

Final Statement of Corporate Intent 2020-21

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,
present and emerging.



Table of contents

	Section	Page
1	Shareholder agreement	4
2	Objectives	5
3	Business overview and strategic summary	6
4	Financial summary	7
5	Performance target summary	8
6	Representation and commitment statement	9

1. Agreement

This 2020-21 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

and

.....
The Hon. Dominic Perrottet MP
Shareholder

.....
The Hon. Damien Tudehope MP
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 Richard Fisher
Dr Marlene Kanga
Mr Cameron Robertson
Mr Craig Roy

Sydney
WATER

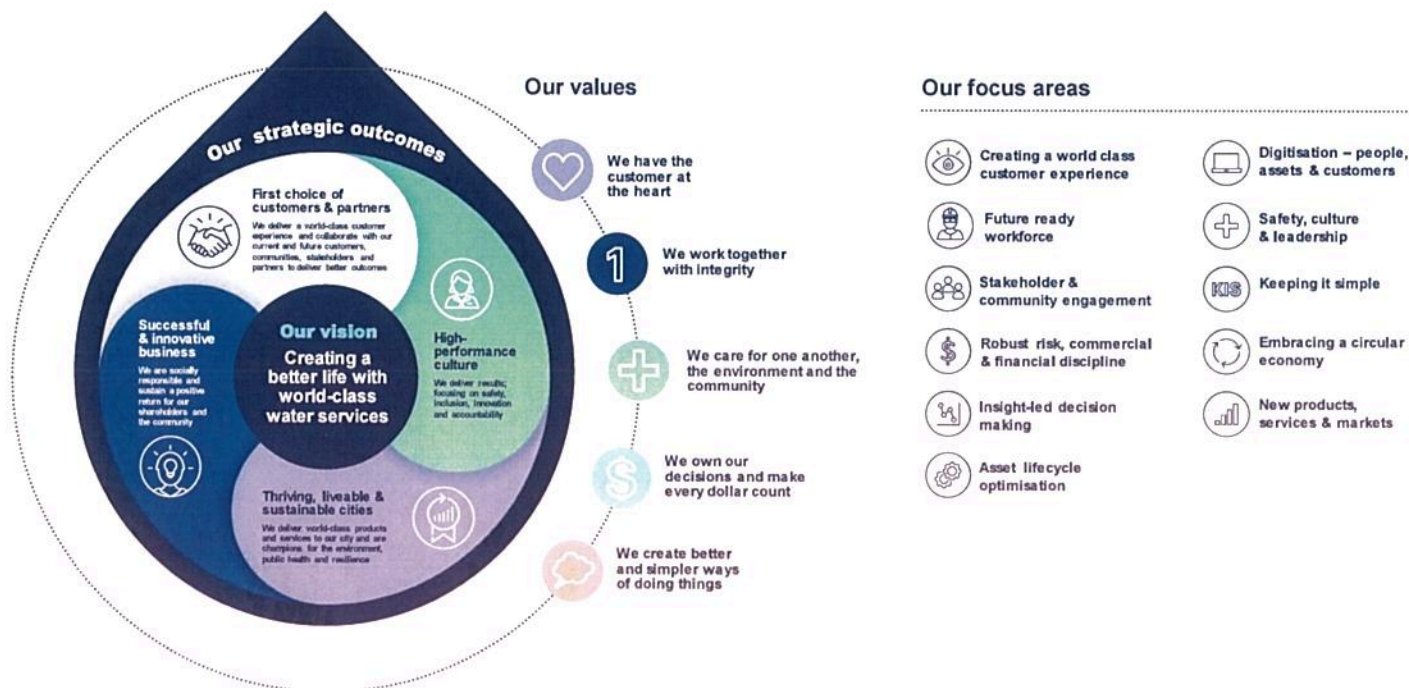
2. Objectives

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.

Sydney Water's vision is creating a better life with world-class water services.

Sydney Water achieves its principal objectives through the Corporate Strategy.

Our strategy architecture



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 Guidelines specified by the National Health and Medical Research Council
 - 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.

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.
- Sydney Water provides various reports to the Shareholders and NSW Treasury (detailed in section five).
- NSW Health primarily regulates Sydney Water under the *Public Health Act 1991* and advises the Government on drinking water quality standards. 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.

Principal statistics

Service a population over 5,000,000 people	Provide drinking water to around 2,000,000 properties
Customer satisfaction rating of 7.7 out of 10	Water quality health compliance of 100%
Supply over 530,000 million litres of water per year	Collect over 518,000 million litres of wastewater per year
Manage around 23,000 km of water pipes	26,350 km of wastewater pipes
Annual revenue over \$2.8 billion	Economic (or regulatory) asset base with a value in excess of \$18 billion
Annual operating costs over \$1.4 billion	Annual capital expenditure averaging over \$1 billion



4. Financial Summary

\$ million (nominal)	2020-21	2021-22	2022-23
Total income	2,781	2,856	2,927
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,372	1,425	1,501
Earnings before interest, tax (EBIT)	972	995	1,037
Profit before tax	600	579	610
Profit after tax	420	405	427
Capital expenditure	1,541	1,309	1,250
Dividends declared	655	248	220
Dividend payout ratio	156%	61%	52%

Total revenue is budgeted to be \$2.8 billion in 2020-21. Revenue projections are consistent with Sydney Water's IPART price determination for the 2020-24 period.

From 2020-21, revenue is expected to increase by an average of 1.3% per year driven by increased demand from growth in dwellings.

Earnings before interest, tax, depreciation and amortisation (EBITDA) is budgeted to be \$1.4 billion in 2020-21.

EBITDA is expected to increase over the four years from 2020-21, reflecting increased revenue mainly due to growth while cost efficiencies drive a flatter operating expenditure profile.

Net profit after tax (NPAT) is budgeted to be \$420 million in 2020-21.

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 \$1.5 billion in 2020-21 and \$4.1 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.

Any impacts of COVID-19 are not expected to have a material impact on the financial position of Sydney Water.



5. Performance Targets Summary

	Goals	Measure
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
	2. Expand our product and service offering in partnership with the market	Customer Experience 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
	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)
Successful and innovative business	8. Drive Innovation and make a positive social impact on our communities	Innovation Effectiveness Index

6. Representation and Commitment Statement

1. The Board of Sydney Water Corporation confirms that:
 - a) Key performance indicators within the 2020-21 SCI are based on and supported by Sydney Water's Corporate Strategy.
 - 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 TPP15-03 Internal Audit and Risk Management Policy 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 comply with the requirements of Premier's Memoranda M2012-04 Application of NSW Public Sector Wages Policy 2011 to State Owned Corporations and further guidance contained in the Treasurer's January 2015 letter.
6. Sydney Water Corporation agrees to apply the principles of:
 - a) *Premier's Memoranda M2012-08, Application of Biofuels.*
 - b) *Premier's Memoranda M2013-04, Implementation guidelines for procurement of publicly funded construction services.*

