

Minutes

Board meeting	Public session
Date	7 June 2022
Venue	Watercare Services, Level 3 Boardroom, 73 Remuera Rd, Remuera and via Microsoft Teams
Time	9.15am

Attendance		
Board of Directors	Watercare staff	Guests
Margaret Devlin (Chair) Brendon Green Hinerangi Raumati-Tu'ua Dave Chambers Nicola Crauford Julian Smith Via Microsoft Teams Graham Darlow Frances Valintine	Jon Lamonte (CE) Jamie Sinclair (Chief Corporate Services Officer) Steve Webster (Chief Infrastructure Officer, for items 11 and 12) Bronwyn Struthers (Head of Health, Safety and Wellbeing, for items 1 to 6) Chris Thurston (Head of Sustainability, for items 10 to 12) Suzanne Naylor (Head of Water Value, for items 1 to 7) Emma McBride (Co-Head of Governance, for item 8) Jacky Simperingham (Co-Head of Governance) Pinaz Pithadia (Governance and Research Administrator) Via Microsoft Teams Richie Waiwai (Poutiaki Tikanga Māori, Principal Advisor, for items 1 to 10) Sarah Phillips (Acting GM – People & Capability, for items 1 to 6) Rebecca van Son (Head of Strategy, for item 10) Kevin Sharp (Head of Commercial, for item 10) Mark Bishop (Regulatory and Policy Manager, for item 10) Laura Saunders (Legal and Governance Advisor, for items 7 to 17)	Leigh Steckler, Principal – Zero Carbon Team, Healthy Waters, Auckland Council (for items 11 and 12) Via Microsoft Teams Councillor Linda Cooper, Auckland Council Liaison Councillor Trudi Fava, CCO Programme Lead, Auckland Council Donovan Kelso, Equal Justice Project, University of Auckland (for items 6 to 12) Cassandra Pauling-Munro, Equal Justice Project, University of Auckland (for items 11 and 12)

1.	<p>Opening karakia</p> <p>Brendon Green opened the meeting with a karakia. The Governance Team will allocate the opening karakia to a different Director each month.</p> <p>The Chair congratulated the awards winners of the WaterNZ Excellence Awards. A list of award winners will be included in the CE's report for the 5 July Board meeting.</p>
2.	<p>Apologies</p> <p>Apologies were received from Wi Pere Mita (Board intern), due to inclement weather conditions impacting on travel arrangements.</p>
3.	<p>Quorum</p> <p>All Directors were present at the meeting and therefore a quorum was established.</p>
4.	<p>Minutes of the previous meeting</p> <p><i>The Board resolved that the minutes of the public session of the Board meeting held on 5 April 2022 be confirmed as true and correct.</i></p>
5.	<p>Public deputations</p> <p>No members of the public wish to provide deputations.</p> <p>The Chair welcomed Donovan Kelso and Cassandra Pauling-Munro, students from Auckland University's Equal Justice Project, who joined the meeting online to observe.</p>
6.	<p>Chief Executive's report</p> <p>The CE highlighted the following topics from the report:</p> <p><i>Current significant issues</i></p> <ul style="list-style-type: none"> • There appears to be a second wave of Covid-19. However, more staff are returning to the office and, with borders open, are taking decent overseas holidays. This is both good for wellbeing and reducing annual leave balances. • Reshaping of the Asset Management Plan will resolve the issues over the next three to four years. However, resolving the impacts over the second half of the decade will take longer to manage.

- Central Interceptor (CI): 1,331m of tunnelling has been completed by the main Tunnel Boring Machine (TBM). The Micro Tunnel Boring Machine (mTBM) has tunnelled 513m. The shaft drilling works at Keith Hay Park have reached 18.3m. The Board and the CE discussed the improvement in culture and atmosphere on the project.
- The Hūnua 4 project will be completed this month. In response to a pātai from the Board, the CE explained that the specific reason for the grout incident at Hūnua 4 is unknown. However, there are some good learnings for future projects. The incident was covered by the contractor's insurance and the pay-out covered most of the expenses. The Board acknowledged the hard work done by Watercare and the contractors to resolve the issues. The Board asked that those involved in physically removing the grout are specifically appreciated.

Key performance measures

- April was relatively dry. Auckland's dam levels were 75.6% full, which was below the historical average.
- Customer trust scores continued to improve which shows there was value in the way we approached the announcement of the price increase in July 2022.

Water resources update

- There has been an increase in water consumption compared to the same time last year. This is largely driven by some big users, including Auckland Council. The CE confirmed that this issue is being discussed directly with Auckland Council.
- E. coli was detected at the Cornwall Road Water Treatment Plant supplying Waiuku distribution zone. Watercare responded according to the required protocols. A subsequent investigation confirmed that this was an isolated incident with no risk to public health. All other water quality parameters have been met for the month for all distribution zones.

Community and stakeholder relationships

- The Board noted a planning workshop attended by Watercare's Te Rua Whetū team, Healthy Waters, and the Three Waters Reform team to discuss Iwi Māori engagement with the National Transition Unit (NTU).

Risk and compliance update

- Suzanne Naylor noted that the non-compliances for the month were mainly technical non-compliances. There are some conditions at water and wastewater treatment assets that require major infrastructure solutions; these are allowed for in the AMP (eg Snells/Warkworth and Waiuku).
- In response to a pātai from Councillor Cooper, the CE explained that the new drinking water standards for water suppliers will come into effect on 1 July 2022. The revised wastewater standards will come into effect next year.

People

- Sarah Phillips noted that the sick leave balance remained steady since the end of last year.

- In response to a pātai, Jamie Sinclair advised that we have three contractors working at Tauranga City Council. Watercare provides IT support for the Infor system.

Healthy, safety and wellbeing (HSW)

Bronwyn Struthers took the paper as read and highlighted the following points:

- Fatigue: Bronwyn noted the burnout findings presented to the Audit and Risk Committee at the 31 May 2022 meeting. The Board requested that presentation made to the Committee be shared with the full Board.
- The annual external ACC audit is being conducted in June.
- The Board and Management discussed the systems gap which is an ongoing issue as consistent and accessible systems across all sites are not available. Sites maintain their own records. However, it is difficult to have overall visibility due to an absence of a centralised system. Bronwyn advised that Management has gone to market for a new centralised system that will address this issue. The Board requested that Management provide updates on this issue in future reports.
- In response to a question, the CE confirmed that now Covid-19 restrictions have relaxed, HSW leadership walks are continuing.
- Councillor Cooper acknowledged the issue of fatigue. Bronwyn noted that work around culture and leadership is key.
- In response from a question from the Board, Bronwyn noted that the Contractor CEO Forum was successful. The Board noted that feedback had been positive about the Forum, and Bronwyn's leadership.
- The Chair acknowledged the effort to reduce the number of open iCare cases and noted the average time between event and reporting has improved.
- The Board and Management discussed the work being undertaken to rationalise the number of critical risks. Bronwyn explained that Management is considering consolidating critical risks, having business wide critical risks, and critical risks for specific business units.
- The Board and Management discussed the deep dive in to working over water. In response to a query, Bronwyn noted that to ensure training is up to date, each site conducts a self-audit twice a year.

Matters for noting

- The CE shared some of the key learnings from the conferences he recently attended. These highlighted the importance for Watercare to connect with international entities to help solve our problems. He noted that climate change was a key theme at the conferences which he attended in May 2022, namely Singapore International Water Week (SIWW) and OzWater.
- In response to a query, the CE noted Watercare's key priorities over the next 12 months are:
 - preparing for water reform in collaboration with Auckland Council
 - supplying safe drinking water
 - collecting and treating wastewater
 - delivering in a safe and efficient way.

	<ul style="list-style-type: none"> The CE also noted that a priority over the next year would be to devise one Asset Management Plan (AMP) for Entity A before June 2023. The draft will need to be completed by January 2023 as it will require iwi engagement and consultation with relevant councils. <p><i>The Board noted the report.</i></p>
7.	<p>Review of the Corporate Governance Charter</p> <p>Jacky Simperingham spoke to the report and noted the marked-up version of the Corporate Governance Charter ('the Charter') reflects the changes requested by the Board at the 5 April 2022 Board meeting and other minor amendments.</p> <p><i>The Board approved the revisions made to the Charter subject to the following:</i></p> <ul style="list-style-type: none"> <i>Clause 2 – Role of the Board section to be amended to replace 'Holding to account through effective and independent oversight of management' with 'Holding management to account through effective and independent oversight'.</i> <i>Clause 3 – Iwi and Mana Whenua Partners section to be amended to replace:</i> <ul style="list-style-type: none"> <i>'Ensure Iwi and Mana Whenua are active partners, decisions makers and participants' with 'Provide mechanisms to ensure Iwi and Mana Whenua are active partners, decisions makers and participants'.</i> <i>'Ensure that Watercare communicates effectively with the Iwi and Mana Whenua, the Independent Māori Statutory Board and Local Boards' with 'Ensure that Watercare communicates effectively with the Iwi, Mana Whenua, and the Independent Māori Statutory Board'.</i> <i>Clause 5 – Legal and statutory duties section to be amended to replace 'Ensure Watercare gives effect to Te Tiriti o Waitangi, its principles, and its broader legal obligations including being more responsible and effective to Māori' with 'Ensure Watercare gives effect to Te Tiriti o Waitangi, its principles, and its broader legal obligations including being more responsive and effective to Māori'.</i>
8.	<p>Consideration of Shareholder's feedback on Watercare's draft Statement of Intent 2022-2025</p> <p>Emma McBride spoke to the report and highlighted the following:</p> <ul style="list-style-type: none"> The report outlines how we plan to amend the draft Statement of Intent (SOI) to address the feedback received from Council. At the confidential session today, the Board will review and approve Watercare's Emissions Reductions Roadmap, including a draft emissions performance measure to include in the SOI 2022-2025. An updated SOI will be tabled for the Board's approval at the public session of the 5 July 2022 Board meeting. Members of the public will be invited to provide any further comments on the draft SOI 2022-2025, including in relation to the emissions performance measure. <p><i>The Board noted the shareholder's feedback on Watercare's draft SOI 2022-2025.</i></p>

9.	<p>Final Draft of Lutra’s Revised Statement of Intent 2022–2025</p> <p>Jamie highlighted the following key points for the Board:</p> <ul style="list-style-type: none"> • The draft SOI has been updated following the feedback received from the Board at the 5 April Board meeting. • Lutra Limited held a statutory Board meeting on 25 May 2022 where members of the public were invited to provide feedback on the draft SOI. There were no public deputations in the meeting. • The Board of Lutra Limited approved the draft SOI. <p><i>The Board approved Lutra’s revised draft statement of Intent 2022-2025 (SOI) for submission to Council by 31 July 2022 subject to amending the SOI to:</i></p> <ul style="list-style-type: none"> • <i>separate out ‘Pasifika’ from ‘Māori and Pasifika talent’ on page 6</i> • <i>update the Board of Directors on page 13.</i>
10.	<p>Scanning the Horizon</p> <p>The CE took the report as read and highlighted the following key topics.</p> <p><i>Worksafe hydrogen sulphide limits</i></p> <ul style="list-style-type: none"> • Fatal accidents happened due to hydrogen sulphide (H₂S) exposure. WorkSafe is proposing a reduction in H₂S limits which could result in the need to upgrade work environments to include greater ventilation or upgrading our processing systems to produce less H₂S. Water entities in Australia have performed a significant amount of work and Watercare will leverage this. Any change in limits will have major implications for our Asset Management Plan. <p><i>A New Zealand policy update on bills, policies and plan changes that could impact Watercare</i></p> <p>The Board discussed Watercare’s capability in relation to the upcoming bills, policies and plan changes that impact how Watercare operates and stressed the importance of prioritisation.</p> <p><i>The Board noted the report.</i></p>
11.	<p>Strategic focus: We are fully sustainable</p> <p>Brendon Green introduced the agenda item, which was prepared together with Steve Webster and Chris Thurston.</p> <p>Brendon noted that today’s discussion will focus on Watercare’s resource recovery strategy, carbon monitoring and carbon baseline.</p>

Chris welcomed Donovan Kelso, a student from Equal Justice Project of University of Auckland, who had joined to observe via Microsoft Teams.

From a global perspective, the CE noted that climate change is the number one priority, and most countries have a clear plan with targets. He noted that overseas, the targets are net zero by 2030 rather than 2050.

Chris spoke to the attached presentation (attachment 1). He noted Watercare's commitments in its organisational plan, and Watercare's progress to date. In particular:

- The climate mitigation target for infrastructure is progressing well.
- There is an uncertainty around carbon associated with the new Asset Management Plan. The baseline for climate mitigation targets is therefore from the 2018 AMP.
- Our emission reduction roadmap to 2030 is being progressed. However, we have a challenge to achieve those targets.
- Some of our network discharge consents are technically non-compliant and actions are in place as a remedy.
- Construction waste requires quantification and planning.
- There has been a delay with our programme on solar rollout due to site selection (eg preferred Māngere site being used by Central Interceptor for next two years), staff change and confirmation of external funding approach (off balance sheet assessment and assessment of alternative internal funding options).

Chris noted what Watercare is doing well in the following areas:

- Carbon reduction
- EMERGE® branded fertiliser, a slow-release fertiliser that we produce from phosphorus and nitrogen that crystallises during the wastewater treatment process.
- EV trucks for the Central Interceptor project
- Monitoring and collecting GHG data.

Chris played a video of Watercare staff sharing their experience of driving electric vehicles. Chris noted that from the recent light fleet vehicles purchased, 22 are electric. The Board and Management discussed rationalisation of the fleet at Watercare.

The Chair thanked Chris, Steve, and Brendon for their korero.

Councillor Cooper also thanked the team for their mahi.

12.	<p>Climate change strategy refresh</p> <p>Leigh Steckler introduced herself to the meeting. Leigh advised that is the Principle of Healthy Waters’ Zero Carbon Team and has been working with Chris on a joint Watercare/Healthy Waters Climate Action Plan.</p> <p>Chris welcomed Cassandra Pauling-Munro, a student from Equal Justice Project of University of Auckland, who joined the meeting online. Chris advised that both Donovan and Cassandra wish to present to the Board at a future Board meeting.</p> <p>Chris spoke to the report and highlighted the following key points:</p> <ul style="list-style-type: none"> • The joint action plan is the first part of the refresh of Watercare’s Climate Change Strategy which was completed in December 2018 and implemented in 2019. • The intended audience is Watercare and Healthy Waters and other Council whanau staff and interested stakeholders. • The main body of the plan comprises of 14 portfolios. • The next steps are: <ul style="list-style-type: none"> ○ Complete the action plan by end of July 2022. ○ Send a memo to Environment and Climate Change Committee at Auckland Council. ○ Update Local Board Chairs. ○ Arrange a climate change workshop with the Infrastructure and Environmental Services Mana Whenua Kaitiaki Forum ○ Launch the final action plan by August 2022. <p><i>The Chair departed the meeting at 11.12am. Dave Chambers chaired the meeting for the following discussion.</i></p> <p>The Board discussed the of electricity generation targets on page 25 of the action plan.</p> <p><i>The Chair returned to the meeting at 11.20am.</i></p> <p>The Board had a robust discussion around Watercare’s internal capacity, and the level of investment required to deliver the action plan.</p> <p><i>The Board noted the updated Climate Action Plan. The Board supported the delivery of the areas relevant to Watercare.</i></p>
13.	<p>Audit and Risk Committee Update</p> <p>Hinerangi Raumati-Tu’ua, the Chair of the Audit and Risk Committee (ARC), reported that the last Committee meeting was held on 31 May 2022. She noted that the ARC:</p> <ul style="list-style-type: none"> • Reviewed the insurance renewal programme 2022-23 and recommends that the Board approve it. This will be addressed in the confidential meeting.

	<ul style="list-style-type: none"> Reviewed the updated Fraud and Corruption Policy. The final policy will be brought to the Board for approval once the Board Chair and ARC Chair approve the updated policy. Received an update on planning for the FY22 year-end financial statements. Received an update on the Global Reporting Initiative (GRI) reporting framework and Climate Disclosure Work Programme. Noted Deloitte's planning report for the FY22 year-end. Received an internal audit report, included a detailed Waikato 50 internal audit report. The ARC will be kept informed of the progress being made to address the findings. Noted the Directors' expenses for the quarter ended 31 March 2022. Noted the results from the burnout survey undertaken. The action in this area is to provide support to those who showed signs of burnout. Received an update on preparing for Economic Regulation. The Board requested that an update provided to the Committee be shared with the full Board.
14.	<p>Board planner</p> <p>The Chair requested that Management provide a condensed CE's report with financials for the months without a Board meeting.</p> <p><i>The Board noted the Board planner.</i></p>
15.	<p>Directors' appointment terms and committee memberships and meeting attendances</p> <p>The Chair asked Trudi Fava to follow up the new appointment letters for the Directors whose terms were extended to 30 June 2024.</p> <p><i>The Board noted the report.</i></p>
16.	<p>Disclosure of Directors' and Executives' interests</p> <ul style="list-style-type: none"> The Chair advised that she has stepped down as Deputy Chair at Wintec. Hinerangi Raumati-Tu'ua advised that she will be retiring from Nga Kai Tautoko Limited and Te Kiwai Maui o Ngaruahine Limited at the end of June 2022. Brendon Green noted a typographical error in his section of the report. <p><i>The Board noted the report.</i></p>

17.	<p>General business</p> <p>Between this public meeting and the confidential meeting that starts at 1.30 today, the Board is hosting a hui with the Independent Māori Statutory Board.</p> <p>There was no other general business.</p> <p>The meeting closed at 11:46am.</p>
-----	--

CERTIFIED AS A TRUE AND CORRECT RECORD

.....
Margaret Devlin, Chair

Attachment 1

Board deep dive We are Fully Sustainable

June 7th 2022

Global perspective



Agenda

- Steady progress on fully sustainable strategic objective
- We are leading in key areas
- Big challenges
- Deep dive on carbon and waste
- Looking forward
 - Projects for Board to be aware of

We are fully sustainable

- We understand the impacts of **climate change**, taking bold actions to **reduce our emissions and prepare our business for future climate challenges**.
- We protect and enhance a **thriving natural environment**.
- We reimagine **waste as a valuable resource**.
- We are **sustainability leaders** in and beyond our industry and embed sustainability in everything we do.
- We believe that **water is a treasured resource/taonga** and this is part of our cultural DNA.
- We optimise **our investment decisions**, are **efficient, effective and financially responsible**.



We are fully sustainable – commitments and targets

Organisational plan commitment	Delivery against the plan	Status
Sustainability framework by 2023	To be completed. Planned for delivery between July and December 2022. Led by Sustainability team.	
Climate mitigation targets (40% infrastructure by 2025, 50% operations by 2030 and net zero 2050)	Baseline for new AMP being delivered in next three months.	
	Emission reduction roadmap for 2030 presented in June 2022.	
	Net zero roadmap not yet started.	
Compliance with network discharge consents	Technically non compliant with some conditions (eg regarding system improvement for reporting). Corrective actions in place to remedy.	
Resource recovery and waste strategy by 2025	Strategy to be completed. Majority of bio solids are being managed through Puketutu. Construction waste requires quantification and planning - pilot being started in 2022.	
Solar roll out programme by 2030	Delay in programme roll out. Next steps are a focus on Ardmore and Waikato projects, through external funding mechanisms. Followed by Mangere site for 2025.	
WW GHG emissions monitoring strategy by 2024	Strategy to be completed. Pilot programme in place at Rosedale as well as digital twin with GHG modelling trial at Rosedale (innovation fund project).	
Carbon dashboard by 2025	To be completed, tracking well. Healthy Waters are the lead.	
Governance templates	Board templates refreshed with sustainability inputs.	
Sustainability KPIs for all staff by 2023	Tracking well. Voluntary guidance created in 2021, move to mandatory by 2023.	
Climate change risk register by end of 2022	Tracking well, delivered through climate disclosure project with Auckland Council	



What we are doing well right now

- 1st programme wide carbon baseline
- Carbon reduction incentivised into delivery contracts



- Direct circular economy example
- Engaging with customers
- Unlocking biosolids

- 1st road worthy heavy construction Ev's
- Recent fleet purchase 75% EVs



- 1st direct monitoring in NZ
- Rosedale digital twin with GHG modelling

Electric vehicles are being normalised

- Video

Challenges for Watercare

Internal

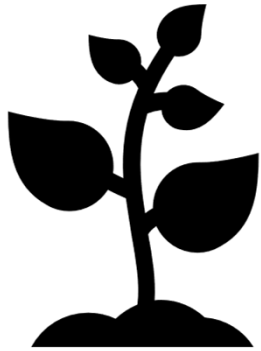
- Prioritisation
- Making this BAU
- Funding

Combined

- Uncertainty of wastewater emissions
- Industry reform

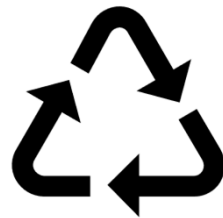
External

- Community expectation
- Government policy changes



Deep dives

- CLIMATE
- WASTE



Climate



CHALLENGES/ OPPORTUNITIES

- Wastewater emissions
- Growing population/demand for services
- Energy intensive water and wastewater requirements
- Sludge/bio solids



CURRENT ACTIONS

- Decarbonisation team
- Emission reduction pathway
- Advanced wastewater monitoring
- Solar programme
- Electric vehicles
- Infrastructure carbon baseline phase 2
- Carbon portal for infrastructure assessments
- Carbon portal with Healthy Waters



CHOICES TO BE MADE

Now

- Best use of external funding for solar
- Prioritisation of all investments with climate impacts in mind

Entity A

- Land use, tree planting and other carbon removals to achieve net zero



WHAT ARE THE GAPS?

- Role of carbon removals/planting
- Plan out to net zero 2050
- Optimal use of bio gas
- Impacts from Puketutu Island



PARTNERSHIPS/ SUPPORT

- Iwi partnering for emission reduction investment eg solar
- WaterNZ wastewater process emissions
- Enterprise Model partners for infrastructure carbon
- Healthy Waters for carbon portal
- Connection with global peers

Waste



CHALLENGES/ OPPORTUNITIES

- Reimagine waste as a resource
- Cost/capacity of waste disposal
- Future of biosolids
- Construction related waste



CURRENT ACTIONS

- Puketutu Island rehabilitation
- Emerge fertiliser
- Construction waste pilot
- Office waste separation
- E-waste programmes



CHOICES TO BE MADE

Now

- WW process technologies
- Worm farming
- Targets for construction

Entity A

- Post Puketutu
- Alternative options for regional plants



WHAT ARE THE GAPS?

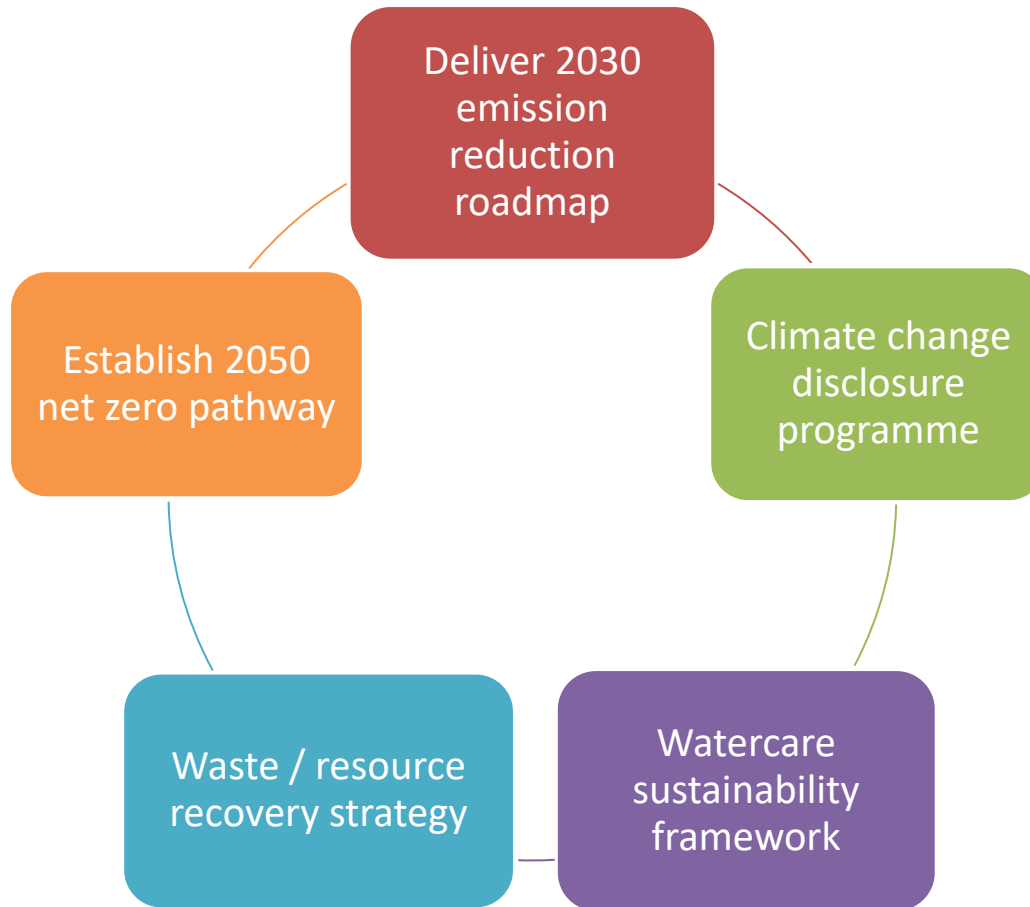
- Understanding soil and fertiliser opportunities
- Role in the market
- Biosolids guidelines/regulations
- Data collection



PARTNERSHIPS/ SUPPORT

- Many Iwi opportunities
- Agriculture + fertiliser sector
- End fate users eg Turners and Growers
- Wasteminz
- Enterprise model and construction sector

Looking forward – 12 months



Board decisions and support

- Climate Governance review and implementation
- Alignment to reform process
- Support for budget variances

Thank you