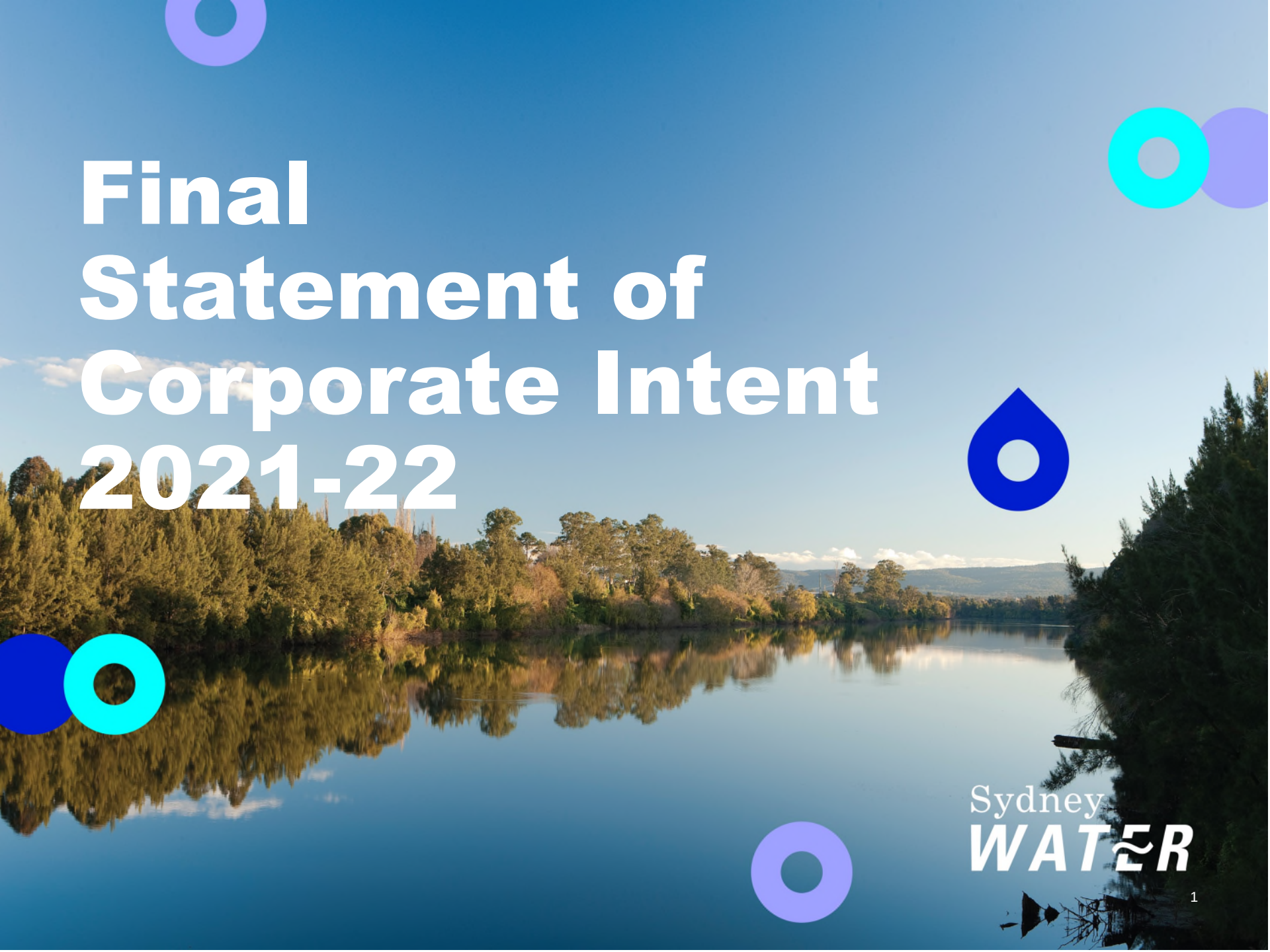
Final Statement of Corporate Intent 2021-22



Sydney WATER

Acknowledgement of Country

Sydney Water respectfully acknowledges the traditional custodians of the land and waters on which we work, live and learn. We pay respect to Elders past and present.

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1. Agreement

This 2021-22 Statement of Corporate Intent for the Sydney Water Corporation has been agreed between:

Bruce Morgan
Chairman
Sydney Water Corporation

Roch Cheroux
Managing Director
Sydney Water Corporation

Date: 30 September 2021

and

.....

Shareholder

.....

Shareholder

Date.....

Sydney Water Corporation
1 Smith Street
Parramatta NSW 2124

Board of Directors

Mr Bruce Morgan (Chairman)
Mr Roch Cheroux (Managing Director)
Dr Abby Bloom
Mr Trevor Bourne
Mr Greg Couttas
Mr Grant King
Dr Marlene Kanga
Mr Cameron Robertson
Mr Craig Roy

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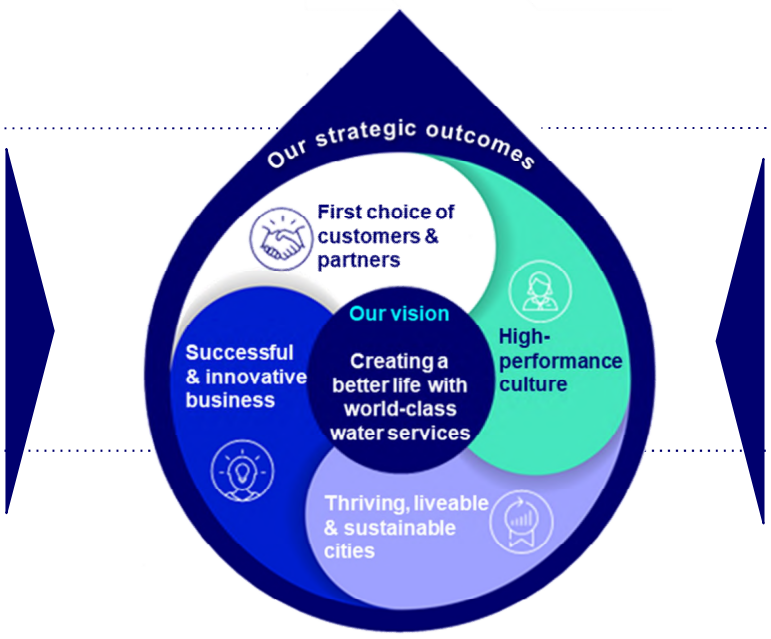
2. Objectives

The *Sydney Water Act 1994* (section 21) and the *State Owned Corporations Act 1989* (SOC Act) (section 20E) set out the principal objectives of the Corporation, namely to be a successful business, and to protect the environment and public health.

Our vision directly delivers on NSW State Outcomes

1. **A strong and liveable New South Wales**
2. **Resilient and sustainable environment and energy**
3. **Sustainable and secure water resources**



Our strategic outcome of "**Thriving, liveable & sustainable cities**" will deliver water and wastewater services for **A strong and liveable New South Wales**

We are committed to being the ***'First choice of customers and partners'.*** We do so by ensuring a reliable water and wastewater services whilst striving to deliver environmental outcomes for a **resilient and sustainable environment**

We are a "**Successful & innovative business"** that seeks to provide our customers with **Sustainable and secure water resources**

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3. Business Overview

Business Scope

- Sydney Water delivers essential water to over five million people in Sydney, the Illawarra and the Blue Mountains. These services include:
  - supplying drinking water to Australian Drinking Water
  - collecting and treating wastewater to regulated standards
  - recycling treated wastewater for non-drinking purposes, partially re-using treatment by-products and responsibly disposing of treated wastewater
  - managing stormwater in defined areas.

Principal statistics	
Service a population over 5,300,000 people	Provide drinking water to over 2,050,000 properties
Customer satisfaction rating of 7.8 out of 10	Water quality health compliance of 100%
Supply over 532,000 million litres of water per year	Collect over 536,000 million litres of wastewater per year
Manage over 26,000 km of water pipes	26,350 km of wastewater pipes

Regulatory Operating Environment

- In addition to its principal Acts, Sydney Water operates within a statutory and regulatory framework established through other legislation such as the *Protection of the Environment Operations Act 1997* and various regulations.

- Another key source of regulation is the *Independent Pricing and Regulatory Tribunal Act 1992*. Under this Act, the Independent Pricing and Regulatory Tribunal (IPART) determines Sydney Water's prices (for regulated services) and acts as the Operating Licence regulator.

- NSW Health primarily regulates Sydney Water under the *Public Health Act 1991*. As required by section 35 of the *Sydney Water Act 1994*, there is a Memorandum of Understanding (MoU) between Sydney Water and NSW Health.

- The NSW Environment Protection Authority (EPA) is the primary environmental regulator for NSW. The NSW Government re-established the EPA as an independent statutory authority in February 2012. As required by section 35 of the *Sydney Water Act 1994*, there is a MoU between Sydney Water and EPA.

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4. Financial Summary

$ million (nominal)	2021-22	2022-23	2023-24
Revenue	2,821	2,862	2,928
Operating expenses	1,433	1,422	1,432
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,388	1,440	1,496
Earnings before interest, tax (EBIT)	959	970	986
Profit before tax	562	555	556
Net profit after tax	394	389	389
Net debt	11,833	13,186	14,419
Capital expenditure	1,588	1,836	1,724
Dividends declared	248	220	239
Dividend payout ratio	63%	57%	61%

Total revenue is budgeted to be $2.8 billion in 2021-22. Revenue projections are consistent with Sydney Water's IPART price determination for the 2020-24 period, adjusted for latest water demand forecasts.

From 2021-22, revenue is expected to be flat in real terms reflecting low growth projections for the remainder of the current price determination out to 2024.

EBITDA is expected to increase over the three years from 2021-22, reflecting modest increases in revenue while cost efficiencies drive a flatter operating expenditure profile.

Sydney Water has prepared this SCI consistent with the Government's policies on *Capital Structure Policy for Government Businesses* and *Financial Distribution Policy for Government Businesses*.

The capital expenditure budget includes $1.6 billion in 2021-22 and $5.1 billion over the next three years. The capital portfolio includes significant investment in water and wastewater network, wastewater treatment plant renewals, growth infrastructure in line with growth forecasts and investment in corporate programs including Information Technology.

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5. Performance Targets Summary

	Goals	Measures
First choice of customers and partners	1. Engage with our Customers and Stakeholders to inform our decisions and make it easier for customers and partners to do business with Sydney Water	Customer Advocacy
		Customer Experience
	2. Expand our product and service offering in partnership with the market	Customer Conversion Rate
High-performance culture	3. Shape our culture to enable our Strategy	TRIFR
		Culture Index
	4. Build workforce capability and diversity	Diversity index
Thriving, liveable and sustainable cities	5. Deliver safe, affordable, reliable and high-quality water services and manage our assets effectively and efficiently	Water Service - Network Reliability
		Wastewater Service - Network Reliability
	6. Embed circular economy practices as part of our core business	Volume of Recycled Water Supplied (and as a % of total supply)
		Environmental Impact Index
Successful and innovative business	7. Ensure Sydney Water is a successful and commercially-focused business	Overall Profitability Indicator (EBITDA)
		Residential Potable Water Consumption per Capita (Litres per person per day)
	8. Drive Innovation and make a positive social impact on our communities	Innovation Effectiveness Index

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6. Representation and Commitment Statement

1. The Board of Sydney Water Corporation confirms that:

   a) Key performance indicators within the 2021-22 SCI are based on and supported by Sydney Water's Business Plan.

   b) The voting shareholders will be provided with financial and other information, including information on major capital expenditure projects, on a quarterly basis, to assess the performance against commitments in this SCI and to assess the value of the Shareholders' investment in the business.

   c) Asset maintenance policies and processes are adequate and appropriate to manage and control risks associated with physical assets.

   d) All known 'key risks' and 'major emerging contingent liabilities' which could materially impact the current and future results of Sydney Water for the coming year have been disclosed.

   e) Internal audit and risk management practices are consistent with standards recommended for Australian Securities Exchange (ASX) listed companies and where appropriate, have applied any additional requirements that are set out in *Internal Audit and Risk Management Policy* (TPP15-03) for the NSW Policy Sector.

   f) The Managing Director has an employment contract and performance agreement. The performance agreement is appraised annually.

2. Sydney Water Corporation adheres to *Commercial Policy Framework* policies, as listed in *State Owned Corporations: Applicable TPPs under the Commercial Policy Framework*.

3. Sydney Water Corporation complies with NSW Treasury accounting circulars and policies applicable to SOCs, as listed in the *State Owned Corporations Mandatory Accounting Policies – NSW Treasury Circulars and Treasury Policy Papers.*

4. Sydney Water agrees to provide information during the year to NSW Treasury, as the representative of the Voting Shareholders, as specified in the State Owned Corporation Reporting Obligation Requirements.

5. Sydney Water Corporation has agreed to align with the requirements of Premier's Memoranda M2021-09 NSW Public Sector Wages Policy 2021.

6. Sydney Water Corporation agrees to apply the principles of:

   a) Premier's Memoranda M2012-08, Application of Biofuels.

   b) New South Wales Industrial Relations Guidelines: Building and Construction Procurement July 2013 (Updated Sept 2017) [previously referred to as Premier's Memoranda M2013-04].

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