puketutu Island Rehabilitation Project - Health & safety review

5.1

Purpose			Team		
Information	Discussion	Decision	Prepared	Recommended	Submitted
			C Male Puketutu Project Manager	S Webster Chief Infrastructure Officer	R Jaduram Chief Executive
Intellectual capital	People and culture	Community and stakeholder relationships	Financial capital & resources	Natural environment	Assets and Infrastructure
					

1. Recommendation

That the Board notes this report.

2. Background and purpose

Over the past 18 months, there have been a number of safety incidents at the Puketutu Island Rehabilitation Project (the Project) site. This number and nature of the incidents is concerning and there is a need to improve the safety performance across the site, before a serious injury occurs.

The purpose of this report is to provide a background to the Project, safety performance data, the actions that have undertaken to improve safety performance and the future actions to further reduce the risk of serious harm occurring on the site.

A search of our H&S Synergy database (which has recorded H&S incidents for the last 3.5 years) indicates that there has been no Lost Time Injuries (LTIs) on the Project for the last 3.5 years.

Following a number of vehicle rollover incidents, a successful culture 'reset' work was undertaken with Fulton Hogan and no further rollover incidents have occurred. Using the success of the Fulton Hogan work, we are about to undertake a full-site culture reset before this year's construction season.

3. Background

3.1 Scope of the project works

Puketutu Island was used as a quarry for many years. Thousands of tonnes of scoria and basalt rock were removed and the island's volcanic cones disappeared.

Our Project has a 35 year consent to rehabilitate the Island back to a landform similar to the original volcanic shape. The rehabilitation is being undertaken using biosolids from our Māngere Waste Water Treatment

Plant (MWWTP) and using biosolids as fill material. The Project meets our business need for disposal and reuse of the MWWTP biosolids.

The Project has five main phases. These include containment and drainage development, and continued cell wall construction to enable biosolids placement. **Appendix A** shows the five phases of the Project.

- Fulton Hogan are reshaping and lining the Project site, which in the past has blasting.
- Waiau Pa Bulk Haulage undertakes continuous cell wall construction, which is required for uninterrupted biosolids placement.
- The above two contractors use a number of subcontractors.
- Watercare Operations transports biosolids from the MWWTP to the Project site.

During the peak summer construction time, there are up to 80 people on the site at any one time, including workers and various contractors, using excavation machinery alongside many heavy vehicle interactions.

3.1.1 Works completed to date

The Project began in 2012. We have recently completed Phase 4a as seen in Appendix A. To construct the facility, 3,500,000 m³ of material has been excavated and relocated and also includes imported material for construction. Over 500,000 m³ of biosolids has been placed to date.

3.1.2 Works to complete

The remaining works include:

- Phase 4b - scheduled to commence this earthworks season in October 2019
- Phase 5 - forecast to be required by 2024.
- Final capping and landscaping of four small hills to replicate the volcanic scoria cones in 2049.

We are currently investigating whether to commence early works on Phase 5 and trial some final capping to utilise the suitable spoil material generated from the Central Interceptor project.

3.2 Health and Safety performance over the last 18 months

Appendix C lists the date and contractors involved in the incidents and near misses. This includes:

- One injury
- Four notifiable incidents – serious near misses notified to WorkSafe (WorkSafe requires notification if a serious injury, illness or incident occurs to a person or people carrying out work, or as a result of work that our business or organisation is responsible for).
- Four serious near misses, which were assessed as not requiring notification to WorkSafe
- Ten near misses classified as non-serious

3.2.1 There has been one injury

The one injury involved a cut finger requiring a stitch. This was assessed as a Restricted Duties Injury (RDI) and deemed a minor incident and did not need to be notified to WorkSafe.

3.2.2 There were four Notifiable Incidents

The four notifiable incidents occurred in the two critical risk areas of blasting and heavy vehicle roll overs.

One blasting incident

- Blasting was being undertaken by a sub-contractor, Red Bull. During reconciliation of explosives prior to detonation, a blasting contractor discovered that a booster cartridge had been misplaced. The area was secured with a new risk assessment and controls put in place.
- Worksafe was notified and subsequently cleared the site to continue. A misfire procedure was put in place as the booster was not found.
- Authorisation to fire the shot was worked through and subsequently approved by WorkSafe.
- Following the incident Watercare undertook a review of Fulton Hogan's subcontractor management systems, shot firing procedures, and the competency of shot firing personnel. The investigation revealed that a worker lost the booster down a firing hole and failed to report this to his supervisor. Therefore the root cause of the incident was a lack of training and operator error. Watercare ensured that the contractor reviewed its training programme and conducted refresher Standard Operating Procedure training for all workers. Staff were reminded to report any deviation to process immediately.
- It is not expected that we will need to undertake any further blasting on the site.

Three roll-over incidents

The three roll-over incidents occurred early in the Phase 3 contract, shortly after Fulton Hogan was awarded the contract.

In each case the root causes of the turn-overs was found to be:

- Passive tolerance of minor violations to the daily prestart planning
- A cultural issue - inherent pressure from within the team to meet production targets which caused critical change management processes not to be followed.

In May 2018, after a number of incidents involving Fulton Hogan, Watercare Management issued a "Stop Work" and held discussions with Fulton Hogan's CEO to determine how the two parties could collectively improve the safety performance. In addition to the actions taken on individual sites, where the incidents occurred, it was agreed to hold a combined senior management Watercare and Fulton Hogan workshop on 30 May 2018. This workshop was followed by the Watercare Contractor/Consultant Panel Forum on 3 June 2018, also attended by Fulton Hogan senior management.

A campaign was then commenced to 'reset' the culture with an improved attitude to Health and Safety, particularly in relation to 'safety is more important than production' and 'if your task deviates from prestart planning, stop what you're doing, reassess and communicate'. Part of the engagement was an action for the workers to develop ten site golden rules for safety.

Subsequent to both these workshops, and after reviewing the volume and diversity of work Fulton Hogan are delivering for Watercare, the parties agreed to on a way to improve both the safety performance on site and the relationship with Fulton Hogan. Immediate actions included:

- Fulton Hogan appointing a safety coordinator dedicated to Fulton Hogan's Watercare business.
- A governance structure was set up to cover all contracts Fulton Hogan have with Watercare. This governance group includes a national and a regional lead from Fulton Hogan, plus Watercare's Construction Manager and Chief Infrastructure Officer.

Fulton Hogan responded very well to the situation. Since the reset in mid-2018, there have been no further rollover incidents involving Fulton Hogan.

3.2.3 There were four serious near misses

There were four other serious near misses on site which could have resulted in serious harm or injury. These were assessed as not requiring notification to WorkSafe. The four incidents are described below.

- A digger operator lifted the arm of the excavator while a rigger was removing a shackle attached to the digger. The arm contacted the top of the rigger's hard hat. The incident was immediately reported by the rigger to their supervisor. The root cause of the incident was a failure to follow procedure in relation to the use of plant when a worker is in the operating range of the plant.
- A digger was working above the trench, which should have been shored. A worker was working in the trench. The root cause was failure to follow procedure and best practice, namely shoring this particular trench as heavy machinery was working nearby.
- A failed isolation while working in a manhole. Two people working in a confined space (a wet well) thought they were protected under an isolation. The isolation comprised an electrical lock-out as well as closing off pipes feeding water directly into the wet well. The isolation process was incomplete and wastewater entered the wet well via a pipe that had not been closed. The workers were exposed to an inrush of contaminated water. However, the confined space controls worked well and the workers were able to exit the confined space safely without being injured. After the incident, access to the point of entry has been locked out (physically isolated) to ensure it cannot be accessed by unauthorised people. A Safety Alert regarding this "Isolation Failure" was prepared and communicated to the business. A shared learning workshop was held with all stakeholders including Operations, Infrastructure and contractors, with lessons learnt regarding the control of works on site guiding the development of revised site protocols. Strengthened communication and control practices have been agreed and implemented on site.
- A chain broke while a roller was being towed on site. The root cause was a failure to follow procedure with the use of the incorrect towing equipment. A new procedure has been implemented and

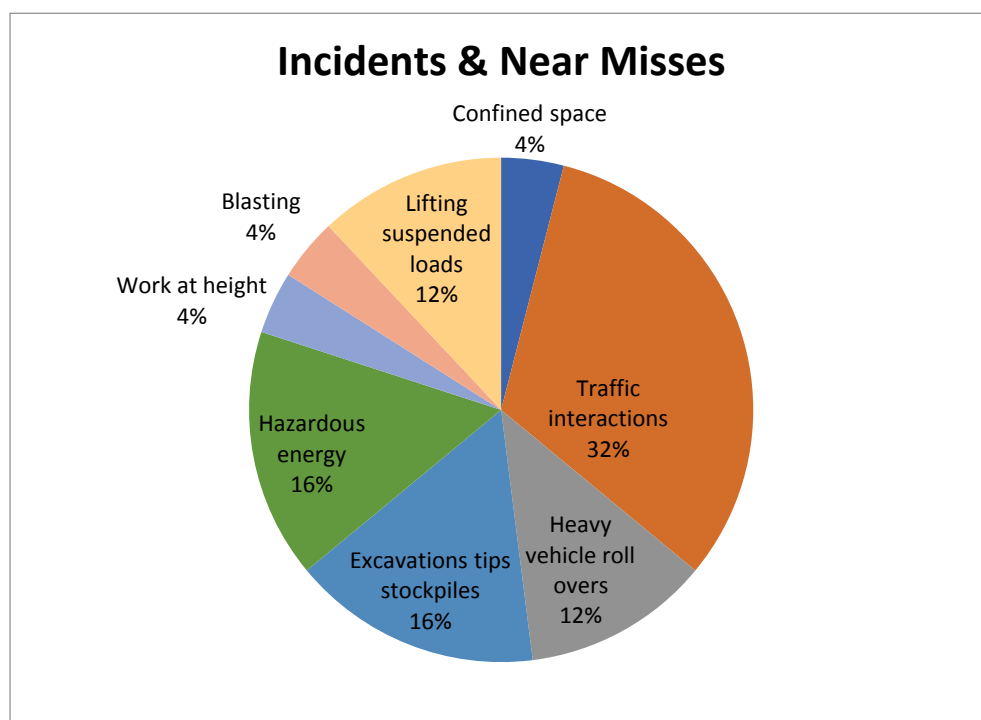
communicated to all parties (i.e. no towing on site unless the site manager has been informed and has reviewed the recovery plan).

3.2.4 10 other near misses

There have been 10 other near misses in the previous 18 months. These were not classified as serious near misses and were reported when they occurred. This reporting indicates a good level of reporting on site.

3.3 An analysis of injuries and near misses over the last 18 months

The figure below depicts the segmentation of all injuries and near miss reporting in the 18 months from January 2018 to July 2019.



Each incident was reviewed following the event and actions have been implemented to address the incident root causes.

4. A revised safety plan will be implemented on the Project site

Three key initiatives are to be implemented on site to improve the safety performance.

a) Safety behaviour improvements

Prior to the new construction season in October 2019, we will implement a behavioural based intervention to reset the culture on the entire site to lift the safety behaviour. The intervention will include all parties that regularly operate on the site including Watercare Operations, Fulton Hogan and Waiau Pa Bulk Haulage.

This behaviour based reset will be delivered by an independent party similar to that utilised at MSN 3 years ago and similar in nature to culture reset worked on with Fulton Hogan in 2018.

b) Independent review of key risks

In September 2019, we will engage an independent Mining or Quarry expert to review and update the site safety plan before the start of the next construction season. Particular emphasis will be on the critical risk areas where the most incidents or near misses have occurred, namely:

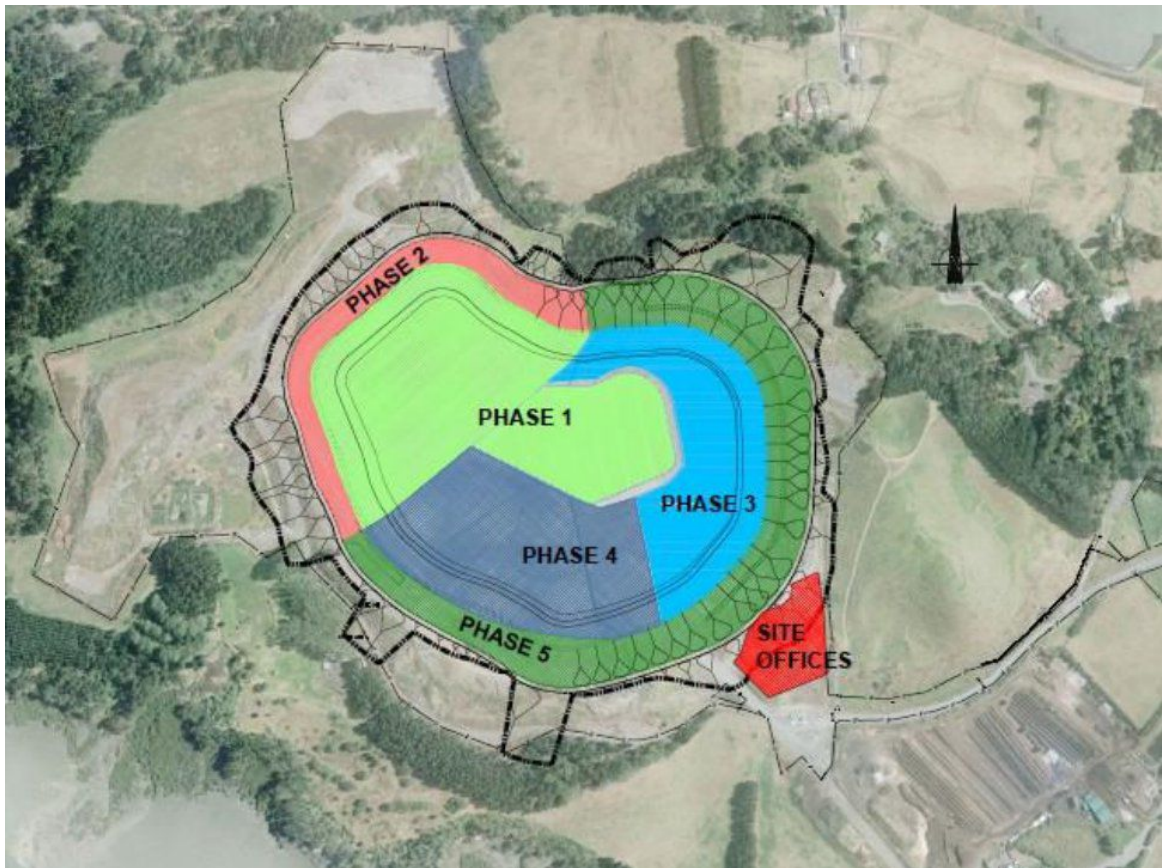
- Traffic interactions
- Excavations tips stockpiles
- Hazardous energy
- Lifting suspended loads
- Heavy vehicle roll overs

c) Site governance

The site steering group will be boosted with the addition of both the Chief Operating Officer and Chief Infrastructure Officer. The core focus for both these Chiefs will be the improvement in safety performance.



Appendix A



5.1

Table 1: All injuries and illnesses recorded

Date	Case type	Description
13/06/2018	Injury - minor	5 days RDI – knife cut to finger requiring one stitch.

Table 2: Notifiable Incidents

Date	Key Risk type	Description
08/02/2018	Blasting Notifiable incident defined by: an implosion, explosion or fire	Missing booster charge in a 10,000m3 shot Fulton Hogan – subcontractor Red bull
26/02/2018	Heavy vehicle roll overs Notifiable incident defined by:	Overtured Tray - Articulated Dump Truck Fulton Hogan – subcontractor CLC
23/04/2018	damage to or collapse, overturning, failing or malfunctioning of any plant that is required to be authorised for use under regulations	Cab roll over - Articulated Dump Truck Fulton Hogan – subcontractor Cameron civil
28/05/2018		Overtured Tray - Articulated Dump Truck Fulton Hogan – subcontractor CLC

Table 3: Serious Near misses

Date	Key risk type	Description
30/07/2018	Lifting	Plant contact with worker – lifting Contractor- Fulton Hogan
15/08/2018	Excavation	Trenching – worker in unshored , flooded excavation with excavator above trench Contractor- Fulton Hogan subcontractor CLC
12/02/2019	Confined Space	Failed isolation at Pump Station 2 Contractor- Fulton Hogan
8/04/2019	Hazardous Energy	Chain break – incorrect towing procedures Contractor- Waiau Pa Bulk Haulage

Table 4: Other Near misses

Date	Key risk type	Description
09/01/2019	Illness -minor	Work fell ill and was sent home on very hot day - Symptoms could be either Heat stroke or Food sickness.
23/04/2019	Traffic	WSL Lab samplers – unauthorised access to site
8 near misses. Various dates	Traffic	Traffic management - Heavy vehicle Light vehicle and pedestrian interactions

Employee survey 2019

AskYourTeam Survey 2019 Insights and recommendations

Board meeting – 29 July 2019

Survey Administration

5.2

- Survey period:
 - Monday 10 May 2019 – Monday 24 May 2019
- Seven point scale: Strongly disagree to strongly agree
- 74% completion rate (639 employees)
- 55 assertions, including 14 custom assertions

What Was Measured

This year we measured 11 factors of business success, in comparison to 13 factors from last year. We found some of the statements from last year were irrelevant or did not provide us the information we wanted to know. In total we asked 55 questions in comparison to 64 last year. The results are averaged to produce a final score.

5.2

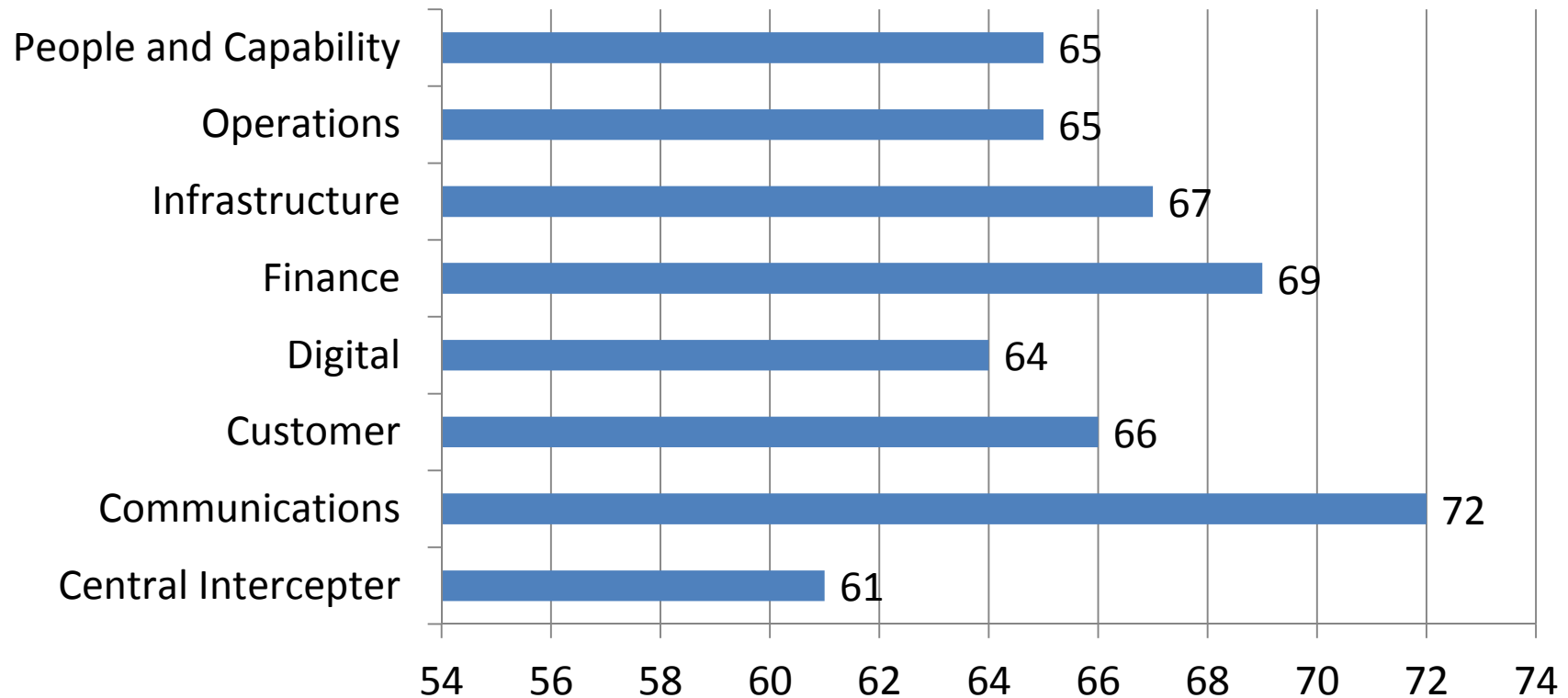
People	Leadership
	Culture
	Performance development
Continuous improvement	Strategy
	Project planning
	Implementation
Organisation	Internal communication
	Information
	Business process
	Organisational learning
Stakeholders	Customer focus

Our Results in comparison to last year

5.2

AskYourTeam Survey 2019		AskYourTeam Survey 2018	
Overall Score:	66%	Overall score: 67%	
Participation rate:	74%	Participation: 72%	
Success Factors	Average Score	Success Factors	Average Score
Leadership	71%	Leadership	74%
Culture	67%	Culture	67%
Performance Development	62%	Performance Development	64%
Strategy	67%	Strategy	67%
Project Planning	56%	Project Planning	53%
Implementation	60%	Implementation	62%
Internal Communication	67%	Internal Communication	68%
Information	63%	Information	63%
Business Processes	74%	Business Processes	76%
Organisational Learning	63%	Organisational Learning	58%
Customer Focus	68%	Customer Focus	70%
People Score:	67%	People Score:	68%

Overall Score by Department



Watercare's Overall Score: 67%

Engagement results

What is Engagement?

5.2

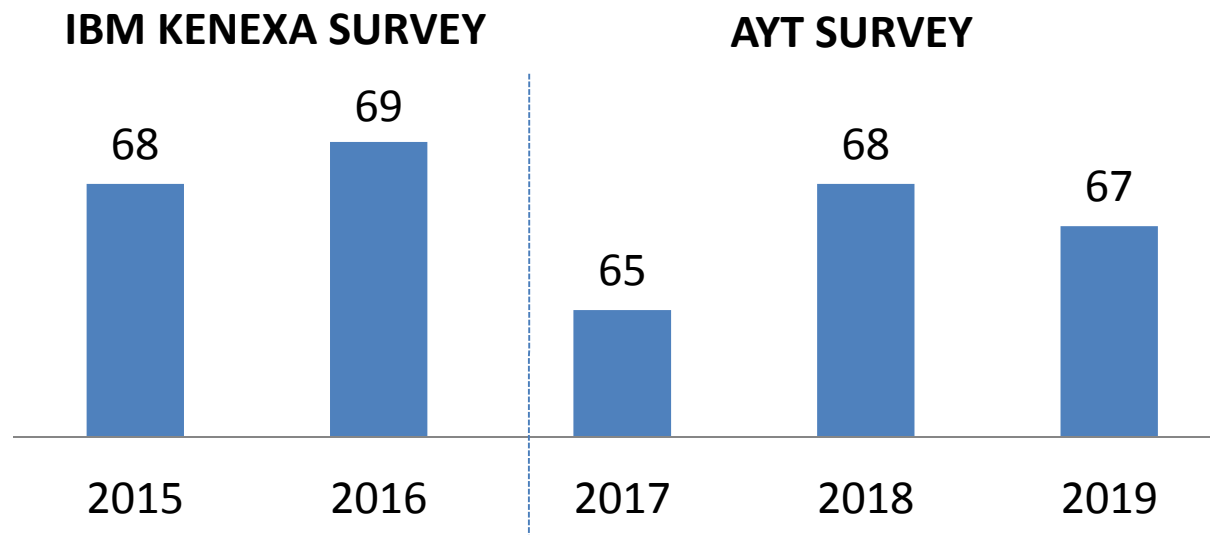
Engagement measures the level of connection, motivation and commitment a person feels for the place they work.

The Engagement score is the average of 21 of the assertions that align to 3 of the success factors below.

- Culture
- Leadership
- Performance Development

Overall Engagement Score

5.2



NOTE: The AYT engagement score is not directly comparable to Watercare engagement scores for previous years which were derived using the IBM Kenexa survey



Organisational Priority Areas

5.2

- ✓ Aligning remuneration to the market remains an area
- ✓ Identify ways to recognise our people in a way that's meaningful to them
- ✓ Communicating with our people how their work connects or transpires to other teams and their work
- ✓ Keep communicating the vision and key milestones – create a story that explains the length of time taken to carefully look at our structure and capabilities

Strategic Business Plan update

Board meeting – 29 July 2019



Intellectual capital

5.3

Goal	2018/2019 Target	Progress to date
Customer - Enhanced digital enablement for customers	<p>Increase uptake of e-billing (Target – 50%)</p> <p>Channel migration from assisted to unassisted – 5% increase per year</p> <p>Proactive vs Reactive customer engagement split: 15/85</p>	<ul style="list-style-type: none"> eBilling update as at June 19 was 52%, 2% ahead of target of 50%. Over the year we have achieved +10% increase driven by customer campaigns and proactively migrating customers to eBilling. Digital interactions on average have increased by 19% year on year with continued focus on improving customer pain points on website Automated payments is at 92% for the year, +2.8% increase due to driving direct debit payments and introduction of digital payment channels.
Efficiency - Implement robotic process automation (RPA) to drive back office efficiencies	8 in total	<ul style="list-style-type: none"> Target achieved. Further work on automation of suitable processes continues.



People and Culture

5.3

Goal	2018/2019 Target	Progress to date
Develop a 3-year culture programme aimed at helping our people live our values	<p>Measure shift towards greater levels of collaboration, agile ways of working and self-motivated teams</p> <p>Develop and implement a diversity agenda</p>	<ul style="list-style-type: none"> Five new neighbourhoods are being formed in the Newmarket office. Selection process complete to create our first Diversity and Inclusion Committee. We are working with Diversity Works to create the scope and structure of the committee.
Talent Optimisation	A Talent Development Programme has been developed and implemented (capability matrix as the base of this project)	<ul style="list-style-type: none"> Talent identification process complete for each division Success Planning process continuing for senior leaders and critical roles.
Learning and Development	All employees have access to learning and development programs	<ul style="list-style-type: none"> The pilot for Digital and Customer for SURF and IMMERSE is complete. This has been extended to include Finance and Infrastructure.
Employee engagement	<p>69%</p> <p>Develop and establish an Employee NPS (employer of choice measure)</p>	<ul style="list-style-type: none"> Employee Engagement score for 2019 is 67%. Employee NPS established and the survey will be done quarterly and the next survey will take place in August.



Financial capital and resources

5.3

Goal	2018/2019 Target	Progress to date
Assist Council with its debt to revenue challenges	Business cases to the Board in respect of the Waikato District Council three waters management and one other opportunity.	Waikato District Council <ul style="list-style-type: none"> We have received a letter from WDC inviting us to provide a submission for the delivery of water, waste and stormwater services under a fee for service contract. The submission response was sent on 19 July 2019.
Assist Council to review its debt challenges	Comprehensive review evaluating options for Watercare to alleviate Council's debt to revenue issue.	<ul style="list-style-type: none"> We are developing the strategy day feedback which identified new revenue opportunity adjacencies. Our performance on revenue and debt is outperformed our budget for FY19. We are working with Treasury regarding the Infrastructure Funding and Financing (IFF) Framework. A meeting is scheduled for late July.
Ensure Watercare is 'future-fit' for a potential industry restructure	Identify and influence regulatory model and potential legislative changes. Prepare for any impending changes.	<ul style="list-style-type: none"> We continue to provide information to DIA when requested. DIA spoke to Watercare regarding financing constraints and wanted to know more about IGCs. We provided DIA all publicly available information on IGCs.
Assist Council with debt to revenue challenges	Achieve \$7m savings target set in 2018/2019 budget.	<ul style="list-style-type: none"> Efficiency savings were challenging and, ignoring unbudgeted spend, was achieved. We finished the year end \$7.2m over the efficiency target budget. The \$7.2m unbudgeted overspend is mainly explained by: the Digester issue in Māngere; running Waikato and; the Enterprise model.



Natural environment

5.3

Goal	2018/2019 Target	Progress to date
We are preparing for climate change	<p>We will create and implement a Climate Change Strategy and associated Sustainability statement. Strategy released.</p> <p>We will collaborate with Auckland Council, Government agencies and other utilities to implement agreed plans and meet climate change targets.</p>	<ul style="list-style-type: none"> Following the release of our Climate Change Strategy we now are developing a detailed plan to deliver on the strategy. We continue to work with Auckland Council on the Auckland Climate Action Plan and other areas where appropriate.
We will develop a water efficiency strategy	Achieve Year 1 goals in the Auckland Water Efficiency Strategy 2017 to 2020	<ul style="list-style-type: none"> Water efficiency strategy has been developed and agreed Digital metering plan underway for Broadway Park and key commercial customers
We will deliver on carbon and energy initiatives that create value to our business	<ul style="list-style-type: none"> We continue to work on the roadmap for Energy Neutrality at Māngere and Rosedale, saving 37 Gwhr/annum by 2025. 	<ul style="list-style-type: none"> Thermal hydrolysis design at Rosedale is proceeding to construction, completion in 2020. Planning for Māngere Thermal Hydrolysis is underway with a completion date of June 2024. The 37 Gwhr/annum target will be achieved by 2025. Installation of our Redoubt Road solar, including the Tesla powerpack, was completed in June. The array is operational. Our Wellsford solar array has been installed and will be operational in August 2019.
We will create financially beneficial value added biosolids products from our wastes	We are researching a range of commercial biosolids 'products'	<ul style="list-style-type: none"> We are continuing to exploring opportunities with third parties around beneficial reuse of biosolids.



Assets and Infrastructure

5.3

Goal	2018/2019 Target	Progress to date
We will deliver the Central Interceptor	Successfully negotiate and award the CI construction contract.	<ul style="list-style-type: none"> Target met. Construction delivery planning continues.
We will reduce our infrastructure capital TOTEX (total expenditure approach to build and operate water assets)	We will implement two new initiatives to reduce our TOTEX.	<ul style="list-style-type: none"> The first two stages of the evaluation of constructor partners is complete. Three have been selected to move to the interactive evaluation stage. These are Fletcher, Fulton Hogan and McConnell Dowell. The interactive evaluation workshops begin on 22 July 2019.
We will improve consultant and contractor performance	We will improve the overall WaterPace score by 10%.	<ul style="list-style-type: none"> Monthly reviews being undertaken. Current performance remains 15% above the June 2018 baseline.
We are increasing our preparedness to deal with extreme and unforeseeable events	We will introduce a Resilience Policy and develop an action plan.	<ul style="list-style-type: none"> The Resilience Framework was presented to the Risk & Resilience Steering Committee for review in June 2019. Final refinements will be completed by August 2019. Resilience related presentations and training are continuing across Watercare including Incident Responder and CIMS 2 and 4 training. Resilience is considered as a key component in the development of revised servicing strategies.



Community and stakeholder




5.3

Goal	2018/2019 Target	Progress to date
Customer - Improved Net Promoter Score (NPS) (16/17 baseline = 27)	NPS \geq 30	<ul style="list-style-type: none"> NPS has increased to 43, due to continued focus and monitoring across all areas
We are engaged with our stakeholders	We will progress the conversation on the value of water and link this to our brand identity.	<ul style="list-style-type: none"> Our new information portal regarding the value of water is under design – launch is scheduled for the second half of 2019. We continue to update stakeholders, including elected officials, media, customers and the public, about our current water storage levels, encouraging them to use water wisely in case the dry weather continues. In August, we will take the Mayor, school pupils and media to the Hunua Ranges for a tree-planting and dam-visit event.

Report to the Board of Watercare Services Limited
 Prepared for the 29 July 2019 meeting

6.1

Annual review of the Audit and Risk Committee and Charter

Purpose			Team		
Information	Discussion	Approval	Prepared	Recommended	Submitted
			E McBride Governance Manager	R Fisher Company Secretary	R Jaduram Chief Executive
Intellectual capital	People and culture	Community and stakeholder relationships	Financial capital & resources	Natural environment	Assets and Infrastructure
					

1. Recommendation

That the Board approve the updated Audit and Risk Committee (ARC) Charter (**Appendix A**).

2. Purpose and context

Clause 7 of the ARC Charter requires the ARC to undertake, with management assistance, an annual review of its performance, purpose, responsibilities and Charter.

ARC must then advise the Board of the outcome of that review, along with any recommended changes. Any changes to the ARC Charter must be approved by the Board.

3. The details

At the May 2019 ARC meeting:

- The ARC requested that all future ARC meeting agendas include a “Risk moment” to allow senior management to draw the ARC’s attention to any material matter relating to the financial condition of Watercare, any material breakdown in internal controls/internal audit, and any material event of fraud or malpractice, or any significant item of legislative non-compliance (Clause 3 of the Charter). This has been actioned; and
- The ARC did not request any further changes to the ARC Charter, additional to those suggested by Management (which are mainly stylistic and grammatical).

Appendix B is a copy of the current Charter, marked up with Management’s suggested changes.

Appendix A is a clean copy of the document in Appendix B, with the changes accepted. The Board is being asked to approve this document.



Audit and Risk Committee Charter

6.1

1. Purpose and Composition

The Audit and Risk Committee ('ARC') is a committee established by the Board of Directors of Watercare Services Limited ('Watercare').

The primary purpose of the ARC is to assist the Board of Directors of Watercare ('Board') to exercise due care, diligence and effective oversight of all matters relating to financial management and controls, financial accounting, risk management, internal and external audit functions and external reporting. The ARC will:

- Serve as an independent, objective party to review information presented by senior management to Watercare's shareholder and key stakeholders;
- Determine the adequacy of Watercare's administrative, operating and accounting controls; and
- Act as a forum for the free and open exchange of views and information between the Board and its internal and external auditors.

The ARC shall be independent of management and comprise at least three directors. The ARC will be structured to ensure that, as a collective group, it has the qualifications, skills, experience and knowledge to fulfil its purpose and responsibilities.

At least one member of the ARC will have accounting expertise or a financial background. Any member of the ARC who does not have an accounting or financial background should be financially literate and conversant with risk management but may not represent themselves to be an expert in those fields simply by being a member of the ARC.

The Board shall appoint, remove or replace the members and Chair of the ARC ('Committee Chair'). The Chair of the Board of Directors may be a member of the ARC, but not the Committee Chair of the ARC.

2. Meetings

Meetings of the ARC are held not less than four times a year in months that align with the reporting and audit cycle and meet shareholder requirements.

Meetings of the ARC shall be held at the discretion of the Committee Chair at any time or if requested by any ARC member, the Board, the Chief Executive, the external auditor or the internal auditor.

A quorum shall be a majority of members.

Members may participate in, or conduct a meeting of the ARC through the use of any means of communication by which all members participating can hear each other during the meeting and participation by such means shall constitute presence in person at the meeting.

A resolution in writing, signed or assented to by more than half of the members of the ARC, is as valid and effective as if it had been passed at a meeting of the ARC duly convened and held. Any such resolution may consist of several documents (including by email or other similar means of written communication) in like form, each signed or assented to by one or more members of the ARC.

The ARC will appoint an appropriate person to act as Committee Secretary ('Secretary') who will be a company employee or advisor as nominated by the ARC from time to time. The Secretary, in conjunction with the Committee Chair shall be responsible for coordination of all ARC business including meeting scheduling, agendas, policy reviews, distribution of papers, minutes, and communication with the Board and management.

Minutes of each meeting shall be taken, circulated promptly in draft form to the Committee Chair, confirmed at the following meeting and signed thereafter by the Committee Chair as a correct record of proceedings of the meeting.

The ARC may have in attendance management (including the Chief Executive and the Chief Financial Officer) and such others persons including internal and external auditors, external experts and others it deems necessary to provide appropriate information, explanation or assistance.

From time to time the Committee Chair may request that the ARC meet without these persons present.

Directors who are not members of the ARC may attend meetings but may not vote.

3. Authority

The ARC is authorised by the Board to deal with matters as set out in the Responsibilities section of this Charter and provide oversight in five distinct areas:

- Committee Governance;
- Financial Management, Financial and Performance Reporting;
- Audit Functions;
- Internal Controls and Risk Management; and
- Such other responsibilities as the Board at any time considers appropriate.

While oversight of risk management is a responsibility that sits with the full Board (with quarterly risk reporting by management), the ARC is responsible for reviewing the risk management policy on a three-yearly basis (or more often as required) and undertaking more detailed reviews of specific risks as required.

The ARC is not responsible for the oversight of Health, Safety and Wellness governance matters, nor oversight of Central Interceptor governance matters, as that responsibility sits with the full Board.

The ARC may:

- Make decisions (or submit recommendations for consideration by the Board) on matters where decision-making authority has been delegated to the ARC by the Board [see responsibilities in section 6]; and
- Submit recommendations to the Board on matters for which decision-making authority has not been delegated by the Board.

The ARC will not become involved in day-to-day operations, functions or decision-making by management or employees. The ARC is not responsible for conducting accounting or auditing reviews or procedures.

It is the responsibility of the Chief Executive to ensure that appropriate resources are applied to execute the internal audits reported to the ARC.

It is the responsibility of Senior Executives¹ to draw the Committee Chair and ARC's immediate attention to any material matter that relates to the financial condition of Watercare, any material breakdown in internal controls, any material event of fraud or malpractice, and any significant item of legislative non-compliance.

4. Access and Independent Advice

To fulfil its functions, duties and responsibilities the ARC is authorised by the Board to have all necessary access to, and seek any information it requires from, any employee, consultant or advisor to Watercare. All employees are directed by the Board to cooperate with any request made by the ARC.

The ARC is authorised by the Board to have access to external and internal auditors without management present, to request additional information or explanations.

Individual members of the ARC are entitled at any time to access Watercare's Senior Executive to request additional information or explanations.

Members of Watercare's Senior Executive have an express right of direct access to the Committee Chair in relation to any matters of material concern that have been raised through normal management processes but have not been advised to the ARC.

The ARC is authorised by the Board to obtain, at the expense of Watercare, independent legal or professional advice it considers necessary to discharge its responsibilities.

5. Relationship with Auditors

The internal auditor reports to the ARC for the committee's reporting requirements and is a resource for the Chief Executive in regard to areas or activities the Chief Executive requires.

On a day-to-day basis the Chief Financial Officer is responsible for the relationship with external auditors and will inform the ARC of any material communication between the external auditors and management.

Senior Executives are responsible for the timely and accurate provision of information to external and internal auditors.

The external auditors and the internal auditor have direct access to the Committee Chair in respect of any issues considered appropriate.

Despite the existence of the ARC, both the external auditors and internal auditor have direct access to the full Board if required.

Watercare will not offer employment to employees or former employees of the audit firm appointed by the Controller and Auditor General to conduct the audit, within two years of them ceasing to be employed by that firm.

From time to time, the external auditor (appointed by the Auditor General), may be requested by the Company to undertake additional audit work, which is outside the terms of its Auditor General appointed role. In such situations, the Committee Chair will be responsible for approving any such additional audit work.

6. Responsibilities

The ARC shall provide assistance to the Board in fulfilling its responsibility to the shareholder, and other stakeholders, relating to accounting, internal controls, risk management, reporting practices and the quality and integrity of externally published financial and performance reports of Watercare. In carrying out these responsibilities, the ARC does not relieve the Board of its responsibilities and legal obligations.

¹ Executive Team and Senior Management Team

It is the responsibility of the ARC to maintain communication with the Board, the external auditor, the internal auditor, and Watercare's Senior Executive.

In carrying out its responsibilities, the ARC's policies and procedures should remain flexible, in order to best react to changing conditions and enable it to assure the Board and shareholder that the accounting and reporting practices of Watercare are of the highest quality and compliant with all applicable laws, regulations, standards and codes of practice.

The duties and responsibilities of ARC members are additional to those they have as a member of Watercare's Board.

In carrying out its responsibilities, the ARC will:

6.1 Committee Governance

- Establish and review the schedule of annual activities of the ARC.
- Ensure minutes and papers (including documents tabled at meetings) for all ARC meetings are provided to the Board. The Committee Chair will report to the next Board meeting on the outcomes, findings and recommendations of the ARC meeting.
- Investigate any matter brought to its attention within the scope of its responsibilities, retaining independent legal or professional advice for this purpose if, in its judgment, that is appropriate.
- Unless identified in this charter or otherwise directed by the Board, the ARC will have no delegated authority in regard to its findings and recommendations.

6.2 Financial Management

- Assess the performance of financial management.
- Review accounting, financial management and treasury policies and recommend any changes to the Board for approval.
- Assess whether there are adequate controls over significant, unusual or complex transactions.
- Review compliance with statutory responsibilities that affect the financial statements, related policies and other requirements.
- Review compliance with contractual obligations and conditions of bank covenants in relation to financing arrangements.
- Oversee tax management and compliance.
- Review and report to the Board on the effectiveness of Watercare's insurance policies.
- Review and assess the propriety of all transactions between Watercare and related parties.
- Review policies and procedures for management expense accounts and other benefits, including use of Watercare assets and consider the results of any

relevant review by the auditors (external or internal).

6.3 Financial Reporting

- Review and recommend to the Board for approval, Watercare's half year and annual financial statements contained in reports to the shareholder. In carrying out the reviews, the ARC will consider:
 - All audit reports related to the financial statements;
 - All audit findings; and
 - All representations from internal audit and management.
- Review whether the financial statements and reports fairly reflect Watercare's financial position, comply with legislation and the applicable Public Benefit Entity accounting standards and whether they are adequate for shareholder needs. In carrying that out, the ARC will consider:
 - The significant estimates and judgements in the financial statements by enquiring of management about the process used in making material estimates and judgements and then enquire of the external auditors their conclusions on the reasonableness of management's estimates and judgements.
 - The degree of aggressiveness or conservatism of Watercare's accounting principles and underlying estimates.
 - How satisfied the external auditors are with the quality of management's adopted accounting principles, disclosure and financial reporting practices (including any changes in these areas), content of the financial statements and any other financial information to be presented to the shareholder.
 - Whether all taxation obligations have been adequately and appropriately discharged.
 - Any significant findings or disagreements between management and the external auditors.

6.4 Performance Reporting

- Review and recommend to the Board for approval, the non-financial performance measures contained in the annual report to the shareholder. In carrying out the review, the ARC will satisfy itself as to the reasonableness of the information and consider:
 - Whether the statement of service performance fairly reflects Watercare's achievements for the year and whether they are adequate for shareholder needs.
 - The results of external assurance providers' work to confirm that Watercare has good systems to record service performance and other non-financial measures.

- Any recommendations made by external assurance providers on internal controls to ensure the completeness and accuracy of the non-financial performance measures.
- Any observations by the external auditors on the content of the statement of service performance.

6.5 Audit Functions

- Review any reports received from legal or regulatory bodies for matters that may have a material effect on Watercare's financial statements or related compliance policies.
- Review and consider the findings of any examinations of Watercare by regulatory bodies or government agencies.
- Monitor management's execution of recommendations highlighted within external and internal auditors reports.

External audit

(Note: The Auditor-General is the auditor of Watercare and is responsible for appointing the external auditor that carries out the work on her/his behalf).

- Meet with and approve the external auditor's terms of engagement, scope and timetable for the half year and annual audit, and the associated fees.
- Review the nature and scope of all relationships with and other non-audit services provided to Watercare by the external auditor in order to assess whether or not that has compromised the independence of the auditor.
- Provide an opportunity for the external auditors to meet ARC members without management present. Among the items to be discussed in these meetings are the adequacy of Watercare's internal controls, the external auditors' evaluation of Watercare's financial personnel, the quality and acceptability of Watercare's judgements in relation to accounting principles, the cooperation received by the external auditors and difficulties that arose during the course of the audit, the types of services provided and fees.
- Review the performance of the external auditors.
- Report the results of the half year and annual audits to the Board.

Internal audit

- Review the internal audit function of Watercare including the independence and authority of its reporting obligations, the proposed audit plan for the coming year and the coordination of such plan with the external auditors.
- Receive a summary of findings from completed internal audits and a progress report on the internal audit plan, with explanations for any deviations from the original plan.

- Ask management and the internal auditor for information on significant risks or exposures, effectiveness of risk controls and assess the steps management have taken to minimise these risks.
- Review and assess the internal auditor's activities and performance.

6.6 Internal Controls

- Review the adequacy and effectiveness of Watercare's internal control framework and structure, including information systems controls, security, conflicts of interest, the prevention and identification of fraud, and the role of internal and external auditors.
- Consider the adequacy of internal controls on major projects, that could have an affect on the way Watercare does business.
- Oversee any incidents of fraud, including disclosures made via the whistleblower service.
- Consider whether actions being taken by management are sufficient to remedy any significant failings or weaknesses in internal controls that are reported.
- Determine whether the failings or weaknesses indicate the need for more extensive monitoring or changes to the internal control framework and structure.
- Review the processes in place for continuously improving internal controls and recommend any changes to the Board for approval.
- Review the degree to which the work of the internal auditor provides assurance on the compliance with Board approved policies.
- Oversee legislative and organisational compliance initiatives.
- Oversee Watercare governance practices including development and review of policies and procedures (e.g. Corporate Governance Charter, Code of Conduct) and recommend any changes to the Board for approval.

6.7 Risk Management

(Note: As set out in section 3, responsibility for risk management oversight sits with the full Board, while policy and specific risk reviews may be assigned to the ARC).

- Review for Board approval, Watercare's risk management policy on a three-yearly basis (or more often as required) and undertake more detailed or rolling reviews of specific risks as required by the Board from time to time. In carrying out those tasks, the ARC will consider the effectiveness of the policy, the strategies employed and work undertaken by management and whether:
 - All material risks have been identified, taking an enterprise risk approach;

- Risks have been accurately analysed and evaluated;
- Key controls exist and are effective;
- Enterprise risks are being properly managed.
- An effective risk management culture is evident throughout Watercare.

6.8 Other Responsibilities

- Examine and report to the Board on any matters referred to the ARC by the Board.

7. Review of the Committee and Charter

The ARC will undertake, with management assistance, an annual review (or more often as conditions dictate) of its performance, purpose, responsibilities and Charter. It will advise the Board of the outcome of that review along with any recommended changes.

Any changes to the ARC Charter must be approved by the Board.

This Charter was reviewed by the Board in July 2019.

Audit and Risk Committee Charter

6.1

1. Purpose and Composition

The Audit and Risk Committee ('ARC') is a committee established by the Board of Directors of Watercare Services Limited ('Watercare').

The primary purpose of the ARC is to assist the Board of Directors of Watercare ('Board') to exercise due care, diligence and effective oversight of all matters relating to financial management and controls, financial accounting, risk management, internal and external audit functions and external reporting. The ARC will:

- Serve as an independent, objective party to review information presented by senior management to Watercare's shareholder and key stakeholders;
- Determine the adequacy of Watercare's administrative, operating and accounting controls; and
- Act as a forum for the free and open exchange of views and information between the Board and its internal and external auditors.

The ARC shall be independent of management and comprise at least three directors. The ARC will be structured to ensure that, as a collective group, it has the qualifications, skills, experience and knowledge to fulfil its purpose and responsibilities.

At least one member of the ARC will have accounting expertise or a financial background. Any member of the ARC who does not have an accounting or financial background should be financially literate and conversant with risk management but may not represent themselves to be an expert in those fields simply by being a member of the ARC.

The Board shall appoint, remove or replace the members and Chair of the ARC ('Committee Chair'). The Chair of the Board of Directors may be a member of the ARC, but not the Committee Chair of the ARC.

2. Meetings

Meetings of the ARC are held not less than four times a year in months that align with the reporting and audit cycle and meet shareholder requirements.

Meetings of the ARC shall be held at the discretion of the Committee Chair at any time or if requested by any ARC member, the Board, the Chief Executive, the external auditor or the internal auditor.

A quorum shall be a majority of members.

Members may participate in, or conduct a meeting of the ARC through the use of any means of communication by which all members participating can hear each other during the meeting and participation by such means shall constitute presence in person at the meeting.

A resolution in writing, signed or assented to by more than half of the members of the ARC, is as valid and effective as if it had been passed at a meeting of the ARC duly convened and held. Any such resolution may consist of several documents (including ~~transmissions~~ by ~~facsimile or~~ email or other similar means of written communication) in like form, each signed or assented to by one or more members of the ARC.

The ARC will appoint an appropriate person to act as Committee Secretary ('Secretary') who will be a company employee or advisor as nominated by the ARC from time to time. The Secretary, in conjunction with the Committee Chair shall be responsible for coordination of all ARC business including meeting scheduling, agendas, policy reviews, distribution of papers, minutes, and communication with the Board and management.

Minutes of each meeting shall be taken, circulated promptly in draft form to the Committee Chair, confirmed at the following meeting and signed thereafter by the Committee Chair as a correct record of proceedings of the meeting.

The ARC may have in attendance management (including the Chief Executive and the Chief Financial Officer) and such others persons including internal and external auditors, external experts and others it deems necessary to provide appropriate information, explanation or assistance.

From time to time the Committee Chair may request that the ARC meet without these persons present.

Directors who are not members of the ARC may attend meetings but may not vote.

3. Authority

The ARC is authorised by the Board to deal with matters as set out in the Responsibilities section of ~~its~~ this Charter and provide oversight in five distinct areas:

- Committee Governance;
- Financial Management, Financial and Performance Reporting;
- Audit Functions;
- Internal Controls and Risk Management; and
- Such other responsibilities as the Board at any time considers appropriate.

While oversight of risk management is a responsibility that sits with the full Board (with quarterly risk reporting by management), the ARC is responsible for reviewing the risk management policy on a three-yearly basis (or more often as required) and undertaking more detailed reviews of specific risks as required.

The ARC is not responsible for the oversight of Health, and Safety and Wellness governance matters, nor oversight of Central Interceptor governance matters, as that responsibility sits with the full Board.

The ARC may:

- Make decisions (or submit recommendations for consideration by the Board) on matters where decision-making authority has been delegated to the ARC by the Board [see responsibilities in section 6]; and
- Submit recommendations to the Board on matters for which decision-making authority has not been delegated by the Board.

The ARC will not become involved in day-to-day operations, functions or decision-making by management or employees. The ARC is not responsible for conducting accounting or auditing reviews or procedures.

It is the responsibility of the Chief Executive to ensure that appropriate resources are applied to execute the internal audits reported to the ARC.

It is the responsibility of Senior Executives¹ to draw the Committee Chair and ARC's immediate attention to any material matter that relates to the financial condition of Watercare, any material breakdown in internal controls, any material event of fraud or malpractice, and any significant item of legislative non-compliance.

4. Access and Independent Advice

To fulfil its functions, duties and responsibilities the ARC is authorised by the Board to have all necessary access to, and seek any information it requires from, any employee, consultant or advisor to Watercare. All employees are directed by the Board to cooperate with any request made by the ARC.

The ARC is authorised by the Board to have access to external and internal auditors without management present, to request additional information or explanations.

Individual members of the ARC are entitled at any time to access Watercare's Senior Executive to request additional information or explanations.

Members of Watercare's Senior Executive have an express right of direct access to the Committee Chair in relation to any matters of material concern that have been raised through normal management processes but have not been advised to the ARC.

The ARC is authorised by the Board to obtain, at the expense of Watercare, independent legal or professional advice it considers necessary to discharge its responsibilities.

5. Relationship with Auditors

The internal auditor reports to the ARC for the committee's reporting requirements and is a resource for the Chief Executive in regard to areas or activities the Chief Executive requires.

On a day-to-day basis the Chief Financial Officer is responsible for the relationship with external auditors and will inform the ARC of any material communication between the external auditors and management.

Senior Executives are responsible for the timely and accurate provision of information to external and internal auditors.

The external auditors and the internal auditor have direct access to the Committee Chair in respect of any issues considered appropriate.

Despite the existence of the ARC, both the external auditors and internal auditor have direct access to the full Board if required.

Watercare will not offer employment to employees or former employees of the audit firm appointed by the Controller and Auditor General to conduct the audit, within two years of them ceasing to be employed by that firm.

From time to time, the external auditor (appointed by the Auditor General), may be requested by the Company to undertake additional audit work, which is outside the terms of its Auditor General appointed role. In such situations, the Committee Chair will be responsible for approving any such additional audit work.

6. Responsibilities

The ARC shall provide assistance to the Board in fulfilling its responsibility to the shareholder, and other stakeholders, relating to accounting, internal controls, risk management, reporting practices and the quality and integrity of externally published financial and performance reports of Watercare. In carrying out these responsibilities, the ARC does not relieve the Board of its responsibilities and legal obligations.

¹ Executive Team and Senior Management Team

It is the responsibility of the ARC to maintain communication with the Board, the external auditor, the internal auditor, and Watercare's Senior Executive.

In carrying out its responsibilities, the ARC's policies and procedures should remain flexible, in order to best react to changing conditions and enable it to assure the Board and shareholder that the accounting and reporting practices of Watercare are of the highest quality and compliant with all applicable laws, regulations, standards and codes of practice.

The duties and responsibilities of ARC members are additional to those they have as a member of Watercare's Board.

In carrying out its responsibilities, the ARC will:

6.1 Committee Governance

- Establish and review the schedule of annual activities of the ARC.
- Ensure minutes and papers (including documents tabled at meetings) for all ARC meetings are provided to the Board. The Committee Chair will report to the next Board meeting on the outcomes, findings and recommendations of the ARC meeting.
- Investigate any matter brought to its attention within the scope of its responsibilities, retaining independent legal or professional advice for this purpose if, in its judgment, that is appropriate.
- Unless identified in this charter or otherwise directed by the Board, the ARC will have no delegated authority in regard to its findings and recommendations.

6.2 Financial Management

- Assess the performance of financial management.
- Review accounting, financial management and treasury policies and recommend any changes to the Board for approval.
- Assess whether there are adequate controls over significant, unusual or complex transactions.
- Review compliance with statutory responsibilities that affect the financial statements, related policies and other requirements.
- Review compliance with contractual obligations and conditions of bank covenants in relation to financing arrangements.
- Oversee tax management and compliance.
- Review and report to the Board on the effectiveness of Watercare's insurance policies.
- Review and assess the propriety of all transactions between Watercare and related parties.
- Review policies and procedures for management expense accounts and other benefits, including use of Watercare assets and consider the results of any

relevant review by the auditors (external or internal).

6.3 Financial Reporting

- Review and recommend to the Board for approval, Watercare's half year and annual financial statements contained in reports to the shareholder. In carrying out the reviews, the ARC will consider:
 - All audit reports related to the financial statements;
 - All audit findings; and
 - All representations from internal audit and management.
- Review whether the financial statements and reports fairly reflect Watercare's financial position, comply with legislation and the applicable Public Benefit Entity accounting standards and whether they are adequate for shareholder needs. In carrying that out, the ARC will consider:
 - The significant estimates and judgements in the financial statements by enquiring of management about the process used in making material estimates and judgements and then enquire of the external auditors their conclusions on the reasonableness of management's estimates and judgements.
 - The degree of aggressiveness or conservatism of Watercare's accounting principles and underlying estimates.
 - How satisfied the external auditors are with the quality of management's adopted accounting principles, disclosure and financial reporting practices (including any changes in these areas), content of the financial statements and any other financial information to be presented to the shareholder.
 - Whether all taxation obligations have been adequately and appropriately discharged.
 - Any significant findings or disagreements between management and the external auditors.

6.4 Performance Reporting

- Review and recommend to the Board for approval, the non-financial performance measures contained in the annual report to the shareholder. In carrying out the review, the ARC will satisfy itself as to the reasonableness of the information and consider:
 - Whether the statement of service performance fairly reflects Watercare's achievements for the year and whether they are adequate for shareholder needs.
 - The results of external assurance providers' work to confirm that Watercare has good systems to record service performance and other non-financial measures.

- Any recommendations made by external assurance providers on internal controls to ensure the completeness and accuracy of the non-financial performance measures.
- Any observations by the external auditors on the content of the statement of service performance.

6.5 Audit Functions

- Review any reports received from legal or regulatory bodies for matters that may have a material effect on Watercare's financial statements or related compliance policies.
- Review and consider the findings of any examinations of Watercare by regulatory bodies or government agencies.
- Monitor management's execution of recommendations highlighted within external and internal auditors reports.

External audit

(Note: The Auditor-General is the auditor of Watercare and is responsible for appointing the external auditor that carries out the work on her/his behalf).

- Meet with and approve the external auditor's terms of engagement, scope and timetable for the half year and annual audit, and the associated fees.
- Review the nature and scope of all relationships with and other non-audit services provided to Watercare by the external auditor in order to assess whether or not that has compromised the independence of the auditor.
- Provide an opportunity for the external auditors to meet ARC members without management present. Among the items to be discussed in these meetings are the adequacy of Watercare's internal controls, the external auditors' evaluation of Watercare's financial personnel, the quality and acceptability of Watercare's judgements in relation to accounting principles, the cooperation received by the external auditors and difficulties that arose during the course of the audit, the types of services provided and fees.
- Review the performance of the external auditors.
- Report the results of the half year and annual audits to the Board.

Internal audit

- Review the internal audit function of Watercare including the independence and authority of its reporting obligations, the proposed audit plan for the coming year and the coordination of such plan with the external auditors.
- Receive a summary of findings from completed internal audits and a progress report on the internal audit plan, with explanations for any deviations from the original plan.

- Ask management and the internal auditor for information on significant risks or exposures, effectiveness of risk controls and assess the steps management have taken to minimise these risks.
- Review and assess the internal auditor's activities and performance.

6.6 Internal Controls

- Review the adequacy and effectiveness of Watercare's internal control framework and structure, including information systems controls, security, conflicts of interest, the prevention and identification of fraud, and the role of internal and external auditors.
- Consider the adequacy of internal controls on major projects, that could have an affect on the way Watercare does business.
- Oversee any incidents of fraud, including disclosures made via the whistleblower service.
- Consider whether actions being taken by management are sufficient to remedy any significant failings or weaknesses in internal controls that are reported.
- Determine whether the failings or weaknesses indicate the need for more extensive monitoring or changes to the internal control framework and structure.
- Review the processes in place for continuously improving internal controls and recommend any changes to the Board for approval.
- Review the degree to which the work of the internal auditor provides assurance on the compliance with Board approved policies.
- Oversee legislative and organisational compliance initiatives.
- Oversee Watercare governance practices including development and review of policies and procedures (e.g. Corporate Governance Charter, Code of Conduct) and recommend any changes to the Board for approval.

6.7 Risk Management

(Note: As set out in section 3, responsibility for risk management oversight sits with the full Board, while policy and specific risk reviews may be assigned to the ARC).

- Review for Board approval, Watercare's risk management policy on a three-yearly basis (or more often as required) and undertake more detailed or rolling reviews of specific risks as required by the Board from time to time. In carrying out those tasks, the ARC will consider the effectiveness of the policy, the strategies employed and work undertaken by management and whether:
 - All material risks have been identified, taking an enterprise risk approach;

- Risks have been accurately analysed and evaluated;
- Key controls exist and are effective;
- Enterprise risks are being properly managed.
- An effective risk management culture is evident throughout Watercare.

6.8 Other Responsibilities

- Examine and report to the Board on any matters referred to the ARC by the Board.

7. Review of the Committee and Charter

The ARC will undertake, with management assistance, an annual review (or more often as conditions dictate) of its performance, purpose, responsibilities and Charter. It will advise the Board of the outcome of that review along with any recommended changes.

Any changes to the ARC Charter must be approved by the Board.

This Charter was reviewed by the Board in ~~May-July~~insert date 2018.

Board Planner 2019




		July	August	September	October	November	December
Meetings	Board	29-Jul	30-Aug	24-Sep	30 Oct (with Board dinner on the 29th)	26-Nov	17 Dec (Teleconference)
	Audit and risk committee	29 July (before Board meeting)	23 Aug (9-11am)		29 Oct (3-5pm)		
	People, Remuneration and appointments committee	17 July (5-7.30pm)	30 Aug (after Board Meeting)		29 Oct (1-3pm)		
	STP Committee	22 July (11-1pm)		24 Sept (after Board Meeting)		25 Nov (3-5pm)	
	AMP & Major Capex Committee		29-Aug (5-6.30pm)			TBC	
Events	Community and Stakeholder Relationships		19-20 August, Action 2030 (Watercare Symposium)				
Governance	Charter reviews				PRAC charter	STP Terms of Reference	
	Policy reviews			Tax Risk Management Policy		Fraud Policy	
	Delegations		Annual review of board delegations to CE				
	Risk report Due to Council		7 Aug and 21 August				TBC
	Enterprise Risk report to Board	Report to Board			Report to Board		
	Compliance	Statutory compliance			Statutory compliance		
	Shareholder interaction	Q4 quarterly report due 16 August (to be approved by Board at July meeting)	Governing Body Workshop - 29 August at 9.30am	Q4 briefing to F&P Committee 11 September 2019 (M Devlin) Auckland Council's A&R Committee Date TBC	Q1 quarterly report due 31 October 2019 (to be approved by Board at the October meeting).		Q1 briefing to F&P Committee TBA
	Site Visits	Site Visit (12 July - Huia/Ardmore)		Site Visit (after Board Meeting)		Site Visit (after Board Meeting)	
Board Training	H&S Quarterly report	Apr-Jun 19 Report			Jul-Sept 19 Report		
	Board training & development		Propero reporting back to the board				H&S Board Update (once new board members have started)
	Strategic planning						
Business planning	Key finance and business decisions	Approve Auckland Council Reporting Pack	a) approve 2019/20 accounts, b) delegate final sign off of 2019/20 Annual Report	Update from WUCAT	AMP		Auckland Council Draft Annual Plan - approve Watercare input*
	Statement of intent		Final 2019/2022 SOI adopted by Auckland Council		2018/2019 SOI Results to be presented to Board at Public Meeting. Public Deputations received.		2020/21 Letter of Expectation to be received

* Statutory public Board meeting - deputations invited

^ Extraordinary Audit & Risk and Board Meeting to meet shareholder half year and annual report timeline



Disclosure of senior executives' interests

Purpose			Team		
Information	Discussion	Approval	Prepared	Recommended	Submitted
			E McBride Governance Manager	R Fisher Company Secretary	R Jaduram Chief Executive
Intellectual capital	People and culture	Community and stakeholder relationships	Financial capital & resources	Natural environment	Assets and Infrastructure
					

7.2

1. Purpose and context

One of key principles of good governance is transparency, and having an open and honest approach to working with the wider community. Watercare not only maintains an Interests Register for its directors (as required by law), but also voluntarily maintains an Interests Register for our senior executives.

2. The details

Watercare Services Limited's senior executives' Interests Register is set out below.




Senior Executive	Interest
Raveen Jaduram	<ul style="list-style-type: none"> Steering Committee Member – Business Leaders' Health and Safety Forum Director – Committee for Auckland Director – J N Jaduram Corporation Limited (Fiji) Member - Auditor-General's Local Government Advisory Group
Rob Fisher	<ul style="list-style-type: none"> Deputy Chair – Middlemore Foundation President – Auckland University Rugby Football Club Trustee – Watercare Harbour Clean Up Trust Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust
Steve Webster	<ul style="list-style-type: none"> Director – Howick Swimgym Limited
Marlon Bridge	<ul style="list-style-type: none"> Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust
Rebecca Chenery	<ul style="list-style-type: none"> Director – Chenery Consulting Services Limited
David Hawkins	<ul style="list-style-type: none"> Nil
Jason Glennon	<ul style="list-style-type: none"> Director - Michaels Ave Investments Limited
Amanda Singleton	<ul style="list-style-type: none"> Director – Die Weskusplek Pty Ltd (South Africa) Trustee – Te Motu a Hiaroa (Puketutu Island) Governance Trust
Shane Morgan	<ul style="list-style-type: none"> Committee Member – International Water Association, New Zealand
Shayne Cunis	<ul style="list-style-type: none"> Director – The Water Research Foundation (USA)



Report to the Board of Watercare Services Limited
Prepared for the 29 July 2019 Board meeting

Directors' appointment terms and committee memberships

7.3

Purpose			Team		
Information	Discussion	Approval	Prepared	Recommended	Submitted
			E McBride Governance Manager	R Fisher Company Secretary	R Jaduram Chief Executive
Intellectual capital	People and culture	Community and stakeholder relationships	Financial capital & resources	Natural environment	Assets and Infrastructure
					

1. Purpose and context

This paper provides an update on:

- the tenure of the six directors of Watercare Services Limited
- details of the committees each director is a member of.

2. The details

Table 1: We have six directors.

Our directors are appointed by Auckland Council

Director	Original appointment date	End of term
Margaret Devlin (Chair)	1 November 2016	31 October 2022
Brendon Green	1 November 2016	31 October 2022
Nicola Crauford	1 April 2014	31 October 2021
Julia Hoare (Deputy Chair)	1 November 2013	31 October 2020
David Thomas	1 November 2014	31 October 2020
Catherine Harland	21 April 2011	31 October 2019

Table 2: We have four committees to assist the Board in its corporate governance

Our four committees assist in the process of corporate governance

Committee Chairs and members are appointed by the Chair

Director	Audit and Risk	People, Remuneration & Appointments	Strategic Transformation Programme	AMP & Major Capex
Margaret Devlin (Chair)	*	*		✓
Julia Hoare (Deputy Chair)	Committee Chair			✓
Catherine Harland		Committee Chair	✓	✓
Nicola Crauford			✓	Committee Chair
David Thomas	✓	✓		
Brendon Green	✓		Committee Chair	

**Board Chair attends in ex-officio capacity*

