



Annual Report

2021-22



Sydney
WATER



Acknowledgement of Country

Sydney Water acknowledges the Traditional Custodians of the lands and waters in Sydney, the Illawarra and the Blue Mountains – the places where we work, live and learn: the Dharawal, Gundungurra, Darkinjung and Dharug nations. Their lore, traditions and customs nurtured and continue to nurture the waters, saltwater and sweetwater, within Sydney Water's operating area, creating wellbeing for all. We pay our respect to Elders, past and present, and acknowledge their continuing connection to land, water and community and the importance of their waterway management, shared through storytelling over the millennia.

Introduction



Dear Shareholder Ministers,

Report on performance for the year ended 30 June 2022

We are pleased to submit the Annual Report of Sydney Water Corporation (Sydney Water) for the year ended 30 June 2022 (*Annual Report 2021-22*) for presentation to Parliament.

Our *Annual Report 2021-22* has been prepared according to the requirements of section 24A of the *State Owned Corporations Act 1989* (NSW) and the *Annual Reports (Statutory Bodies) Act 1984* (NSW). The financial statements, which form part of this Annual Report, have been certified by the Auditor-General of New South Wales.

Yours sincerely,

A handwritten signature in white ink, appearing to read 'Grant King'.

Grant King
Chair

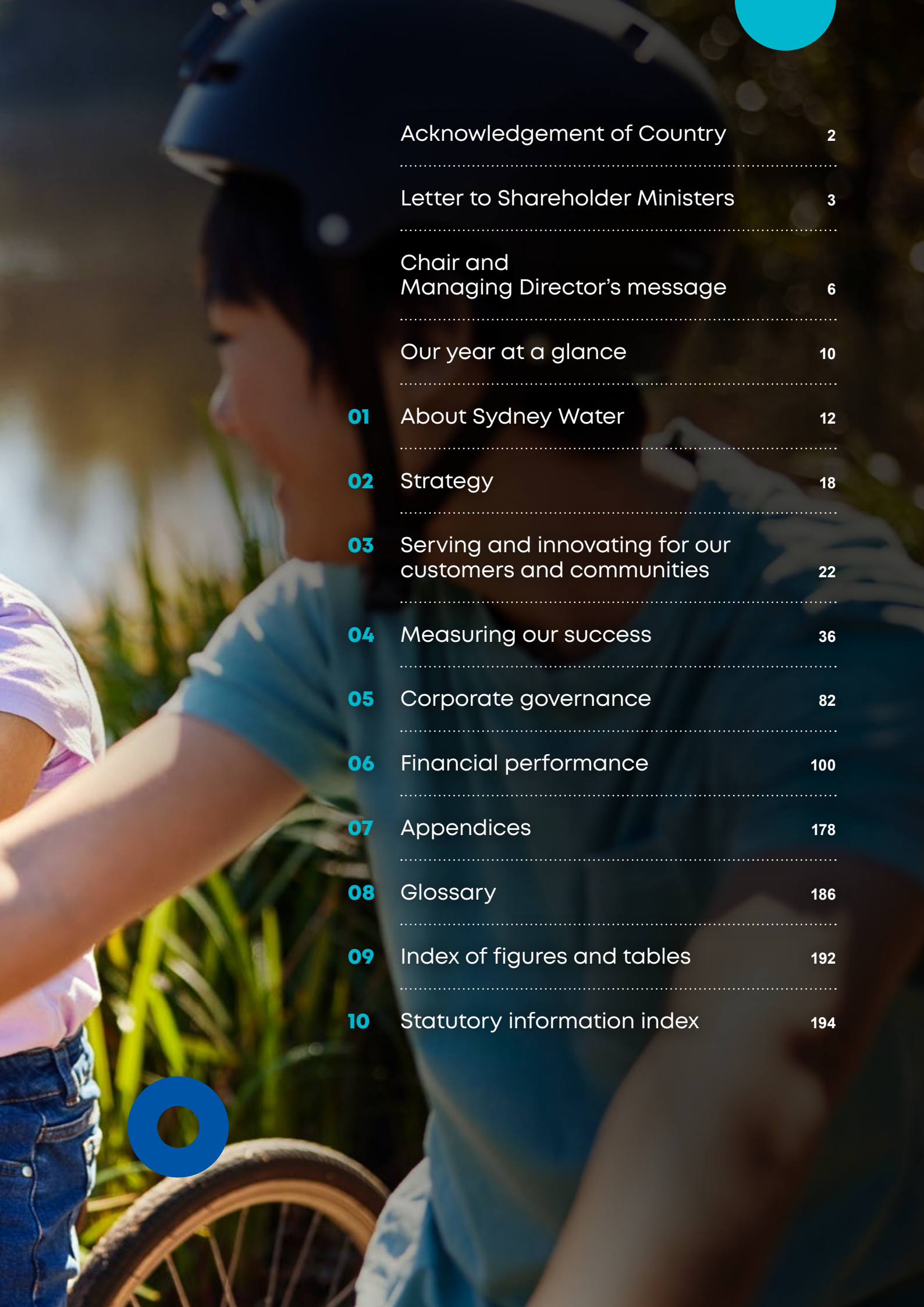
A handwritten signature in white ink, appearing to read 'Roch Cheroux'.

Roch Cheroux
Managing Director



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Chair and Managing Director's message



The 2021-22 financial year has posed many challenges to our customers and our business. In the first half of the year, COVID-19 kept many of us in lockdown while placing enormous strain on essential services and household budgets.

This was exacerbated in the second half of the financial year, as a series of East Coast low-pressure systems brought extreme wet weather to much of the state. Unfortunately, despite Sydney's dams filling, the quality of the water is very poor, with unprecedented levels of sediment and debris reducing the availability of good quality raw water we can draw on. The conditions also forced us to slow the filtration process, all of which impacts our capacity to meet demand. We are working with the dam operator, WaterNSW. However, we expect this to be an ongoing challenge for up to two years.

Our teams continue to work around the clock to ensure we maintain high-quality drinking water supply for our customers. We are also developing plans to enhance resilience across our systems, and these plans will be incorporated into our long-term investment requirements.

Climate variability, combined with population growth and finite water supply, were the key drivers in the development of the Greater Sydney Water Strategy, launched earlier this year. The strategy provides the framework for delivering resilient and reliable water supply for the foreseeable future. This includes Sydney Water's role in exploring rainfall-independent supply options including the potential for greater water conservation, desalination and purified recycled water.





The Greater Sydney Water Strategy's objectives include:

- Supporting delivery of the Greater Sydney Region Plan – A Metropolis of Six Cities and the Premier's Priorities for greening the city
- Supporting economic growth and community wellbeing by providing confidence in the security and sustainability of Greater Sydney's water supply to meet growth and adapt to a changing climate by 2040 and beyond
- Identifying the strategic pathways to ensure the right investment decisions are made at the right time in consultation with customers and the community
- Setting the paths to the highest economic value and most affordable investment portfolios for water infrastructure.

Our research and customer insights support this approach. We continue to engage with our customers and the community as we explore all options as part of our long-term capital planning.

Placing our customers at the heart of everything we do has seen our customer sentiment and customer satisfaction metrics consistently high, ranking first in the state for customer satisfaction and first nationally in value for money in a recent Water Services Association of Australia survey.

We have made good headway in our aspirations for a circular economy, with the release this year of our white paper, *Unlocking the Circular Economy in Western Sydney*. This paper looks at managing water in a way that will restore and regenerate natural systems, keep resources in use at their highest value and economically design out waste and pollution. Notable examples are our award-winning Johnstons Creek Naturalisation project completed in October 2021 and our

pioneering work across our resource recovery plants to produce renewable gases, such as biomethane and hydrogen, to assist with the transition from natural to renewable gas.

Our teams are also extracting value from our operations by converting food waste to energy and agricultural nutrients. The Upper South Creek Advanced Water Recycling Centre in Western Sydney will also support a large-scale bioresources hub offering integrated water, energy and organic waste management.

At Malabar in south-eastern Sydney, we have partnered with Jemena to extract high-quality biomethane from the wastewater process at our treatment plant. Together with Jemena, Sydney Water is pioneering Australia's first biomethane-to-gas-pipeline project. This project will lay the groundwork for an Australian-first renewable gas certification scheme allowing consumers to purchase verified and accredited zero-emission gas.

In delivering these projects, we are also cognisant of doing so ethically and sustainably. For a second straight year, we have committed to ensuring that our operations and supply chain are free from modern-day slavery practices; that as a business we do not profit from the exploitation of others, and the products and services we deliver to our more than five million customers are ethically sourced.

In addition, we are building on our commitment to global sustainability. Sydney Water is an early adopter of the United Nations Global Compact and Sustainable Development Goals and, this year, we are moving towards the Global Reporting Initiative, an independent standards organisation that will help us measure our impact on the environment, human rights and other aspects of corporate social responsibility.

Nothing happens without our people, a highly skilled, diverse and engaged workforce upon which we continue to build.

Their response to the heavy rain and flooding this year is just one example of their dedication and determination. Our crews worked around the clock in highly challenging conditions to keep Sydney Water's systems up and running and ensure our customers continued to receive water and wastewater services. Our Emergency Control Centre helped communicate and coordinate the response and monitor our systems even after the extreme weather eased.

Our primary focus is keeping our people safe, healthy and well. Our safety performance continues to improve, as do our diversity metrics. This past year, we've also introduced a digital platform with a range of programs and services to support the mental and physical health and wellbeing of our people, and we have supported our people as we moved to hybrid working.

We have continued to build on our Reconciliation Action Plan which is our roadmap for developing and maintaining meaningful and respectful relationships with First Nations peoples. We have achieved a number of milestones including the creation of our First Nations Network, five new First Nations traineeships and the launch of an Aboriginal Procurement Participation Plan, all of which support employment opportunities for Aboriginal and Torres Strait Island peoples.

Female participation remains largely consistent across the organisation at 35 percent and this year saw the appointment to the Board of Susan Petterson and Kate Dryden as longstanding directors, Dr Abby Bloom and Richard Fisher retired. Our retiring directors have played an integral part in our ongoing success, and we wish them well as we welcome our new directors to the Sydney Water team.

Our regulator, the Independent Pricing and Regulatory Tribunal (IPART), has recently published its regulatory process review, with a focus on stronger connections between price/revenue proposals and customer outcomes, service levels and projects. We have commenced the detailed planning, including our Long-term Capital and Operating Plan, to deliver on our strategy and prepare for our next pricing review in 2025. This will see a further uplift in engagement with our customers, stakeholders and the broader community to better understand their expectations and the outcomes they are seeking over the next 25 years.

It has been a challenging year and we would like to thank our people for the remarkable work they do each and every day to help us create a better life for our valued customers.



Grant King
Chair

Roch Cheroux
Managing Director



Nothing happens without our people, a highly skilled, diverse and engaged workforce upon which we continue to build.





Our year at a glance

IN 2021-22,
WE PROVIDED HIGH-QUALITY
DRINKING WATER TO

5,257,000

PEOPLE IN GREATER SYDNEY,
THE BLUE MOUNTAINS
AND THE ILLAWARRA



.....

We continue to deliver on our strategy and respond to the changing needs of our communities to provide an exceptional customer experience, every day, every time and for everyone.

.....

OUR YEAR AT A GLANCE (continued)



508 billion +
litres of drinking water produced



600,000 calls
managed by our Customer Service team



Voted #1
(value for money) in Australia for
water services*



2,600 households
experiencing difficulty accessed
\$1.1 million support



3,000 devices
3000 devices deployed to detect
blockages in wastewater pipes bringing
total to 6000



70 years
of Laboratory Services – world leaders
in chemistry, biology and microbiology –
as part of Sydney Water



\$4.8 million
annual savings in avoided
incident costs



100th confirmed
water leak found by Joey
the leak-detection dog



Supply Nation
member



Top 5
graduate employer in Australia



5.4
Total Recordable Injury Frequency Rate
down from 23 five years ago



New website
with improved customer services



Construction commenced
on the Purified Recycled
Water Demonstration Plant
and Experience Centre



Sydney Water appointed
Trunk Drainage Authority
for the Aerotropolis by
NSW Government



Sydney Water, Jemena
and Endeavour Energy
develop utilities master
plan for the Aerotropolis

EVERY OPERATING LICENCE PERFORMANCE STANDARD MET FOR



water continuity



water pressure



dry weather wastewater
overflows

*Water Services Association of Australia survey.



About Sydney Water

Creating a better life
through world-class
water services





Creating a better life through world-class water services



Every day, we provide high-quality drinking water to 5,257,000 people. Our water and waterways are world-class and support thriving, liveable and sustainable cities.

For 135 years, this has been our legacy – ensuring the people of Greater Sydney, the Blue Mountains and the Illawarra have a safe, reliable water supply.

As the population grows and temperatures rise, we respond to meet the changing needs of our communities through integrated water solutions that restore and regenerate natural systems, keep resources in use at their highest value and economically design out waste and pollution.

We do this in ways which align with the traditional custodians of the land and waterways in which we live, work, play and connect. We embrace the Caring for Country approach practised by First Nations people, and we embrace efforts to restore our connections with water, land and each other.

As custodians of wastewater, recycled water and some stormwater services, we continuously improve the health of rivers and beaches in and around Greater Sydney. We want to transform our waterways into urban swim sites, making water fun and accessible to more communities across our cities.

Working with the NSW Department of Planning and Environment and WaterNSW, we have significantly contributed to the development of the Greater Sydney Water Strategy outlining various rainfall-independent supply options available. This includes the delivery of a demonstration plant for purified recycled water, which if adopted, would see highly treated wastewater returned to the environment to supplement dams and rivers.

At Sydney Water, engaging with our customers and evolving to meet and exceed their changing needs is in our culture. It's who we are. Our customers want us to implement circular economy principles across our operations, extracting value from what was previously regarded as waste and returning it to the economy in the form of biofuel, fertiliser and other agribusiness products.

Sydney Water is a statutory corporation, wholly owned by the NSW Government. Our Operating Licence is regulated by the Independent Pricing and Regulatory Tribunal (IPART), which sets out the standards and requirements we must meet. We also invest significantly in customer and community engagement to help us shape our strategic planning and deliver on our shared vision of creating a better life through world-class water services.

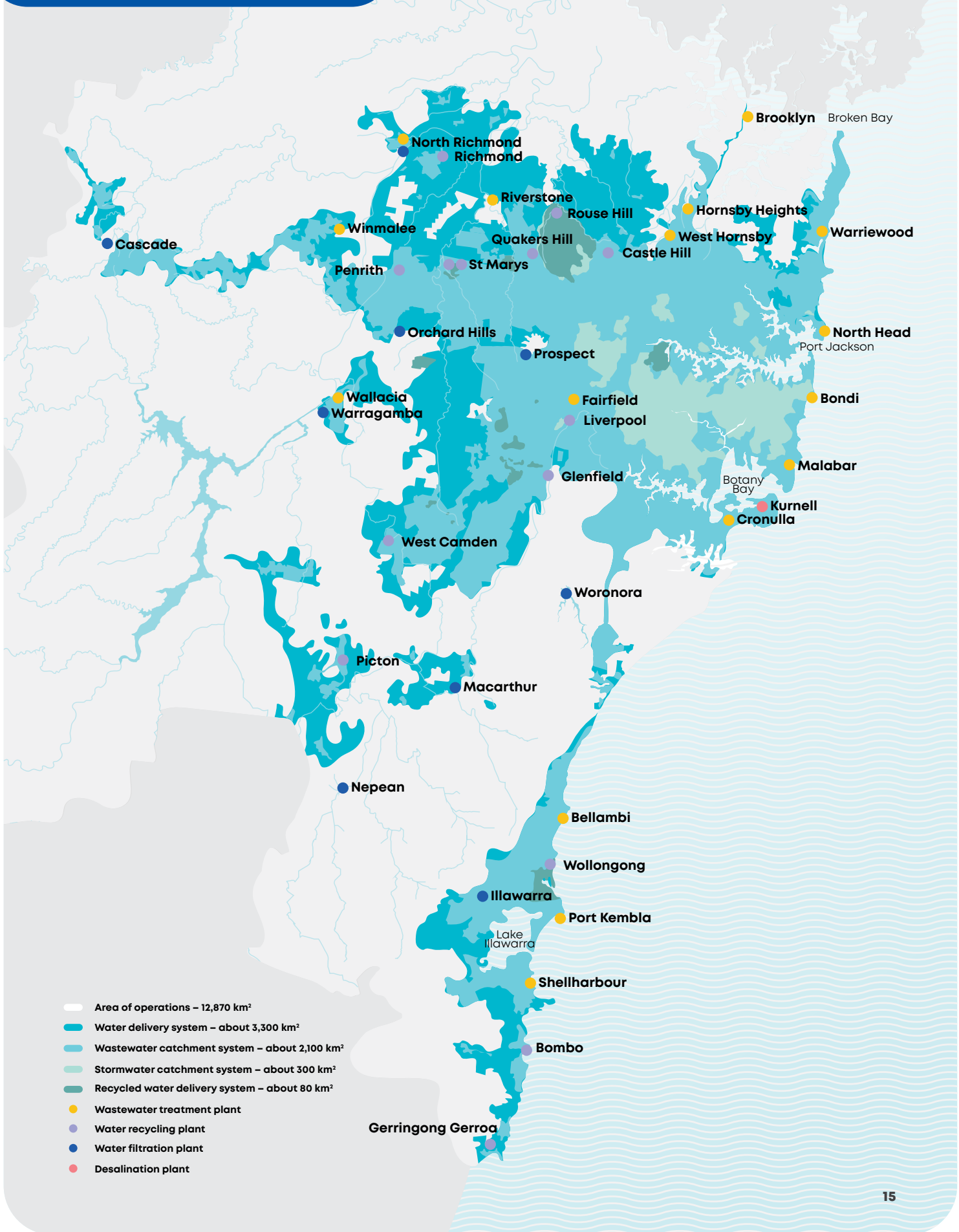
We operate under the *Sydney Water Act 1994* (NSW) and have three equal principal objectives:

- Protect public health
- Protect the environment
- Be a successful business.



FIGURE 1

AREA OF OPERATIONS



Principal Statistics



TABLE 1: PRINCIPAL STATISTICS 2021-22

Approximate area of operations	12,870 sq km
Estimated population serviced by drinking water ¹	5,257,000 people
Quantity of drinking water we produced ²	508,478 ML
Quantity of drinking water produced from desalination	22,480 ML
Length of drinking water mains we own and operate	22,707 km
Number of water treatment plants in service	9 water treatment plants
Number of desalination plants in service	1 desalination plant
Number of drinking water reservoirs in service	251 drinking water reservoirs
Number of drinking water pumping stations in service	153 drinking water pumping stations
Properties with drinking water service available	2,105,719 properties
Estimated population receiving wastewater services ³	5,161,000 people
Wastewater we collected (includes discharge, bypass, overflows and other)	698,215 ML
Length of wastewater mains we own and operate	26,639 km
Number of wastewater treatment plants in service ⁴	16 wastewater treatment plants
Number of wastewater pumping stations in service	695 wastewater pumping stations
Properties with wastewater service available	2,055,860 properties
Estimated population serviced by recycled water ⁵	100,000 people
Quantity of recycled water we supplied	37,693 ML
Length of recycled water mains we own and operate	793 km
Number of water recycling plants in service* ⁶	14 water recycling plants
Number of recycled water reservoirs in service	9 recycled water reservoirs
Number of recycled water pumping stations in service	11 recycled water pumping stations
Length of stormwater channels we control	454 km
Properties with stormwater drainage available	640,168 properties

* Sydney Water acquired the Bingara Gorge Recycled Water Plant from Lendlease on 28 June 2022 and assumed operations in early 2022-23.

1 Estimated population serviced by drinking water excludes dwellings serviced under the Water Industry Competition Act 2006 (NSW) and includes shops on mixed development properties. Estimated population is a projection from the Department of Planning and Environment's 2022 NSW Population, Housing and Implied Dwelling Projections.

2 Includes the quantity of drinking water produced from desalination.

3 Estimated population serviced by wastewater excludes dwellings serviced under the Water Industry Competition Act 2006 (NSW) and includes shops on mixed development properties. Estimated population is a projection based on the Department of Planning and Environment's 2022 NSW Population, Housing and Implied Dwelling Projections.

4 The number of wastewater treatment plants is based on Sydney Water's classification.

5 Estimated population serviced by recycled water refers to Rouse Hill only. Estimated population is a projection based on the Department of Planning and Environment's 2022 NSW Population, Housing and Implied Dwelling Projections.

6 The number of water recycling plants is based on Sydney Water's classification.

02

Strategy





Immersed in delivery

More than 3000 Sydney Water staff work across a complex network spanning 12,870 sq km to ensure our customers and partners experience world-class water services.

Sydney Water is proud to work collaboratively with our First Nation’s peoples to embed their learnings into our strategy and continually build on our Reconciliation Action Plan. Working alongside First Nations people, as the first engineers of water and natural resources in this country, we blend traditional knowledge with modern science to manage our waterways and protect the environment.

In a year of extreme events, we faced the impacts of climate change, a growing population, rising customer expectations and increased competition. Our Strategy was our blueprint for delivering our core promise of clean, safe water for more than 5 million customers and to build on our bold vision for the families and communities of Greater Sydney, the Blue Mountains and Illawarra region.

We produced more than 508 billion litres of safe drinking water – surpassing all the water in Sydney Harbour – and reduced the amount of water lost from our drinking water systems by applying innovative new tools and technology to identify and respond to leaks.

We are moving closer to our net zero emissions target through renewable energy projects and championing circular economy principles – particularly resource recovery in the form of energy, agricultural nutrients and much more. As we maximise the potential of waterways, we return value to our customers and shareholders.

Our customers have told us they see us playing a key role in water security, and Sydney Water is taking a lead in the implementation of the NSW Government’s Greater Sydney Water Strategy, and its plan to deliver water security for the next 20 to 40 years.



2,105,719

properties with drinking water service available



2,055,860

properties with wastewater service available



640,168

properties with stormwater drainage available

Our vision

Creating a better life with world-class water services

We have four strategic outcomes to guide us as we take action to realise our vision.

- ✓ First choice of customers and partners
- ✓ Thriving, liveable and sustainable cities
- ✓ High-performance culture
- ✓ Successful and innovative business

FIGURE 2: OUR VISION, STRATEGIC OUTCOMES AND VALUES



03

**Serving and
innovating
for our
customers &
communities**





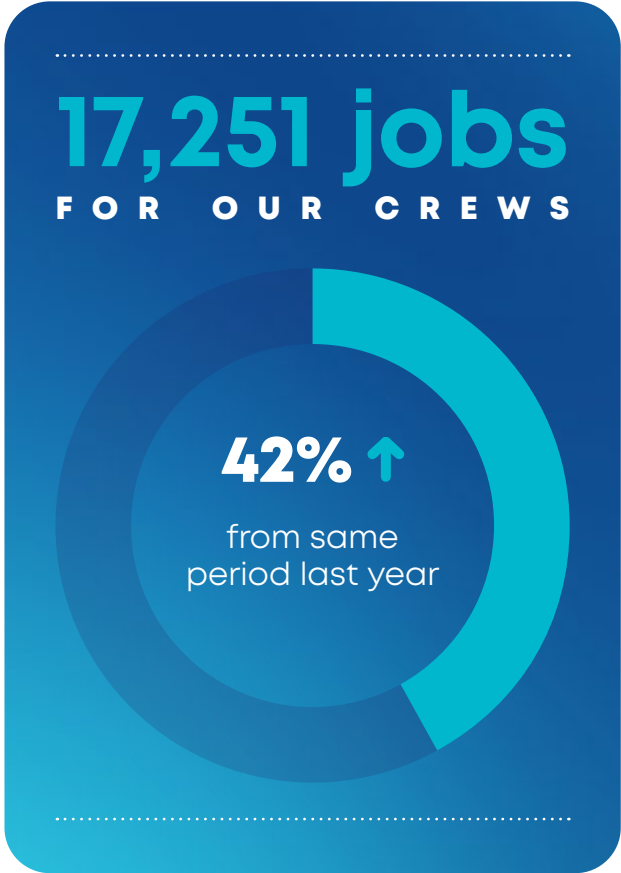
Round-the-clock service overcomes weather extremes

A once-in-50-year weather event brought heavy rains during March and April turning our streets and footpaths into rivers and creating flooding in parts of Greater Sydney.

As more than 1,520 billion litres of rainwater flowed into dams – more than enough water to fill Sydney Harbour three times – we highlighted the value of keeping our customers at the heart.

Sydney Water teams worked round the clock to keep networks running as efficiently as possible to deliver safe water for drinking, cooking, bathing and cleaning. Our Emergency Control Centre kicked into action with people across Sydney Water filling 12-hour shifts during the worst periods of extreme weather to coordinate crews and communication to customers in flood-affected areas.

As the impacts of extreme events continue to be felt across our networks, Sydney Water is applying fresh solutions, including piloting geospatial tools to help inform our Emergency Control Centre efforts, ensuring our customers have a safe water supply even in the most uncertain times.



Countdown to net zero

7 AFFORDABLE AND CLEAN ENERGY



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



Sydney Water is one of 14 Australian and New Zealand water utilities to become signatories to the United Nations-led Race to Zero carbon emissions campaign. Our target is net zero carbon emissions across our business by 2030 and across our supply chain by 2040.

We are achieving this goal by implementing sustainable technologies and renewable energy projects, realised through collaborations with our utility partners and suppliers.

The Malabar Biomethane Injection Project, built by our partner Jemena, will be installed at our Malabar Wastewater Treatment Plant. Through this project, we will be able to recover up to 99.5 percent of methane from wastewater, refine it to Australian standards and send it back to the gas grid as a green gas alternative, supplying 6,300 homes.

We have installed 630 solar panels across the Wollongong Water Recycling and Wastewater Treatment Plant and 250 panels on the Shellharbour Wastewater Treatment Plant as part of our partnership with Origin Energy.

Solar installations at the two sites have a combined capacity of about 360 kilowatts which can generate nearly 450,000 kilowatts of renewable energy per year – the amount of energy needed to supply 62 average Illawarra households.

The solar installation project is reducing carbon emissions by about 900 tonnes a year and is on track to generate a positive financial return through electricity cost savings – savings we will pass on to our customers as we install solar at more of our sites in 2022-23.

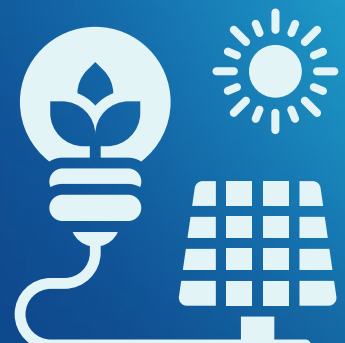
Sydney Water was awarded a NSW Government grant for the co-digestion project at our Liverpool Water Resource Recovery Plant. The co-digestion of food waste will increase biogas production, which enables the plant to generate its own energy, reducing carbon emissions in the future.

We know two-thirds of our carbon footprint is in our supply chain and we are working with our suppliers to ensure we reach our net zero goal by 2040. Our research has shown 36 percent of our suppliers already measure their emissions and nearly half have their own net zero plan in place.

Annual energy generated by solar panels =

250,000

trees planted in the Illawarra



Ensuring a resilient, reliable water supply for generations to come

6 CLEAN WATER AND SANITATION



13 CLIMATE ACTION



As our city continues to grow, we must ensure we have a resilient and reliable water supply that is not reliant on rainfall. We need to do things differently to ensure we have a safe, resilient and secure water supply now and for the future.

The NSW Government and its agencies have jointly developed a State Water Strategy and a Greater Sydney Water Strategy (GSWS). These strategies will provide the policy guidance to inform water planning for the immediate future and the medium to long term.

The GSWS charts the direction for delivering sustainable and resilient water services for the next 20 to 40 years, servicing a growing Greater Sydney, including the Illawarra and Blue Mountains, and safeguarding our city even in times of prolonged drought and extreme weather events.

Sydney Water has worked closely with the Department of Planning and Environment as well as WaterNSW to develop these strategies and will play a critical role in bringing them to life for our valued customers, their families and communities.

Best-practice water planning means considering all available options, including purified recycled water (PRW) to supplement our raw water sources, alongside desalination, water efficiencies and conservation, dams and water recycling for non-drinking purposes.



Building knowledge of all future supply options

4 QUALITY EDUCATION



6 CLEAN WATER AND SANITATION

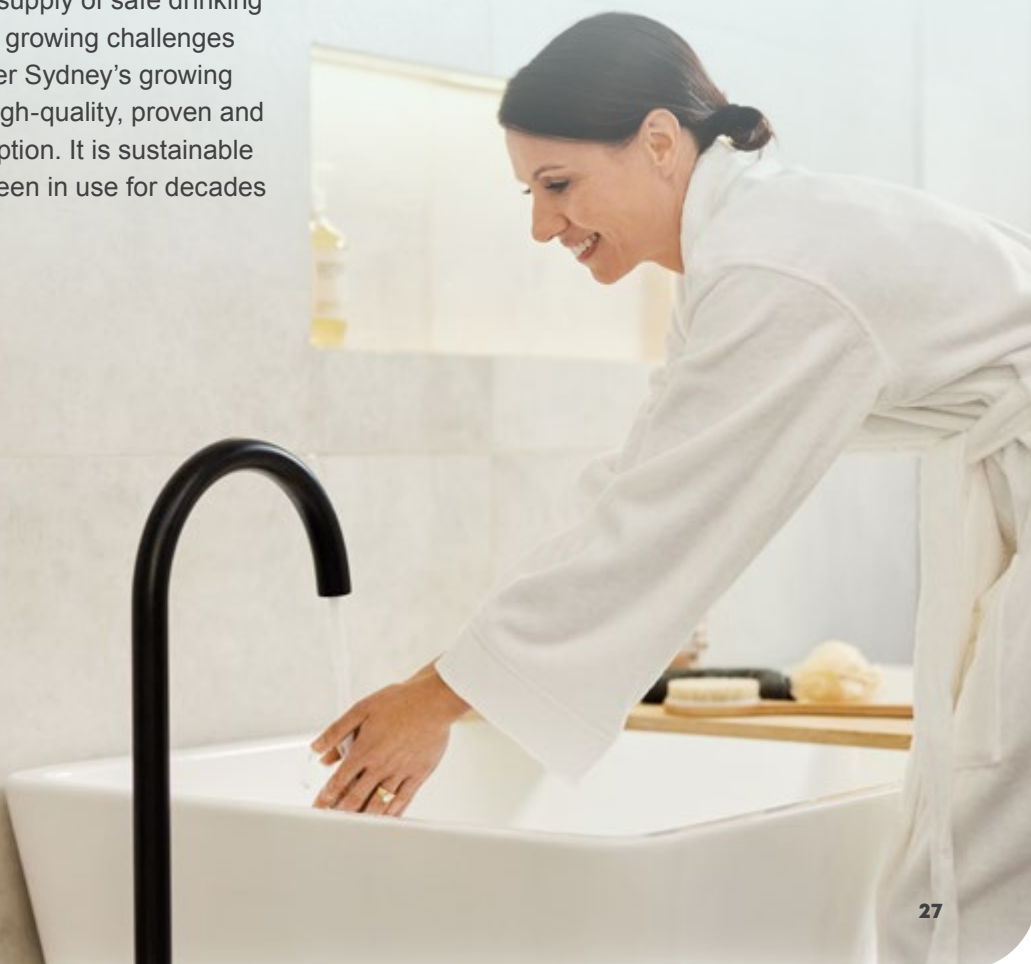


To help build our customers' understanding of the water cycle and future supply options including purified recycled water, Sydney Water commenced construction in May 2022 of a Demonstration Plant and Experience Centre at Quakers Hill.

Purified recycled water (PRW) is water that after its primary use in kitchens, showers and toilets, is treated and filtered before being reintroduced to the environment (dams and rivers). It then forms part of the raw water supply which is treated and filtered to Australian Drinking Water Guidelines, (purification) providing a rainfall independent water supply.

PRW is one option under consideration to help meet rising demands on our supply of safe drinking water as we plan to meet the growing challenges of climate change and Greater Sydney's growing population. PRW is a safe, high-quality, proven and cost-effective water supply option. It is sustainable and drought-proof and has been in use for decades all over the world.

The plant at Quakers Hill will demonstrate the performance and reliability of PRW treatment technology with a view to building community understanding and acceptance. As part of the plant's second phase, Sydney Water will demonstrate how we can produce water that meets the Australian Guidelines for Water Recycling and how this water could be safely added to our existing raw water supply. The Demonstration Plant and Experience Centre are scheduled to open in 2023.

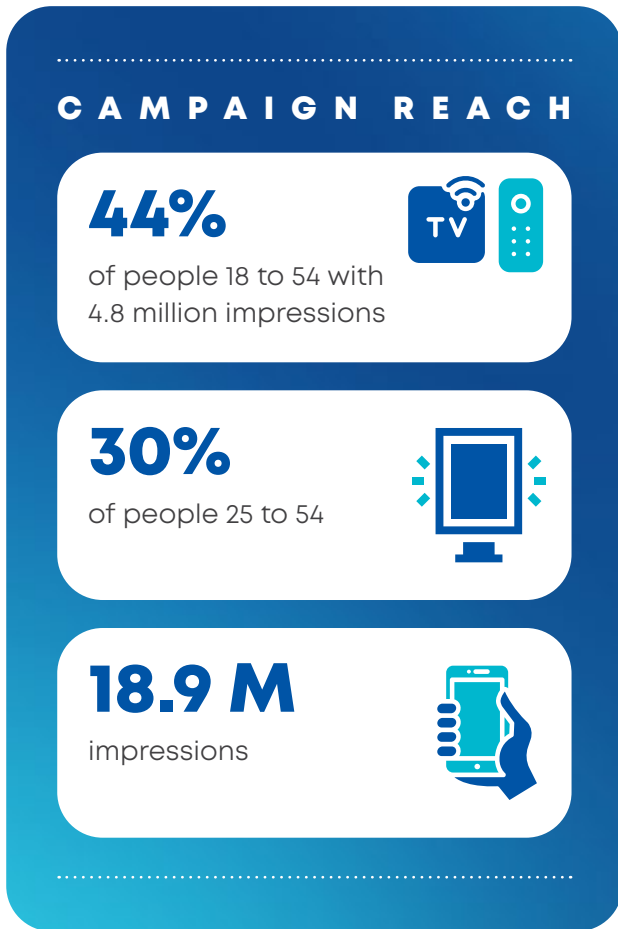


Community initiatives

Highlighting our commitment to collaborating with our customers and stakeholders, Sydney Water ran an engagement and education program that empowered and educated our community.

This program helps us understand our customers' expectations, tell the story of where we've been, where we need to go and how we plan to get there.

We use multiple channels to reach out to the community including education and water conservation campaigns and are committed to further extending our customer, community engagement and education program.



Wonders of Water Discovery Van

Since May 2022, our Community Education Team has engaged nearly 2,000 children and adults through the Wonders of Water Discovery Van. This mobile education vehicle helps us educate our community on the water cycle and the circular economy, including how water is captured, treated and distributed.

Our new team member, Jila the platypus, guides people on a journey through Greater Sydney's urban water cycle via an augmented reality wall.

Customers of all ages enjoy the retro arcade game where players move through the water network while learning about the role of filtration and desalination in cleaning water sourced from oceans, catchments and dams.

And people wanting to expand their knowledge can explore an interactive station looking at how different cities around the world source and manage their water supply.

Turn it off Bob

Water conservationist Shane Jacobson led our 'Turn it off Bob' campaign, increasing awareness of day-to-day water usage in and around their homes.

Sydney Water's Brand Tracker showed that 71 percent of the 3,260 people surveyed will reduce water use outside the home, 50 percent intend to use less water in the bathroom and 43 percent said they would use less water in the kitchen. In addition, a public relations campaign promoted relevant water-saving tips, highlighting Sydney Water's initiatives to ensure reliability of supply and further reinforce water-saving measures.



Are you flushing kidding me?

The 'Are You Flushing Kidding Me?' and 'Best to Bin It' campaigns were rolled out to highlight what can safely be flushed down toilets and what is safe to put down sinks. Research has highlighted a lack of awareness as to what can safely and responsibly be flushed down the toilet, 3Ps – pee, poo and (toilet) paper – and into sinks.

Results from the 'Are you flushing kidding me' campaign showed:

- 89 percent of the population put potential blockers down the sink at least occasionally.
- 40 percent of people think it is OK to flush tissues down the toilet.
- 4 percent are under the impression that all types of wet wipes can be flushed down the toilet, not just those which are suitable for flushing

Items such as non-flushable wipes create blockages and are a significant issue for the network. Over 2021-22, Sydney Water dealt with more than 11,000 blockages, costing \$10.6 million to repair.

The consequences of not disposing of bathroom waste correctly, combined with putting inappropriate items down the sink, costs customers money and harms the environment. Results from the related 'Best to Bin It' campaign showed:

- 75 percent of consumers would consider putting only the 3Ps down the toilet and binning everything else.
- 57 percent of consumers intend to learn more about what they can and cannot put down the toilet and 59 percent of consumers, what they can and cannot put down the sink
- 45 percent of consumers would consider sharing the advertisement within their social network.

In May 2022, Standards Australia released a '*flushability*' standard, and Sydney Water is actively helping educate consumers on products that meet this new standard.

Innovative solutions for improving our environment

6 CLEAN WATER AND SANITATION



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



15 LIFE ON LAND



Over the past year, Sydney Water continued to implement innovative solutions to improve its environmental performance. Our longer-term focus is on preventing incidents before they occur. Innovation is key to bringing this about.

Internet of Things

Our Internet of Things (IoT) program is focused on prevention – strengthening our ability to detect emerging issues, predict service faults and proactively fix them.

In June 2022, we marked the installation of the 6000th level sensor which monitors and detects blockages in the wastewater network in real time. These sensors have detected around 315 blockages since 2020-21, allowing crews to proactively clear blockages and protect the health of local waterways.

Our IoT program won the Best Industrial Project category in the 2022 iTnews Benchmark Awards. We are now expanding the IoT sensors into our modelled reticulation sewers to help prevent dry weather overflows. More than 25,000 IoT devices will be deployed by 2024.



Preventing overflows in wet and dry weather

We are committed to improving on our prevention of and response to environmental incidents, and our Environment Improvement Program is an important part of that commitment. The program aims to reduce and, where possible, prevent overflow incidents in wet and dry weather, both of which can seriously challenge our networks.

In response to dry weather overflows, we accelerated a number of key activities including:

- Inspection of nearly 22,000 maintenance holes in 10 priority systems, across 114 Sewer Catchment Asset Management Plans
- Root detection and removal across more than 900km of wastewater pipelines, up four-fold from previous years
- CCTV inspections of approximately 645 km of wastewater pipelines
- We've implemented 11 digital initiatives recommended by an independent auditor, and all 37 recommendations are on track for completion by December 2022
- Ongoing installation of IoT sensors
- A successful trial of artificial intelligence to expedite the analysis and improve the quality of CCTV inspections was completed and will lead to full implementation in 2022-23. This technology will enable us to identify faults more effectively in our pipework, reducing asset failures and environmental incidents.

Data is key to reducing wet weather overflows and during the year we enhanced a number of our systems by further leveraging our geographic information system (GIS) platform.

The spatial prioritisation tool is a data-driven approach to reducing wet weather overflows. The tool allows users to adopt and use the best available data to assess:

- Continuously improving potential responses and outcomes as new data becomes available
- Potential risks to the environment in which the overflow could occur
- Emergency relief
- Flow paths and the extent of potential impact from an overflow point
- Cumulative impacts.

Waterway Health improvement project

Over the year, we have naturalised even more of our concrete open-stormwater channels as they came up for renewal, replacing sloping sandstone blockwork and boulders, interspersed with native vegetation. The work enhances biodiversity and improves community connection, while protecting from floods along the Cooks River in Canterbury and Powells Creek in Homebush.

This past year, we completed Johnstons Creek Naturalisation in Annandale, engaging with Council and community to design and deliver the work. The final result included saltmarshes, boardwalk, creek-side lookouts and intertidal rock pools with aquatic life and interpretive signage.

The project was awarded the best Place-based Collaboration at the 2021 Greater Sydney Planning Awards, and more recently won the 2021 Stormwater NSW Award in the Excellence in Asset Management category.

Innovative approach to partnership

17 PARTNERSHIPS FOR THE GOALS



Sydney Water's innovative and collaborative procurement and delivery model, Partnering for Success (P4S), has garnered industry recognition for its transformative approach to the way we work with suppliers to plan and deliver projects.

Just over two years ago, we partnered with three regional delivery consortia to service our north, south and west regions. We appointed Arup and Aurecon as long-term integrated planning partners. The Sydney Water Planning Partnership, the largest in Australia and an industry first, was recognised by Infrastructure Partnerships Australia for excellence in the delivery of infrastructure through an innovative public-private partnership.

P4S has delivered significant achievements:

- Our project pipeline reached \$1 billion in just 19 months, doubling our run rate
- We awarded more than 400 projects, started construction on 96 projects and delivered over 210,000 maintenance work orders from July 2020 to June 2022
- We prequalified 600 suppliers as part of Shared Purchasing, with 400 contracts awarded
- We became the first Australian major infrastructure company to implement the New Engineering Contract (NEC4) contracting framework
- As a member of Supply Nation, which verifies Indigenous ownership of businesses on its database, we now work with 10 First Nations-owned businesses
- We reduced our P4S Total Recordable Injury Frequency Rate (TRIFR) to 5.13 over the year from 7.3 a year earlier.



Contributing to a better world

Sydney Water is a signatory to the United Nations Global Compact. We have pledged to embody its principles in the areas of human rights, labour, the environment and anti-corruption within our strategies, policies and operations. The projects we undertake also advance the broader UN Sustainable Development Goals.

The Ten Principles of the UN Global Compact provide a common ethical and practical framework for achieving corporate responsibility as a business, including:

- Human rights: We continue to assist customers experiencing financial difficulties. We protect personal information and privacy and ensure our staff are part of a positive, ethical, inclusive and contemporary experience.
- Labour: We support the objectives of the Modern Slavery Act 2018 (Cth), and we celebrate and continue to build diversity and inclusion within our workforce.
- Environment: We reduce adverse impacts on the environment by adopting circular economy principles, such as extracting methane from wastewater for conversion to gas or extracting other nutrients from wastewater for agribusiness use.
- Anti-corruption: We avoid all forms of corruption and proactively address corruption internally and within our supply chain.

Sydney Water continues to seek out best-practice sustainability measures and assess our progress in this area. This year, we have started the process of improving the quality and consistency of sustainability reporting by reviewing our practice against the standards of the Global Reporting Initiative, a universal standard of sustainability reporting.

We also took part in the UN Global Compact’s Early Adopter Programme to trial a new reporting system for their Communication on Progress to be launched in 2023.

Rigorous reporting helps us develop a better understanding of the sustainability of our business and practices, as well as our impact on future generations.

UN Sustainable Development Goals

As we work to contribute to a better world, the UN’s 17 Sustainable Development Goals (UNSDGs) represent aspirational, long-term targets. Sydney Water is helping achieve the UNSDGs. We have mapped our work against these goals, demonstrating our impact over the past year.

Each of the 17 UNSDGs is represented by an icon. Throughout our annual report, we use these icons to indicate how our projects and activities help sustainably manage our resources, respect humanity and improve our communities for this generation and those that follow.



Reconciliation Action Plan progress

10 REDUCED
INEQUALITIES



Sydney Water's Innovate Reconciliation Action Plan is a two-year plan which maps the actions we are taking to advance reconciliation and continue to build a workplace culture that values and celebrates the achievements and contributions of First Nations peoples.

Our reconciliation journey has delivered important initiatives over the past year, including:

- ✓ The development of an Aboriginal Procurement Participation Plan (APPP) which details our commitment to providing employment opportunities to increase skills and economic participation for Aboriginal and Torres Strait Islander communities and businesses.
- ✓ The launch of our First Nations traineeships, an opportunity for us to grow our First Nations talent pool by providing entry-level roles with on-the-job training. Trainees can work towards a nationally recognised qualification and learn new skills. The traineeships are part of our First Nations Employment Plan and complement our involvement with the CareerTracker intern placements, which focus on providing work experience for First Nations students completing their university studies.
- ✓ The launch of our First Nations Employee Network, an opportunity for First Nations people across the organisation to connect and help build a sense of community, as well as take part in a safe forum for discussing workplace challenges and opportunities.

Innovation on a global scale

As part of Sydney Water's inaugural Innovation Festival in October 2021, design sprints encouraged teams to develop ideas and actions to help realise visions in a range of key areas. One sprint – Amplifying the Voice of Aboriginal Peoples – focused on advancing our Reconciliation Action Plan.

The design sprint helped guide Sydney Water towards achieving its vision of including First Nation's best practice and knowledge into our projects and broader business. The sprint team was made up of key Sydney Water employees and subject matter experts from the water industry, as well as First Nations individuals and community representatives within our operating area. The team spent days working on a roadmap made up of five key initiatives, three of which have been or are being implemented at Sydney Water:

Procurement: a set of promotional activities and processes to increase the percentage of spend with Aboriginal businesses.

Engagement: the creation of an engagement plan that acknowledges cultural protocols and ethical guidelines, as well as plans for building strong partnerships with academic institutions and local communities.

Learning: a centralised educational web page for employees as well as an e-learning module to lift awareness of First Nations history, understanding of Caring for Country and more.

**Sydney Water
values and
celebrates the
achievements
and contributions
of First Nations
peoples.**



04

Measuring our success

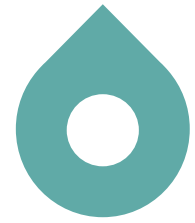






First choice of customers and partners

First choice of customers and partners



We deliver a world-class customer experience and collaborate with our communities, stakeholders and partners to deliver better outcomes

In the past two years our customers have experienced myriad challenges including COVID-19 lockdowns, cost-of-living pressures and multiple extreme rain events with floods affecting parts of Greater Sydney.

We offered support for households by providing customers additional time to make bill payments and access our Payment Assistance Scheme. We implemented 21 complaint handling initiatives including a staff e-learning module and a Voice of Customer survey to ensure we use customer feedback to continuously improve our services.

We have worked to improve our customers' experiences by:

- improving the accuracy and reach of our proactive notifications to customers impacted by service disruptions
- providing an inspection and remediation service to customers with non-compliant private sewer connections
- increasing the use of innovative technology that eliminates the need to disrupt supply of water to customers when we repair leaks and breaks
- improving the process for customers to access our Collapsed Private Sewer Program.

The Payment Assistance Scheme supported

2,600 households

across Greater Sydney with \$1.1 million in payment assistance provided to customers.



9,000+ customers

were given extra time to pay and over 40,000 were put on special arrangements.



According to Sydney Water's Brand Tracker, our customer-centric approach raised Sydney Water's reputation to equal first among utilities and other service organisations such as banks, government agencies, postal service and mobile network providers.

Sydney Water also remained first in trust for a second year, and second in customer satisfaction. Sydney Water also had the lowest level of dissatisfaction of any of the benchmarked organisations.

Our ongoing customer research program provides insights from our customers about our performance, and the quality of our products and services. The feedback is applied and used to monitor and improve our customers' experience.

Additionally, Sydney Water engages with our customer base through customer engagement programs to ensure that customers have a voice in our strategic planning and regulatory submissions. Through a variety of forums, focus groups and quantitative surveys, we gain further insight into our customers' needs, values and expectations.



In 2022-23, Sydney Water will conduct a multi-phased customer engagement program called, Our Water, Our Voice. The insights from this program will be applied throughout the organisation and used to inform Sydney Water's next operating licence and price review submissions.

Initially, engagement will focus on strategic plans and proposed investments. Subsequent phases will focus on areas with significant customer impacts and our long-term challenges such as maintaining a sustainable water supply into the future, caring for the environment and supporting vulnerable customers.

Business customers

Business customers consume approximately 25 percent of the water supplied across Greater Sydney. Industrial water use often produces trade waste released in large quantities into our network, where it's treated and returned to dams and rivers.

We work with business customers to increase the use of recycled water, particularly for industrial purposes to ease the pressure on our drinking water supply. We provide regular insights to our business customers through education programs and engagement initiatives.

Sydney Water signed a Memorandum of Understanding with the Restaurant & Catering Industry Association in February 2022 to help educate the industry on the importance of disposing of fats, oils and grease correctly to avoid blockages in our wastewater network. Sydney Water plays a critical role in managing trade waste discharge at source to protect assets, workers, the environment and the community.

To drive lasting change in the hospitality sector, Sydney Water developed an awards program in conjunction with the Restaurant and Catering Industry Association that recognises sustainable practices.

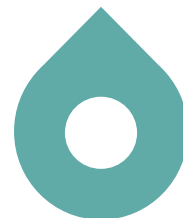
Sydney Water supports commercial customers to start small to medium-sized businesses or vary their existing operations. We also engage with our larger business customers on their unique needs.

Developer customers

Sydney Water has a focus on population growth and rebuilding the economy post Covid-19 and we understand the macro-environmental factors influencing the delivery of critical infrastructure. Sydney Water is working with industry and government to mitigate challenges.

COVID-19, extreme weather events, global supply chain shortages and significant increases to the cost of labour and materials have placed unprecedented pressure on the delivery of critical infrastructure to support development. While these issues have impacted some delivery timelines, we continue to work with developers and industry stakeholders to mitigate risks and find innovative ways to fast track delivery where possible. This includes:

- regular information forums
- regular newsletters
- ongoing Investment in digital transformation of our developer services
- industry engagement through our membership on peak bodies, including participating on committees and other activities
- regular surveys of developers to gauge their experience, learn from their feedback and improve our product and service offerings.



Ensuring our operations are free from modern slavery

8 DECENT WORK AND ECONOMIC GROWTH



Sydney Water supports the objectives of the *Modern Slavery Act 2018* (Cth) which closely aligns with our corporate values. We are strongly committed to ensuring that our operations and supply chain are free from modern-day slavery practices; that as a business we do not profit from exploitation of others; and the products and services we deliver to our customers are ethically sourced. Our latest Modern Slavery Statement can be found at www.sydneywater.com.au/content/dam/sydneywater/documents/modern-slavery-statement.pdf

We have undertaken the following activities this year in relation to modern slavery:

RAISING AWARENESS OF MODERN SLAVERY INTERNALLY

- To mark International Day for the Abolition of Slavery, a company-wide communication was sent out to all employees to emphasise the seriousness of slavery and our commitment to addressing any potential instances of modern slavery in our operations and supply chains.
- We have also put modern slavery as one of the topics in our internal communication site to remind everyone that an important step in stopping modern slavery is to increase knowledge about the practice, to require all our people to be educated and aware of modern slavery legislation, the implications of modern slavery and how we can avoid inadvertently taking part in the exploitation of others.

LAUNCHING MODERN SLAVERY eLEARNING MODULE TO ALL EMPLOYEES

- We launched a modern slavery eLearning module to all employees so everybody could learn about what modern slavery is and the extent of modern slavery today, as well as physical and behavioural signs that suggest a person might be a victim of modern slavery. In addition, the module explains what is meant by supply chains, the factors that can cause modern slavery in supply chains, modern slavery legislation and what that legislation sets out to achieve.

RAISING AWARENESS OF MODERN SLAVERY EXTERNALLY

- Our open tenders posted in various external websites including the NSW Government eTendering, Supply Nation and Sydney Water external sites now include our commitment towards ensuring that no one is exploited in the provision of goods and services to or on behalf of Sydney Water, that we want to eliminate the risk of modern slavery in our supply chain, and we want to do business with people who share our values.



We are strongly committed to ensuring that our operations and supply chain are free from modern-day slavery practices

INTEGRATING MODERN SLAVERY RISK ASSESSMENT IN OUR TENDERING PROCESS

- We have incorporated modern slavery questionnaires in our official tender document that we issue to all suppliers interested in our sourcing activities. The purpose of the questionnaires is to find out any potential modern slavery risks within suppliers' operations and supply chains at the early stage of engagement, including any risk of offshore operations, risk of products and/or services sourced from countries other than Australia, any plans or actions to further mitigate modern slavery risks, how the supplier tracks the effectiveness of actions taken to address modern slavery risks and suppliers' commitment to work with Sydney Water to address modern slavery risks.

SUPPLIER PREQUALIFICATION PROCESS ENHANCEMENT

- We have simplified and streamlined the process and updated the sections related to modern slavery by focusing more on any approved policies, procedures and relevant local and international laws that outline suppliers' approach to mitigate and report on modern slavery in their operations and supply chain as well as requiring them to provide evidence.



Customer feedback drives new Digital Customer Platform

Our customers told us they wanted a smoother, more intuitive and user-friendly online experience, and we listened.

Sydney Water's new Digital Customer Platform was rolled out in three phases with the objectives of making it faster and easier for customers to find information on our website so they can manage their accounts quickly, easily and smoothly, and make more informed choices about how they use our products and services.

Throughout all three phases, we incorporated customer feedback, research and user testing, which informed the design and delivery of the new platform and continues to inform improvements.

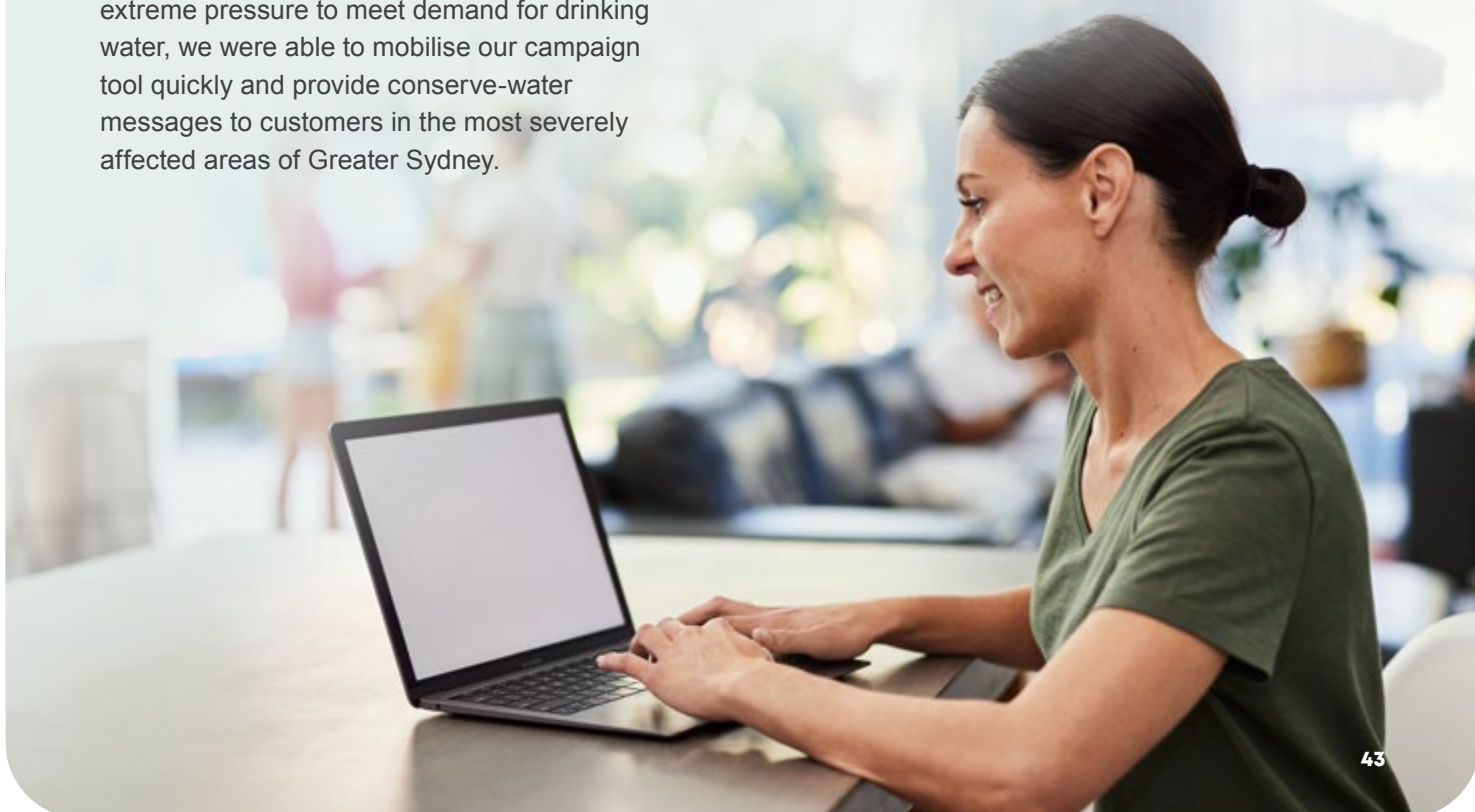
The platform includes our new website and a new campaign and marketing automation platform which enables us to personalise customer communications. In addition, we can run targeted campaigns to support important topics such as water conservation and water quality.

This tool proved invaluable during the severe flooding in March and April. With the heavy rain and floods placing our treatment plants under extreme pressure to meet demand for drinking water, we were able to mobilise our campaign tool quickly and provide conserve-water messages to customers in the most severely affected areas of Greater Sydney.

Later this calendar year, we will launch *My Account*, a new self-service portal offering customers the ability to securely manage their Sydney Water account quickly and easily in one place to:

- check their account balance
- see their billing and payment history for up to three years
- manage direct debit
- request a payment extension
- set up payment reminders and service alerts
- set up paperless billing
- change their mailing address.

Importantly, the Digital Customer Platform has been designed to enable ongoing enhancements to ensure continuous improvement of our online channels and customer service.





One Stop One Story

Sydney Water is proud to partner with Thriving Communities and their One Stop One Story (OSOS) Hub Pilot Program.

The OSOS Hub enables frontline workers in corporate and community organisations to connect and refer their clients to a range of support through a single access point.

This process aims to ease the burden for people experiencing vulnerability by helping them to connect and access the wide range of support services and programs available.

This also means Sydney Water can offer our customer programs, such as WaterFix and PlumbAssist, to the people who need it most.

Qualified WaterFix plumbers check homes for leaking taps and fittings to help customers save water and money. Our PlumbAssist service is set up to assist those who need essential plumbing repairs and are experiencing financial difficulty.

Customer satisfaction



Overall rating

We asked almost 13,000 customers in 2021-22 to rate their overall satisfaction with Sydney Water's service. Overall, 53 percent of customers were highly satisfied (rated 8–10 out of 10), up from 51 percent in 2020-21. Passive responses (customers rating 5–7 out of 10 or who answered 'don't know') stood at 43 percent (down from 45 percent in 2020-2021), while negative responses (those who rated 0–4 out of 10) dropped to a low of 3 percent (down from 4 percent in 2020-21).

The first quarter saw a big customer satisfaction spike at 56 percent. Satisfaction went back to previous levels in the second quarter, with 53 percent of customers rating the metric highly. It was stable into the third quarter and fourth quarter at 52 percent. These high satisfaction scores reflect our ongoing commitment to engaging with customers and maintaining the quality services they demand.

Tap water rating

On average, 68 percent of customers are strongly satisfied with the quality of Sydney Water tap water (rating 8–10 out of 10) in 2021-22. The performance of our operational teams in delivering a top-quality product is supported by our customer and community engagement activities. These include being the Hydration Partner for Cricket NSW and our permanent and portable water station programs.



Complaint handling

Sydney Water's Operating Licence defines a complaint as 'an expression of dissatisfaction made to or about Sydney Water related to its actions, products, services, staff or the complaints-handling process, where a response or resolution is explicitly or implicitly expected or legally required'. In 2021-22, we resolved 5,829 complaints that were Sydney Water's responsibility.

Complaints made up less than 0.6 per cent of the more than 946,000 customer contacts we received via phone, email, fax, mail and online, excluding self-service contacts.

If a customer is dissatisfied with the actions taken to resolve a complaint, they may contact the Energy & Water Ombudsman of NSW (EWON) at ewon.com.au and ask for an independent review of the complaint.

In 2021-22, EWON received 469 Sydney Water enquiries or complaints⁷. This equates to 2.2 matters per 10,000 customers, aligning with other water utilities overseen by EWON.

We continually monitor and assess our complaint data to identify process improvements.

7 EWON's report to Sydney Water for 2021-22.

TABLE 2: CUSTOMER SATISFACTION INDICATORS, 2017-18 TO 2021-22

	2017-18	2018-19	2019-20	2020-21	2021-22
Average customer rating of overall service quality ⁸	8.0	7.9	7.8	n/a	n/a
Average customer satisfaction rating (Positives 8-10) ⁹	n/a	n/a	n/a	51%	53%
Average customer rating of overall quality of drinking water ⁸	7.7	7.8	7.9	n/a	8.0 ¹⁰
Average customer satisfaction with tap water quality (strong satisfaction 8-10) ¹¹	71%	75%	70%	69%	68%
Total number of complaints (including EWON)	5,308	5,952	5,733	5,382	6,298

8 Results between 2017-18 to 2019-20 are from the Customer Experience Monitor which was decommissioned on 1 July 2020.

9 From 1 July 2020, the Customer Satisfaction metric is measured in the Brand Tracker (previously, overall service quality was measured in the Customer Experience Monitor). The question wording has changed to align with the new CX Measurement framework, meaning that historical comparisons are not available prior to 1 July 2020.

10 The 2021-22 average customer rating of overall quality of drinking water is from the Community Sentiment Monitor.

11 From 1 July 2020, the previously reported drinking water rating has been replaced with the tap water quality rating from the Community Sentiment Monitor, as the Customer Experience Monitor has been decommissioned. The question wording differs between studies meaning that comparisons between the two metrics are not possible.

Customer Contract

Our Customer Contract explains how we manage customers' access to water, wastewater and stormwater services. It outlines our obligations to customers, including:

- ✓ which services we maintain
- ✓ how we help customers experiencing hardship
- ✓ how and when we charge customers for services
- ✓ when we restrict, disconnect and restore services
- ✓ how we respond to customer enquiries and complaints.

Social programs

1 NO POVERTY



6 CLEAN WATER AND SANITATION



Financial support scheme

We support customers experiencing payment difficulties by offering specialised programs to ensure equal access to essential water and wastewater services. We assess each case individually. If a customer is not eligible for financial relief, we refer them to external support options that can help. We also run a Community Outreach program to ensure customers are aware of our hardship programs to help customers overcome barriers to accepting assistance.

We continue to assist customers whose debt is increasing with advice on the various support options available at Sydney Water. In 2021-22, we provided over \$1.1 million in assistance to customers via the Payment Assistance Scheme (PAS). We also assisted customers via:

PAYMENT ARRANGEMENTS

We provide flexible payment plans to customers facing financial difficulties. We can defer payments for a short time and arrange smaller, regular payments using the customer's preferred payment method.

BILLASSIST®

Our qualified professional case coordinators provide personalised support and advice to customers in financial hardship. We also refer customers to other external specialist services that apply PAS credits to customers' accounts.

PAS helps customers who are having difficulty paying their water bill. After completing a hardship assessment, community welfare agencies or Customer Care Case Coordinators can approve PAS credits directly to the customer's Sydney Water account. This service is available to customers who own and occupy their home, and to private tenants who are responsible for paying for their water use. Customers must agree to a payment plan if they have already received PAS credits in the previous 12 months.

PLUMBASSIST®

This program is a subsidised service that provides emergency and essential plumbing repairs and maintenance to eligible customers experiencing financial hardship. The program aims to ensure that customers have access to basic services such as water, hot water and drainage, and have efficient and sustainable consumption achieved through the installation of efficient devices and minor and concealed leak repairs.

By providing this service, Sydney Water aims to prevent further financial hardship by reducing a customer's water use and related costs, while ensuring they have access to essential services. Customers who participate in this service also receive support and case management from the Customer Care team.

For more information on our financial assistance programs, visit sydneywater.com.au/helpwithyourbill

Community outreach

We work with community welfare agencies to increase awareness of our payment assistance options and concession entitlements. We visit public schools, attend community events and interagency meetings, and hold information sessions with culturally and linguistically diverse customers, seniors and mental health community groups.

In 2021-22, Sydney Water trained various community welfare agencies on our PAS. We had over 300 referrals from agencies that resulted in payment assistance to customers.

Pensioner concessions

The NSW Government funds concessions to eligible recipients to help ensure all customers have adequate access to water, wastewater and stormwater services.

Concessions were provided to customers who hold a Pensioner Concession Card or Department of Veterans' Affairs Gold Card as well as recipients of a DVA intermediate rate pension. In 2021-22, the concessions were:

- 100 per cent of the water service charge
- 86 per cent of the wastewater service charge
- 50 per cent of the stormwater service charge.

Exempt Properties Scheme

The *Sydney Water Act 1994* (NSW) states that certain types of properties are exempt from paying service charges. We give exemptions following an application and on-site inspection. Land owned and used by not-for-profit community service organisations is generally exempt.

We granted service charge exemptions totalling \$14.8 million this year.



Blue Mountains Septic Pump-out Scheme

At the direction of the NSW Government, we continued the Blue Mountains Septic Pump-out Scheme subsidy at a cost of \$83,917 in 2021-22.

TABLE 3: SOCIAL PROGRAM EXPENDITURE, 2017-18 TO 2021-22

Social programs*	2017-18 (\$m)	2018-19 (\$m)	2019-20 (\$m)	2020-21 (\$m)	2021-22 (\$m)
Pensioner concession	125.0	124.2	129.8	112.2	111.6
Exempt Properties Scheme	17.7	17.2	19.0	13.7	14.8
Payment Assistance Scheme	1.1	1.2	1.2	1.2	1.7
Blue Mountains Septic Pump-out Scheme	0.1	0.1	0.1	0.1	0.1
Total	143.9	142.7	150.1	127.2	128.2

* Social Program expenditure includes costs to administer the schemes.

Multicultural policies and services program



Across our service area, 38 percent of people speak a language other than English at home and six percent speak little or no English. Within some local government areas, two-thirds of the community are culturally diverse. In one area, more than 23 percent of the population speak little or no English.

Through our research and interactions with culturally and linguistically diverse communities, we understand that preferences for engaging and communicating with us vary, and we factor this into planning and delivering our services. Different beliefs and backgrounds can also influence people's willingness to access financial support options, preferences regarding tap water for drinking and other water-related behaviours.

We seek to address this through our Community Outreach program and other community activities, as well as translating our information into different languages.

Our culturally diverse workplace not only promotes a constructive and inclusive culture, but also offers insights into culturally diverse communities to support greater customer and community outcomes. We have an internal translation network that enables employees to support our customer-contact team by acting as interpreters.

Details of our engagement with multicultural communities can be seen in Table 4.



We understand that preferences for engaging and communicating with us vary, and we factor this into planning and delivering our services.



TABLE 4: MULTICULTURAL INITIATIVES IN 2021-22

Focus	Activities
Service delivery	
Deliver mainstream services for everyone	<p>Multilingual communications are considered in all Sydney Water engagement and communication, particularly in areas with large culturally diverse (CALD) populations.</p> <p>Initiatives include:</p> <ul style="list-style-type: none"> • Customer access to our free phone-based interpreter service, which offers translation for more than 150 different languages. • Customer-contact employee access to our internal translation network. • Translated information and/or interpreters notify residents of planned and unplanned works in culturally diverse areas. • Multilingual brochures with information on bill payment, financial support, drinking water, wastewater, leak checking and saving water are regularly distributed at external events. • The new Sydney Water website has automatic language translation technology based on the customer's browser default language. • Multicultural support links on water bills and in our quarterly Waterwrap newsletter.
Target programs that fill gaps	<p>We regularly translate our marketing communications into Arabic, Simplified Chinese, Traditional Chinese, Vietnamese and Korean, and pitch them to multicultural radio, print, online and social media channels.</p> <p>Our water-wise campaign material is translated into our target languages to remind our culturally diverse communities to use water wisely.</p> <p>The Waterfix Residential page of our website provides easy access to key information across our primary languages to maximise the number of customers able to access the service and save water.</p>
Develop awareness among people from culturally diverse backgrounds of services, programs and functions funded by the NSW Government	<p>Our Outreach Program partners with more than 130 community organisations to assist customers who are having difficulty paying their water bill, including people from CALD backgrounds, who might be reluctant to ask for help or may not know who to ask.</p> <p>Over the past 12 months, Sydney Water has participated in many virtual information sessions to build on community networks and relationships with services and their communities. We have targeted various CALD communities in partnership with the Energy and Water Ombudsman of NSW (EWON) and other community agencies to raise awareness of Sydney Water's Payment Assistance Program (PAS), education on water efficiency and payment options.</p> <p>In July 2021, we attended the Bill Assist Support Days in Bankstown with the Multicultural Network, EWON, Service NSW, Legal Aid and Centrelink.</p>



TABLE 4: MULTICULTURAL INITIATIVES IN 2021-22

Focus	Activities
Service delivery	
<p>Develop awareness among people from culturally diverse backgrounds of services, programs and functions funded by the NSW Government</p>	<p>As part of this Outreach Program, we offered PAS training and held information sessions for:</p> <ul style="list-style-type: none"> • Anti-poverty OnlineForum with The Multicultural Network in Bankstown • Care and Community Choices • Navitas English and Department of Communities and Justice • Blacktown Multicultural Interagency • Canterbury-Bankstown Multicultural Interagency • Service NSW • Muslim Care • Sutherland Shire Multicultural Network Interagency • Multicultural Services Network – Community Migrant Resource Centre • MetroAssist – Bring Your Bill Day Bankstown • MetroAssist – Bangladesh Women’s Group
Planning	
<p>Plan for strong service delivery</p>	<p>We continually update our understanding of CALD communities within our service area. We use census data and consult CALD agencies to inform our strategies and plans for communication and engagement activities.</p> <p>Sydney Water has a Community Advisory Committee with representatives from the Ethnic Communities’ Council of NSW, Multicultural NSW and the Illawarra Local Aboriginal Land Council, all of which represent CALD communities. We regularly engage with Community Advisory Committee members for feedback on how our planning and operations affect the interests of our culturally diverse customers.</p> <p>Sydney Water is also a member of the Thriving Communities Partnership, which hosts webinars on ‘Navigating COVID Together’, ‘Embedding the Good’, ‘Change favours the brave’ and other CALD community issues.</p>
<p>Use evidence-driven planning</p>	<p>We ensure we have proportionate representation of both CALD and First Nations peoples in our customer research and engagement activities. In 2021-22, these included:</p> <ul style="list-style-type: none"> • using customer research in our customer engagement programs • tracking and reporting marketing campaign performance • using customer research in our many ongoing trackers, such as the Brand Tracker, Community Sentiment Monitor, Stakeholder Perceptions Survey, Water Literacy Tracker and Service Faults Tracker. <p>For larger projects, we hold multilingual focus groups in our key languages. We also complete social impact assessments for major projects including the proposed Upper South Creek Advanced Water Recycling Centre and planned a comprehensive CALD engagement in partnership with the Ethnic Communities’ Council of NSW. The program includes in-language sessions with key influencers in the Vietnamese, Arabic and Mandarin-speaking communities.</p>

TABLE 4: MULTICULTURAL INITIATIVES IN 2021-22

Focus	Activities
Leadership	
Demonstrate leadership in culturally inclusive practices	<p>Our employees celebrate diversity through internal events such as Lunar New Year, International Women’s Day, NAIDOC Week, Sorry Day, National Reconciliation Week, Wear it Purple Day, Diwali and other culturally significant diversity days and events.</p> <p>We continue to educate our leaders on inclusive leadership practices, with more than 100 leaders completing the program this year and more than 420 leaders on the development journey in recent years.</p>
Increase recognition of the value of cultural diversity	<p>To improve the cultural awareness of our employees and ensure our work environment is one where First Nations people feel welcomed, a self-paced cultural awareness training module was developed specifically for Sydney Water by Aboriginal-owned Pindara Training.</p> <p>For 2022-23, we are in the process of implementing employee development options that will help drive conversations around inclusion.</p>
Engagement	
Collaborate with diverse communities	<p>In September 2021, we partnered with EWON and Care and Community Choices to present information on support options available to the Women’s Shed CALD group.</p> <p>We participated in the Anti-poverty Forum in October supported by Bankstown Multicultural Network, Blacktown, Bankstown, Canterbury St George and Sutherland Multicultural Network Interagency Meetings and sessions with Muslim Care. These meetings help us better understand our community and increase awareness of our services and support options.</p> <p>Our Customer Care video promotes services to newly arrived migrants and is available in Arabic, Thai, Bengali, Nepali, Traditional and Simplified Chinese.</p>
Understand the needs of people from diverse backgrounds	<p>We’ve installed permanent water refill stations through local council partnerships. The stations feature bilingual messaging in highly culturally diverse areas, and 3.2 million people drank 2.75 million litres of water from these stations over the year.</p> <p>As the main Hydration Partner for Cricket NSW, we also engage with CALD communities through their love of cricket.</p> <p>Research showed that only 16% of CALD audiences recalled seeing the English version of our campaigns, so we’ve focused on adapting and modifying our mainstream campaigns to CALD audiences. We’ve done this through digital video and display, social media, social influencers, print and television (Arabic audience) as well as radio and public relations.</p> <p>In parallel with our ‘Unflushables’ wastewater campaign, we rolled out a customised marketing campaign in June 2022 to CALD audiences in Mandarin, Cantonese, Vietnamese and Arabic, resulting in more than 345,000 views across CALD social media channels.</p>

Sponsorships and grants

6 CLEAN WATER
AND SANITATION



Cricket NSW

As official Hydration Partner for Cricket NSW since 2015, we have positioned drinking water as the sustainable, affordable, and high-quality drink of choice, disrupting the belief that bottled water or sports drinks are 'cooler' or 'trendier'. We have been encouraging cricket enthusiasts from grassroots to elite to ditch the plastic and choose tap water.

The partnership has once again proven to be a cost-effective way to promote drinking water through community and match activations and digital channels, delivering more than \$1 million in paid media exposure and reaching a cumulative audience of 18.2 million people. This increased brand advocacy, with Sydney Water being ranked by fans as the top partner at all venues, with 96 percent of respondents surveyed saying they recalled Sydney Water as the brand that ran the campaign.



Water stations

At Sydney Water, we continue to do our bit to help protect our waterways and the environment from plastic bottle waste. We removed one million plastic bottles from our waterways through our gross pollutant traps. Every refill at one of our water stations is one less plastic bottle purchased and reduces the risk of bottles ending up in our waterways and on our beaches.

We have partnered with 24 councils across Greater Sydney, the Blue Mountains and Illawarra region to supply 160 water stations with messaging that encouraged people to drink tap water when out and about. We translated the messaging into 11 languages for councils with diverse residents, including Chinese, Korean, Arabic, Vietnamese, Dhari, Hindi, Khmer, Assyrian, Nepali, Japanese and Filipino.

In 2021-22, water usage readings for these water stations recorded consumption of more than one million litres. With more than 5.6 million litres of drinking water supplied over the past three years, these community-based water stations have helped our customers save the equivalent of about \$19 million dollars on single-use plastics and avoided more than 119,000 kilograms of plastic waste potentially ending up in landfill or waterways. It is a true win-win for our customers and the environment.

We also have a fleet of 50 portable water stations we loan out to councils and community events throughout the year and have supported more than 500 events to date. The program is well and truly back up and running after previous COVID-related shutdowns and event cancellations.

Community grants

In 2021-22, Sydney Water provided six grants of \$10,000 each. Grants were awarded to community organisations; AUSMAP, We Are the Mainstream (WATM), The Royal Botanic Garden and Domain Trust – Sydney, Good for the Hood, Western Sydney University (WSU), and the University of New South Wales (UNSW) with each organisation developing projects designed to increase water literacy in local communities.

Community Grants for “Healthy Waterways” of up to \$10,000 were offered in 2022, to be implemented in 2022-23.

Fundraising and donations

Sydney Water values its employees and looks to empower them through supportive programs. We offer employee initiatives to bring this value to life by supporting our people to give their time, money or expertise to causes they are passionate about.

Our initiatives include dollar-matching payroll donations, charity fundraising and volunteering. Our payroll giving program allows staff to support charities important to them. Sydney Water continued to offer dollar matching in 2021-22 with employees giving \$137,017 to 143 different charities supported by our employees. Sydney Water provided \$110,307 in dollar matching contributions, contributing a combined \$247,324.

TABLE 5: FUNDS GRANTED BY SYDNEY WATER IN 2021-22

Program	Organisation	Project	Amount (\$)
Community sponsorships	Cricket NSW	Official hydration sponsor	232,500 ¹²
	Head Above Water	Naming Rights Sponsor	
	Restaurant Catering Association	Silver Sponsor	
	WaterAid Australia	Gold sponsor	
Community Grants	AUSMAP	Support for local activities or services provided to increase water literacy in the community.	60,000
	We Are the Mainstream (WATM)		
	The Royal Botanic Garden and Domain Trust – Sydney		
	Good for the Hood		
	Western Sydney University (WSU)		
	The University of New South Wales (UNSW)		
Donations	Payroll donations	Dollar matching employee donations (143 charities supported)	110,307

Volunteering

We love connecting with customers through our partnerships and community events. It is a fun and meaningful way for our people to engage with the community and demonstrate our values. In 2021-22, our staff volunteered a number of shifts at the Sydney Royal Easter Show activation event. They engaged in Environment Week, participating in tours and events to learn more about environmental care and volunteering through Shelley Beach and Duck Creek clean-up events.

12 Sponsorship contracts contain commercial information. We follow standard business practice to keep details commercial-in-confidence.

Customer communications and promotions

In 2021-22, we produced around 318 reports, newsletters, brochures, fact sheets and other communications collateral to help inform and educate our customers, community and stakeholders. Most of these publications were delivered digitally.

Topics included the quality of our drinking water, recycled water initiatives, wastewater and stormwater services and water-saving initiatives. They included publications tailored for our CALD communities across our catchment.

Digital experience

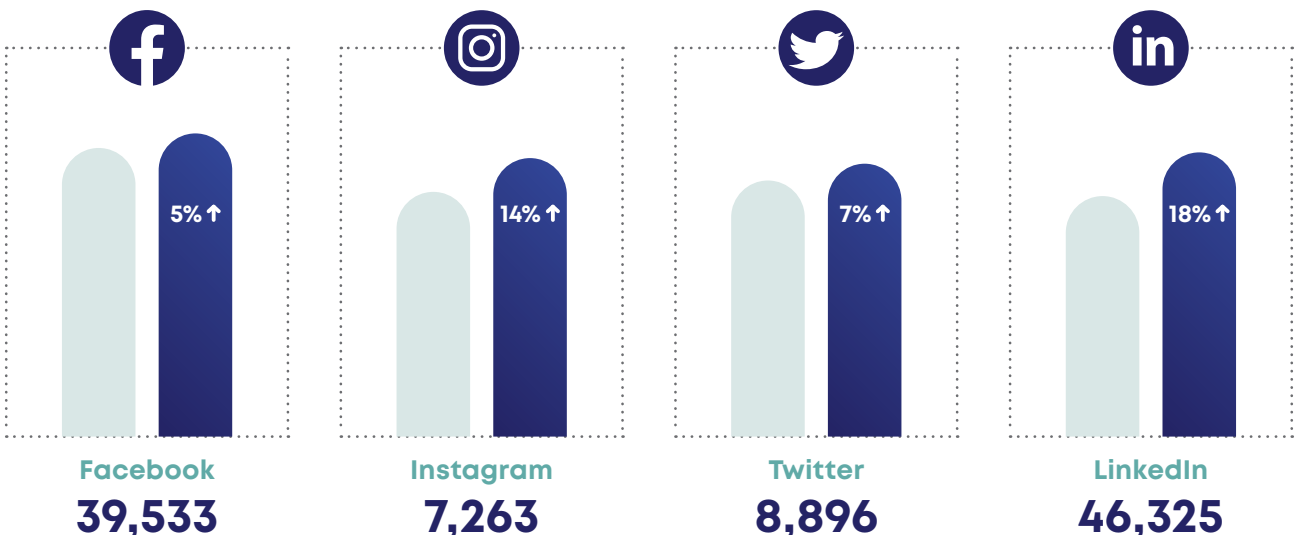
In 2021-22, sydneywater.com.au continued to be a key source of information and a key location for educational and digital transactional experiences for our customers. Customers spent about two minutes per page view on the website. Desktop access to our site (58 per cent) surpassed mobile (40 per cent) and tablet (2 per cent). This may be explained by a greater amount of time spent at home during the past year due to COVID-19.

We migrated our website to Adobe Experience Cloud, a new content management system that empowers us with a data-driven content distribution, personalisation and optimisation platform for our customers. Whilst this will help us better engage our customers, with the upcoming addition of the new self-service portal our website will offer a lot more value to our customers.

Social media

Our social media presence across Facebook, LinkedIn, Instagram, and Twitter maintained its strong increase in 2021-22 with stronger engagement rates across all platforms.

In 2021-22, our social media messages created 30,844,239 impressions, with an engagement rate of 6 percent (average industry engagement rate is about 2 percent). We added 10,451 new followers across all channels, increasing our total follower count for 2021-22 to 102,017.



Privacy principles



We're committed to protecting the personal information of our customers, business partners and employees, and the public. We treat personal information according to the applicable provisions of the *Privacy and Personal Information Protection Act 1998* (NSW) and the *Health Records and Information Privacy Act 2002* (NSW) as stated in clause 13.3 of our Customer Contract.

As outlined in our Privacy Policy, Sydney Water will:

- only collect relevant personal information for lawful purposes, directly related to our activities
- protect personal information from misuse and unauthorised access
- only use personal information in certain circumstances, and:
 - take reasonable steps to check the accuracy of personal information before using it
 - only use personal information for the purposes for which it was collected, which means we never give personal information to other organisations for marketing purposes
- ensure employees who deal with personal information are aware of their obligations to protect privacy
- never disclose information that we expect customers, or their representatives, to know
- only disclose personal information to third parties if:
 - authorised or required to by law
 - we have verbal or written authority
 - we can reasonably assume, in the circumstances, that the person would consent
 - there is a danger of injury or loss of life
 - our contractors need the information for essential activities
- allow people to access and amend their personal information if incorrect.

In 2021-22, we:

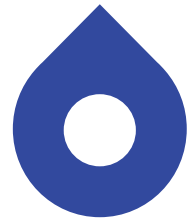
- opened 252 privacy matters, of which:
 - 217 were general privacy enquiries, five of which were raised by external parties
 - 11 were investigated using NSW Privacy Commissioner protocols
 - 15 were reviewed for privacy impacts
 - nine activities were undertaken by the Privacy team to review and improve policies, procedures and practices
 - 197 were closed (along with 32 from previous years)
- conducted a review of our internal processes and practices to improve how we perform privacy impact assessments. We communicated these changes and published documentation to our intranet
- commenced a gap assessment against the NSW Government's proposed changes to privacy laws
- promoted Privacy Awareness Week and hosted an event for NSW Government agencies
- presented to work groups to promote better understanding of privacy
- participated in and hosted NSW Right to Information and Privacy Practitioner's Network events.





High-performance culture

High-performance culture



WE MAKE A POSITIVE IMPACT:

Achieving together, we are customer-centric, innovative and ethical

For a second year, COVID-19 has disrupted the lives of our people and the customers they serve.

Keeping our people and contractors safe is our highest priority. We are pleased to report an improvement in our Total Recordable Injury Frequency Rate (TRIFR) over the year to 5.4, down from 5.7 last year, and down from 6.4 in 2019-20. These figures demonstrate a continued downward trend. Just five years ago, the TRIFR was 23.

We continuously review our ways of working to ensure they align with the latest NSW Government recommendations around COVID-19 and its variants.

To enable flexible and hybrid working, we have introduced the Hub-Spoke-Remote model, to better enable our people to work effectively from their homes, our various work sites or their vehicles, as required. We have increased digital access across many of our sites, and improved technology to enhance the digital experience, regardless of where our people work.

We continue to encourage regular, on-site collaboration within and across teams.

To support the mental and physical health and wellbeing of our people, we have the My Wellbeing, My Way platform, which provides our people with:

- 24/7 online wellbeing resources
- confidential wellbeing insights through a Total Wellbeing Assessment which delivers targeted resources and recommendations
- digital clinical programs to support health and fitness goals
- access to savings on daily essentials and key life events
- 24/7 access to trusted, expert-led online audios, videos and articles on a variety of vital topics.



Creating a thriving and inclusive culture

5 GENDER EQUALITY



10 REDUCED INEQUALITIES



16 PEACE, JUSTICE AND STRONG INSTITUTIONS



New approaches and a culture of continuous improvement deliver new benefits for our people so we can do what we do best – serve our valued customers.

Ethics Framework

We innovated our ethics framework during the year to ensure it aligns with current best practice. Our comprehensive ethics review found there were no systemic issues. However, as a State-owned Corporation, we hold ourselves to the highest standards and seek to role model best practice in our decision-making and actions.

Building on already established Sydney Water values, we developed a new Ethics Framework, a broader approach with zero tolerance for fraud and corruption, embeds integrity into our organisational values and includes an ethics and integrity checklist.

Diversity and inclusion

We track our progress for each of our diversity focus areas through a quarterly Diversity Index. The index includes measures such as gender, gender pay gap, First Nations status, culturally and linguistically diverse backgrounds, people with disabilities and age.

Sydney Water's Diversity Index has reached 74.3 percent, up from 71.5 percent last year and an improvement on our target of 74 percent.

We refreshed our Careers website and supporting materials to reflect our commitment to diversity and inclusion. Leveraging our social media channels, we've developed a range of diverse employee profiles, raising awareness of Sydney Water as an inclusive employer.

Recognising the important role our recruiters play in supporting our diversity goals, we provided training to recruiters across a number of core areas to: proactively increase our recruitment of First Nations employees and procuring from First Nations suppliers; being confident in working with those with disabilities; and improve awareness of lesbian, gay, bisexual, transsexual, intersex, queer and ally, plus everyone else (LGBTIQA+) diversity.





Advancement of women

Sydney Water has also focused on gender equality and closing the gap in remuneration for men and women undertaking the same level of work. In addition to our focus on increasing female workforce participation:

- Rosie Batty former Australian of the Year and domestic violence awareness campaigner, and Jess Fox, Olympic champion and Sydney Water ambassador, were our guests at a panel on resilience and leadership, part of our International Women's Day 2022 activities.
- We joined the National Association of Women in Operations (NAWO), a visible sign of our commitment to gender diversity.
- We signed up to pilot a new NAWO program focused on leadership and embedding inclusive habits. The pilot will run in the second half of 2022 and empower leaders to be role models for an inclusive culture with a practical understanding of what to do to be inclusive.

People who live with disability

- As part of our commitment to improving our hiring and inclusion of people with a disability, we partnered with the Australian Network on Disability and ran a workshop on inclusive recruiting practices for our recruiting partners and team.

Pride Network

- Sydney Water joined the Welcome Here project, which supports businesses and services in creating environments that are welcoming and inclusive of LGBTIQ+ people.
- Our Pride Network's membership continued to grow, and, for the first time, Sydney Water had a stall at Mardi Gras Fair Day with staff volunteers promoting career opportunities.
- Sydney Water participated for the first time in the Australian Workplace Equality Index and related survey, the best-practice national benchmark of LGBTIQ+ workplace inclusion.

Neurodiversity

- We created a video of our people sharing their personal experiences and reflections to highlight the challenges and the myths surrounding neurodiversity.
- We held Neurodiversity Week for the first time with the aim of raising awareness around neurodiversity and the benefits and insights that our neurodiverse people bring to our organisation as well as the practical challenges our neurodiverse people face on a day-to-day basis.
- We've included a toolkit on promotion of neurodiversity in the workplace through our My Wellbeing, My Way program.

TABLE 6: TRENDS IN THE REPRESENTATION OF WORKFORCE DIVERSITY GROUPS¹³

Workforce diversity group	Benchmark ¹⁴ (%)	2017–18		2018–19		2019–20		2020–21		2021–22	
		No.	%	No.	%	No.	%	No.	%	No.	%
Women	50	847	33.2	943	35.3	978	35.0	1044	35.1	1079	34.9
Aboriginal and Torres Strait Islander peoples	3.3	22	0.9	25	0.9	24	0.9	26	0.9	32	1.0
People whose first language is not English	23.2	379	14.8	360	13.5	363	13.0	387	13.0	469	15.2
People with a disability	5.6	35	1.4	32	1.2	28	1.0	34	1.1	54	1.7
People with a disability requiring a work-related adjustment	N/A	8	0.3	5	0.2	4	0.1	5	0.2	12	0.4
Total employees		2,550		2,669		2,794		2,975		3091	

TABLE 7: TRENDS IN THE DISTRIBUTION OF WORKFORCE DIVERSITY GROUPS¹⁵ – DISTRIBUTION INDEX¹⁶

Workforce diversity group	Benchmark/target	2018	2019	2020	2021	2022
Women	100	99	97	98	99	97
Aboriginal and Torres Strait Islander peoples	100	86	92	92	92	86
People whose first language is not English	100	109	111	110	111	111
People with disability	100	98	100	101	110	104
People with disability requiring a work-related adjustment	100	N/A	N/A	N/A	N/A	N/A

¹³ Employee numbers at 30 June 2022.

¹⁴ NSW Public Service Commission benchmark.

¹⁵ The information was provided by the NSW Public Service Commission.

¹⁶ A distribution index of 100 indicates that the distribution of members of the workforce diversity group across salary bands is equivalent to that of the rest of the workforce. A score of less than 100 means that members of the workforce diversity group tend to be more concentrated at lower salary bands than is the case for other employees. The more pronounced this tendency is, the lower the score will be. In some cases, the index may be more than 100, indicating that members of the workplace diversity group tend to be more concentrated at higher salary bands than is the case for other employees. The distribution index is not calculated when the number of employees in the workforce diversity group is less than 20 or when the number of other employees is less than 20.

TABLE 8: WORKFORCE NUMBERS¹⁷, 2017-18 TO 2021-22

Human resources	2017-18	2018-19	2019-20	2020-21	2021-22
Full-time equivalent – permanent	2,172	2,217	2,400	2,571	2,747
Full-time equivalent – temporary	200	260	246	268	203
Full-time equivalent – part-time	94	95	113	100	102
Total	2,466	2,572	2,759	2,939	3,052
Other					
Agency employees	280	269	234	238	224
Redundancies	46	79	57	23	49
Appointments	288	427	405	388	470
Average turnover (%)	8.2	6.1	4.7	4.3	7.9
Unplanned absences (%)	7.7	7.5	6.3	5.6	6.5

¹⁷ Workforce numbers are calculated by apportioning the full-time equivalent (FTE) hours worked to the actual head count. Average turnover represents employee-initiated terminations per rolling 12 months, divided by the average employee head count for the same period. The unplanned absences figure is the total number of days of unplanned absences per rolling 12 months, divided by the total number of employees.

Workplace relations

We're working hard to ensure that our people continue to contribute to our transformation and are involved in reshaping Sydney Water for the future. As part of this effort, we're using an engagement model that focuses on building strong and trusting relationships with all employees.

In addition, we have enhanced our technology to support flexible and remote working arrangements, enabled by agile thinking and policy development.

A new Sydney Water Enterprise Agreement was endorsed by employees in August 2021 and later approved by the Fair Work Commission.



Safety and wellbeing

Through our Safety, Health and Wellbeing Team, Health and Safety Representatives and Wellbeing Champions, Sydney Water has continued to implement the *Better Safety Together* plan. We have remained agile in the face of ongoing external environmental uncertainty from floods, COVID-19, and setting up a dedicated COVID Response Team to monitor threats and potential impacts to operations and to ensure the safety and wellbeing of our people.

Despite the challenges, a sustained focus on improving safety, health and wellbeing has led to the following achievements:

- Sydney Water recorded the lowest ever Total Recordable Injury Frequency Rate (TRIFR) of 5.2 over the month of May 2022, as well as the lowest ever Lost Time Injury Frequency Rate (LTIFR) of 0.99. Over 2021-22, TRIFR improved to 5.4, down from 5.7 a year earlier, as shown in Figure 3.
- Completion of the High-Risk Reduction Program for Gas Strikes saw a 35 percent reduction in gas strikes in 2021-22 compared to 2020-21.
- We have a significant focus on reducing musculoskeletal injuries through the application of wearable sensor technology, supported through onsite physiotherapy, resulting in a 43 percent reduction in workers compensation claims relating to “muscular stress while lifting, carrying or putting down objects”.
- As part of our Wellbeing Program, our people have access to a Fitness Passport. This is a subsidy towards membership fees for over 700 health and fitness facilities including gyms and pools. A recent survey showed, 77 percent of those surveyed used their membership more than once per week.
- Since 2016-17, we have seen a year-on-year reduction in the number of recordable injuries, resulting in a 73 percent reduction in the annual total of recordable injuries.
- More than 660 employees participated in the Flu Vaccination Program, receiving their vaccine at either a Sydney Water location or at other authorised locations.
- We have noted significant improvements in the Psychosocial Safety Climate (PSC) from 40.8 in 2019 to 44.07 in 2021. This is a measure of the organisational climate characterised by prioritising employees’ psychological health. Scores 41 and over are deemed to have high PSC, with a prognosis that they perform well and have increased leader performance. This is also reflected in the employee survey results.
- Our employee survey showed our leadership continued to improve through demonstrating care for our people’s wellbeing and a commitment to safety, with favourable responses totalling 88 percent, up from 85 percent a year earlier.

We will continue to drive initiatives in our Better Safer Together plan to improve our safety performance and work towards our TRIFR target of 5.0 in 2022-23. In line with these efforts, we report the following ongoing improvement initiatives:

- Expansion of the wearable sensor technology use to continue to provide real-time, tailored feedback to workers to reduce musculoskeletal injuries, supported by prevention and education programs through onsite physiotherapists.
- Introduction of a health management program, including tailored guidance for high-risk employees regarding physical fitness, diet and proactive physiotherapy.
- Actions to address the improvement opportunities identified through the Water Services Association of Australia (WSAA) Safety Maturity Assessment and Mental Health Maturity Self-Assessment
- Ongoing promotion and increased utilisation of the wellbeing services available through the recently launched My Wellbeing My Way platform and mobile app
- A key focus on the continuous improvement of our critical control standards that align with the engagement and management of high-risk contractors
- The employee LTIFR improved from 2.2 in 2020-21 to 1.2, the second lowest LTIFR on record, with an LTIFR in May of 0.99 being the lowest ever on record, as shown in Figure 4. There were six lost time injuries (LTIs) reported for Sydney Water employees in 2021-22 compared to 11 in 2020-21.

FIGURE 3: TRIFR FOR EMPLOYEES AND CONTRACTORS, SIX YEARS TO 30 JUNE 2022

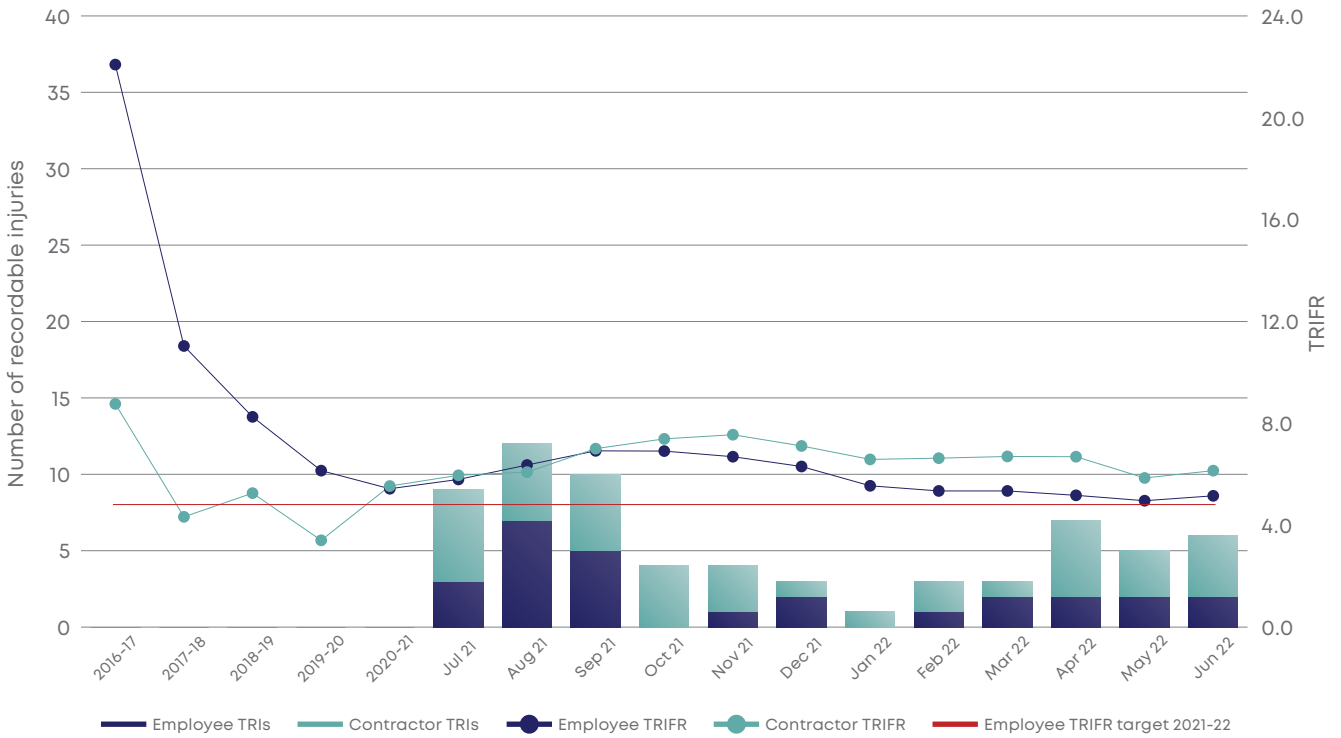
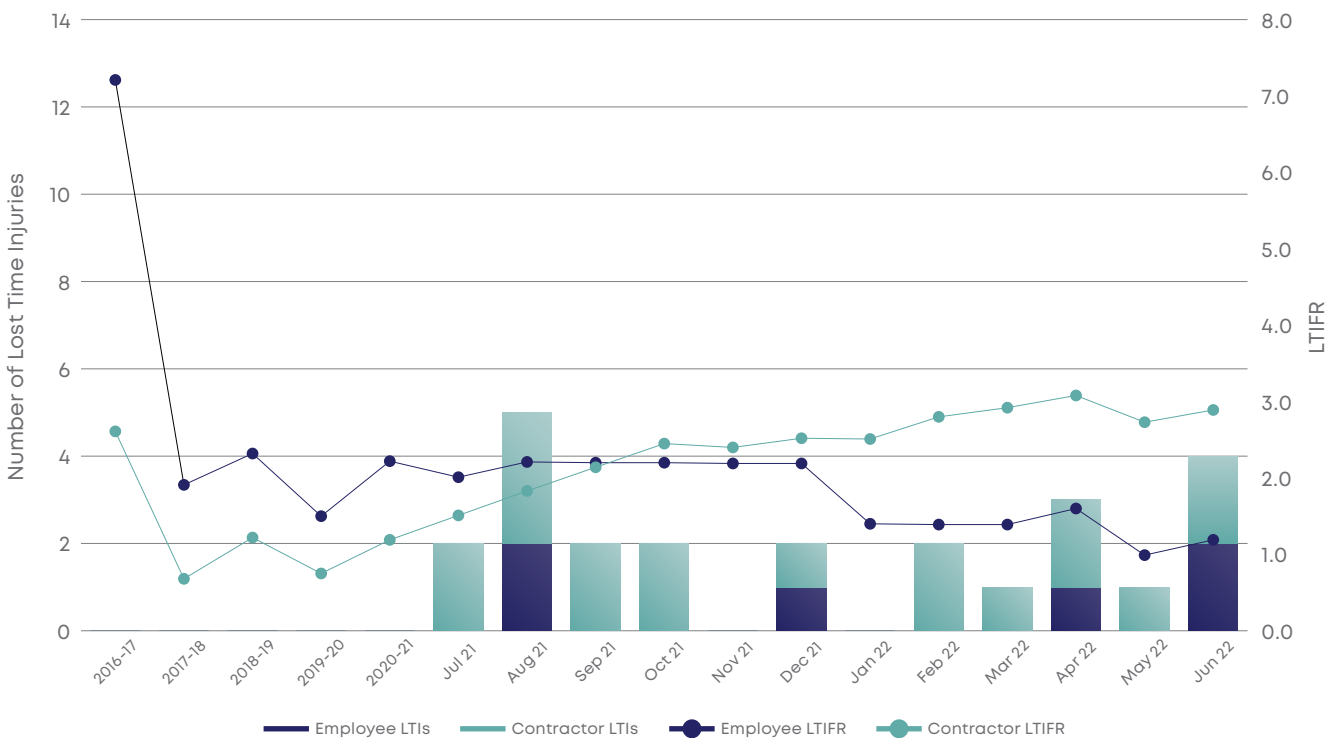


FIGURE 4: LTIFR FOR EMPLOYEES AND CONTRACTORS, SIX YEARS TO 30 JUNE 2022



Notes:

- TRIFR is the number of recordable injuries for each million hours worked. The total recordable injuries (TRI) include lost time injuries (LTI) and medical treatment injuries (MTI)
- LTIFR is the number of LTIs per million hours worked. An injury is an LTI if the person was away from work for one or more days or shifts
- The results reflect the most recent data at the time of reporting. Historical data has been updated to include any LTIs or MTIs notified since the previous reporting periods
- The results refer to hours performed by employees and contractors. We use the contractor hours reported to Sydney Water.



Thriving, liveable and sustainable cities



Thriving, liveable and sustainable cities



We deliver world-class products and services to our city and are champions for the environment, public health and resilience.

Sydney Water is investing now for the future of our customers and the communities in which they live. Over the next decade, we will invest a projected \$22 billion in our capital program, including \$9.2 billion over the next five years.

Our increased capital investment includes major projects to help secure a resilient, reliable water supply and deliver environmental outcomes consistent with increasing community and regulatory expectations. We are also investing to improve service standards ahead of new environmental requirements.

Greater Sydney's population is forecast to rise over the next decade by approximately one million people – with many expected to live in Western Sydney by 2026. Sydney Water will have invested around \$3 billion in infrastructure across the Western Parkland City to respond to our operating environment, enable development and deliver a better life for our customers with world-class water services.

Other investments include the Advanced Water Recycling Centre, which will service large-scale growth in the South West and Western Sydney Aerotropolis precincts.

Investment in the Prospect South and Macarthur water delivery systems will service new growth areas in Western Sydney, including the Liverpool LGA, the South West Growth Area and the Western Sydney Aerotropolis, including Cecil Hills, Cecil Park and Kemps Creek. Importantly, this project will supply 84,000 new dwellings and 62,000 new jobs.

The NSW Government appointed Sydney Water as the Trunk Drainage Authority for the Aerotropolis and the Mamre Road precinct. In this role, Sydney Water will be responsible for delivering, managing and maintaining the regional stormwater network, along with operating our drinking water, wastewater and recycled water networks.

Sydney Water is responsible for water-augmentation planning under the Greater Sydney Water Strategy. Our capital expenditure includes \$4.6 billion as we address this responsibility set out in the Greater Sydney Water Strategy.

Our vision of creating a better life with world-class water services aligns with the NSW Government's State Outcomes, and we are investing to maintain service standards and support the state's growth through the Greater Sydney Water Strategy.

Investing for the future includes Sydney Water's commitment to circular economy principles to ensure the cities and communities that comprise Greater Sydney are thriving, liveable and sustainable.

We are working towards developing a national and global benchmark for Australia's circular economy ecosystem in the heart of Western Sydney. The first of its scale in Australia which will deliver a \$1 trillion economic opportunity for our country.

We are also committed to circular economy principles as they align with our commitment to net zero carbon emissions. We have a target of net zero across our business by 2030, and across our supply chain by 2040. Circular economy principles will help us get there by managing water in a way that will restore and regenerate natural water systems, keep resources in use at their highest value, and economically manage waste and pollution.

Based on circular economy principles, Sydney Water is strengthening a sustainable, resilient approach to services, resource recovery and the regenerative processes at the heart of First Nations traditions.

Earlier this year, we unveiled a whitepaper – ***Unlocking the circular economy in the Western Parkland City*** – developed in partnership with NSW Circular and stakeholders from across many sectors, including government, industry, business, research and academia.

Advanced Water Recycling Centre to power \$10bn in jobs and investment

8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



11 SUSTAINABLE CITIES AND COMMUNITIES



The Upper South Creek Advanced Water Recycling Centre (AWRC) is one of our major projects in the Western Parkland City and our largest investment, \$1.1 billion, in water resilience in a decade. The Centre will use industry-leading water and resource-recycling technology and generate an estimated \$10 billion in social and economic benefits in Western Sydney through jobs and investment.

The AWRC's strategic location at Kemps Creek, a 10-minute drive from the Western Sydney International Airport, presents a unique opportunity to activate a broader circular economy ecosystem for the management of water, energy and other resources in this new city.

When the AWRC reaches capacity in 2036, it will treat up to 100 million litres of wastewater daily and produce recycled water suitable for a range of uses. Recycled water can be delivered from the AWRC or through on-site facilities to be used in cooling systems to chill buildings.

As the Western Parkland City grows, industrial activity will increase significantly. There is a real need to create the right conditions to grow circular supply chains quickly and at scale. The AWRC provides a rare opportunity to link together the industries and processes in a regional hub that could make the Western Parkland City a true circular city.



Preserving healthy waterways through integrated water-cycle management at Mamre Road

6 CLEAN WATER AND SANITATION



15 LIFE ON LAND



In an Australian first, Sydney Water has been appointed to integrate stormwater and recycled water supply across the Mamre Road precinct, part of a broader project to ensure circular economy principles overlay Western Sydney's greenfield potential.

The Western Parkland City, home of the Aerotropolis and its precincts surrounding the new Western Sydney International Airport, is an opportunity to implement new levels of sustainability, urban amenity and liveability offered by competitive cities worldwide. Sydney Water sees carefully designed blue infrastructure transforming the Western Parkland City, one of the hottest, driest parts of Sydney, into a cool, green, safe and ecologically sustainable city.

This transformation is key to the success of the Aerotropolis' initial precincts. Circular economy principles can maximise Western Sydney's greenfield potential for a sustainable approach to infrastructure, including Mamre Road, which covers 6,500 hectares, an area 10 times the size of the entire Sydney Olympic Park.

Sydney Water is the Trunk Drainage Authority for the Aerotropolis and Mamre Road precinct. The NSW Government has appointed us to this role, making Sydney Water responsible for delivering, managing and maintaining the regional stormwater network, along with operating our drinking water, wastewater and recycled water networks.

To meet the NSW Government requirements for waterway health, stormwater will be collected in constructed wetlands where it will be treated and harvested as recycled water and distributed back to the precincts for the irrigation of parks, sports fields, trees and open spaces.

Our plan is for stormwater to flow into natural water channels and wetlands instead of relying on buried concrete pipes or drains. The stormwater will then be collected in constructed wetlands where it will be available to be treated and harvested as recycled water.

By ensuring the creek lines in Western Sydney remain as natural as possible, our Mamre Road plan aligns with Aboriginal cultural values and is a vital part of Recognising Country in the Aerotropolis.

Our role as trunk drainage manager will allow Sydney Water to ensure that stormwater systems within the precincts efficiently meet the new environmental requirements set for the Parkland City waterways, Recognising Country in the Wianamatta-South Creek Catchment and harvesting stormwater to provide a sustainable source of water for cooling and greening these precincts, where temperatures can be up to 4 degrees hotter than eastern Sydney.

Importantly, by integrating stormwater with recycled wastewater, Sydney Water can provide a climate-independent supply of water to ensure the parkland remains green – even in a drought – significantly minimising water sourced from nearby Warragamba Dam.



Successful and innovative business

Successful and innovative business



We are socially responsible and sustain a positive return for our shareholders and the community.

Sydney Water's business performance was strong over 2021-22 despite heavy rains and floods, as well as another year of COVID-19 and related challenges.

We delivered a \$1.2 billion capital program as we renewed ageing wastewater mains, renewed or rehabilitated reticulation mains to help prevent overflows and renewed some critical water mains to maintain water supply and reduce interruptions to our customers.

We saw improvement in a number of areas across the business:

- Established strong foundations to provide services in Western Sydney – including the Western Sydney Airport, Mamre Road upgrades and progress on the Aerotropolis
- Held operating expenses in line with our budget despite difficult conditions
- Best safety outcome on record
- Behaviour Index rose from 65 to 72 percent, reflecting a more diverse and inclusive workforce and a healthy culture
- Customer satisfaction improved in a challenging year.

We continue to extract efficiencies from our business by investing in a range of innovative projects aimed at conserving water in households, businesses and councils, and across our networks.

In a year of uncertainty and opportunities, the Board and its subcommittees worked closely to oversee evolving risks and remained vigilant in their oversight. While making improvements to business performance, the organisation has also managed to successfully balance investments in innovation in pursuit of meeting our long-term aspirations.

Through robust risk management we continue to identify and assess opportunities to invest in innovative solutions that will enable us to prepare for the future in a number of ways:

- Build a future ready workforce
- Respond to climate change impacts
- Improve or develop new products and services to meet changing requirements
- Enhance efficiencies within the business and introducing new ones
- Build trust and confidence of our stakeholders
- Respond to the changing needs of a growing number of customers.

Innovation is key to our success at Sydney Water, whether it's sniffer dogs detecting leaks before they become breaks or a smart asset base that works more intelligently to stay ahead of the disruptive impact of incidents to our valued customers.

Our Innovation Index continued to improve, rising to 6.3 from 6.2 a year earlier, and we expect the index to continue higher as we continuously enhance our innovative capability, including a more advanced measure of our innovative effectiveness. We've reviewed international best practice to revise our Innovation Effectiveness Index, including the pace and impact of innovation adopted across the organisation.

Potable water consumption was mainly stable at 182 litres per person per day despite upward pressure as water restrictions were lifted, COVID-19 lockdowns kept people at home – and interrupted the rollout of water-efficiency programs. Heavy rains in March 2022 saw a very positive drop to 180 litres per person per day as residents conserved water amid weeks of extreme weather.



To future-proof our ability to deliver the best, possible services for the Greater Sydney of tomorrow, we are developing a Long-term Capital and Operating Plan to 2050.



We've also bedded down our Business Experience Platform (BxP), which enables our various business units to work better together, work smarter and work more easily. BxP has transformed business operations at Sydney Water, uplifting finance, supply chain, procurement and enterprise cost management processes. Besides transforming our business operations, BxP also provides access to valuable insights into our business performance.

Earnings before interest, tax, depreciation and amortisation (EBITDA) totalled \$1.304 billion, below our target of \$1.388 billion as significantly higher than usual rainfall reduced water sales and revenue. Return on Invested Capital (ROIC) was 4.7 percent, slightly below target in line with EBITDA.

To future-proof our ability to deliver the best, possible services for the Greater Sydney of tomorrow, we are developing a Long-term Capital and Operating Plan to 2050. Our Long-term Capital and Operating Plan will inform the capital investment program we need to meet Greater Sydney's rising demand for safe, reliable water supply amid climate change and related extreme weather.

Working with IPART

16 PEACE, JUSTICE AND
STRONG INSTITUTIONS



The Independent Pricing and Regulatory Tribunal (IPART) has reviewed the way it regulates water businesses, including Sydney Water. We have actively participated in this review, advocating that the new framework be aligned with the long-term interests of our customers, which are front of mind as a result of our meetings, forums and other customer engagement activities.

A key feature of IPART's new framework is the connection between price/revenue proposals and customer preferences around levels of service as well as prospective projects and outcomes. We are deepening our level of customer engagement to fully understand their priorities and preferred outcomes. To achieve this, we will increase the number of targeted focus groups, surveys and other forms of engagement we undertake as part of a best-practice approach to delivering on IPART's new requirements and meeting our customers' expectations.

In our 2020-24 price review, IPART recommended a significant increase in our capital expenditure program. IPART's recommendation recognises our role in supporting population growth as well as our need to invest in our existing assets to continue to provide high-quality services to customers and to protect waterways and the environment. We expect the coming pricing submission will also reflect the need to continue this investment in maintenance, renewals and growth infrastructure across our network, including the delivery of rainfall independent supply options.

Our customers' bills remain among the lowest in Australia, despite our need to increase investment in our networks to replace ageing infrastructure and service Greater Sydney's growing population.

As we prepare for our next IPART review, we will propose that our customer pricing arrangements provide us with stable revenue year-on-year, which does not expose us financially to variations in water consumption. This certainty of revenue will promote consistent maintenance of work and will better align our interests with our customers' interest as we seek to promote water conservation and provide our services at an efficient long-run cost that reflects the value our customers place on the service they receive.





Innovation Festival unites ideas from 25 countries

Sydney Water is committed to fostering a culture of innovation. To prove our commitment we held our first ever Innovation Festival in collaboration with Northumbrian Water and Isle Utilities in the United Kingdom.

The festival was hybrid, providing an opportunity to connect more than 1,300 people from 25 countries in order to fast-track innovation. It brought together novel ideas with the potential to solve some of our greatest environmental and urban growth challenges across the water industry.

More than a talk fest, the Innovation Festival revolved around a range of themes, which produced tangible outcomes. One theme, Local Grow, involves producing fresh food in a circular economy.

To deliver on this, Sydney Water will partner with First Nations communities, local residents and industries to create food hubs by turning food waste into composted products which will supply energy to power greenhouses. Sydney Water and its partners will provide safe water and composted biosolids that can be used for hydroponics, aquaponics and other urban agriculture.

The Smart Cities Datahack brought together data scientists from the private sector, academia and Sydney Water to find ways to predict wastewater-network overflows. One example is using augmented reality combined with our asset data to help visualise underground pipes.

Another challenge involved safe swimming in Sydney Harbour, which evolved to a fuller program called Urban Plunge™. Sydney Water is excited to bring this initiative to life over the coming summer months.





Urban Plunge™ aims to deliver swimming across Greater Sydney

Urban Plunge™ has been designed to fast-track the delivery of more swimming and water recreation opportunities across Greater Sydney. We want everyone to be within a 30-minute drive of a clean, safe place to swim. This initiative grew out of our inaugural Sydney Water Innovation Festival held in October 2021, and we are continuing to build on these themes during our 2022 Innovation Festival.

Our vision is for sustainable and equitable swimming areas across Sydney. This isn't a new concept. It belongs to our First Nations People whom for 60,000 years maintained the waterways that sustained us as we ate, drank, bathed – and cooled off on hot days. Sadly, this relationship with our waterways changed during the 19th and 20th centuries when waterways were turned into industrial dumping grounds. During these periods, we lost a vital part of our connection to water.



Today, our waterways are cleaner due to advances in wastewater and stormwater management, industrial waste disposal and stronger regulation. These advances – as well as COVID-19 lockdowns, rising temperatures and growing congestion – suggest it's time to look beyond our world-famous beaches for water in which to swim and play and provide access to recreational waterways for people across Greater Sydney.

Urban Plunge™ builds on our successful partnership with the Parramatta River Catchment Group (PRCG). Here, we have been helping councils activate new river swim sites. As a result, we now have the tools, expertise and partnerships to support councils and landowners to safely and quickly open new swim sites in more locations across Greater Sydney.

Capital expenditure

Our capital works program exists to deliver for our customers and shareholders through the following objectives:

- ✓ renew and upgrade existing assets
- ✓ improve business efficiencies
- ✓ deliver government programs
- ✓ support urban growth.

In 2021-22, Sydney Water invested \$1,187 million in capital works, which was 25 percent under the \$1,588 million budget (excluding capitalised borrowing costs).

TABLE 9: MAJOR CAPITAL WORKS PROJECTS COMPLETED, 2021-22

Project	Project benefits
Wastewater main renewals (outputs achieved in 2021-22)	We renewed 0.8 kilometres of key wastewater mains that were near the end of their service life, to reduce the impact of failures on the community and the environment. We rehabilitated 13.8 kilometres of reticulation wastewater mains to reduce dry weather and repeat overflows affecting customers.
Water main renewals (outputs achieved in 2021-22)	We renewed 5.6 kilometres of water reticulation mains and an additional 4.5 kilometres of critical water mains to maintain water supply and reduce interruptions.

Pro-rating Sydney Water's delivery run-rate to a full 12 months of productive time would have taken delivery to about \$1,583 million for the year. Covid-19 and extreme wet weather constrained delivery teams to approximately nine months of productive working time. This provides confidence in our underlying delivery capability and would have resulted in a 72 percent increase from last year's delivery (\$921 million in 2020-21). The Budget values stated are from the Statement of Corporate Intent 2022-23 – 2026-27 in nominal dollars.

TABLE 10: MAJOR CAPITAL WORKS IN PROGRESS AS OF 30 JUNE 2022

Project ¹⁸	Forecast completion date	Budget (\$m)	Cost to date (\$m)
Construction of Upper South Creek Advanced Water Recycling Centre	Jun-25	\$1,103	\$121
Prospect to Macarthur Project: delivery of investments in the Prospect South Water Delivery System (WDS) and Macarthur WDS to secure supply and support growth in the area	Jan-23	\$448	\$286
Lower South Creek (Quakers Hill/St Marys Water Recycling Plant (WRP) Process and Reliability Renewal): to maintain reliability and increase the plant's capacity to service growth	Oct-23	\$592	\$546

¹⁸ Only projects in construction delivery are represented – projects in planning are not included.

TABLE 10: MAJOR CAPITAL WORKS IN PROGRESS AS OF 30 JUNE 2022

Project ¹⁸	Forecast completion date	Budget (\$m)	Cost to date (\$m)
West Camden Treatment Amplification	Nov-23	\$237	\$40
Austral-Leppington Package 2 (stages 3 and 4 – phase 1) to service the eastern front of the South West Growth Area (Austral-Leppington) and parts of the Aerotropolis	Mar-24	\$194	\$21
Northern Suburbs Ocean Outfall System (NSOOS) Desilting and Rehabilitation Package A: the first stage of a program to rehabilitate the NSOOS tunnel sections 1 to 3, which will improve operational and hydraulic capacity and significantly reduce risk to the asset	Jul-25	\$72	\$37
Northern Suburbs Ocean Outfall System (NSOOS) Desilting and Rehabilitation Package B: the second stage of a program to rehabilitate the NSOOS tunnel sections 4 to 6, which will improve operational and hydraulic capacity and significantly reduce risk to the asset	May-24	\$85	\$62
Vauluse Diamond Bay: to stop the continuous flow of untreated wastewater into the ocean and treat the wastewater before discharge through the Bondi deep ocean outfall	Jan-24	Currently under procurement	\$10
North Head Wastewater Treatment Plant (WWTP) Biosolids Upgrade: upgrade sludge processing and treatment capacity at the North Head WWTP, to improve the quality of biosolids, meet customer expectations and forecast growth in demand	May-24	\$94	\$30
Cascade Water Delivery System: investment to improve the reliability of water supply	May-23	\$51	\$25
Potts Hill Reservoirs cover and liner replacement: expedited repairs to ensure ongoing water quality for the Potts Hill delivery system	May-24	\$63	\$13
Bondi Resiliency System Investment Plan: packaging of legacy renewal works alongside the implementation of a masterplan for the Bondi System (Bondi Ocean Outfall Sewer (BOOS) and Malabar System)	Dec-24	\$89	\$63

18 Only projects in construction delivery are represented – projects in planning are not included.

TABLE 10: MAJOR CAPITAL WORKS IN PROGRESS AS OF 30 JUNE 2022

Project ¹⁸	Forecast completion date	Budget (\$m)	Cost to date (\$m)
Nepean Water Filtration Plant (WFP) Stage 1: increase treatment capacity during poor raw water quality events to ensure safe and reliable drinking water	Oct-24	\$80	\$8
Richmond – North Richmond (WWTP): augmentation (including pumping station) to cater for additional network inflows from North Richmond	Dec-24	Currently under procurement	\$5
Winmalee PRP800 Stage 1 (Wastewater Treatment Plant Upgrade): under a pollution reduction program to ensure environmental compliance of the plant	Jun-23	\$54	\$39
Wastewater treatment plant renewals: continuing to replace equipment near the end of its service life	Ongoing	\$87/year ¹⁹	Ongoing
Water treatment plant renewals: continuing to replace equipment near the end of its service life	Ongoing	\$10/year ¹⁹	Ongoing
Information technology projects: continuing minor projects to reduce operating expenditure, renew IT systems and equipment, and deliver new systems and capabilities	Ongoing	\$102/year ¹⁹	Ongoing
Wastewater reticulation and wastewater trunk main renewals: continuing to replace and rehabilitate wastewater mains near the end of their service lives, to reduce the impact of failures on the community and the environment	Ongoing	\$173/year ¹⁹	Ongoing
Water reticulation and water trunk main renewals: continuing to replace water mains near the end of their service life to reduce interruptions to supply	Ongoing	\$60/year ¹⁹	Ongoing
Reservoir Renewal and Reliability Program: continuing to ensure reservoirs and associated equipment operate at the lowest costs while complying with regulatory requirements	Ongoing	\$33/year ¹⁹	Ongoing
Wastewater pumping station renewals: continuing to replace equipment near the end of its service life	Ongoing	\$32/year ¹⁹	Ongoing
Water pumping stations: continuing to improve reliability and safety and minimise the life cycle costs of water pumping stations	Ongoing	\$12/year ¹⁹	Ongoing
Meter replacement program: improving measurement and monitoring of water volume and service reliability	Ongoing	\$10/year ¹⁹	Ongoing

¹⁸ Only projects in construction/delivery are represented – projects in planning are not included.

¹⁹ Denotes the five-year average in the Statement of Corporate Intent 2022/23–2026/27 in nominal dollars.

Drivers of planned capital expenditure for the next financial year

Our nominal capital works budget for 2022-23 is \$1,737 million (excluding capitalised borrowing costs) and reflects our ongoing commitment to improving the performance of our network and building now, to meet the demands of growth and climate variability.

The key investments include:

- \$816 million for developing new water, wastewater, recycled water and stormwater infrastructure to meet the needs of urban growth in both infill (existing) and greenfield (new) areas, including the North West and South West growth sectors
- \$752 million for renewing and rehabilitating assets to meet system performance regulations and customer service levels
- \$169 million for business efficiency measures, such as information technology and energy-saving projects that reduce operating expenditure, and to meet new regulatory standards, such as those relating to wastewater system performance under environmental protection licences.

Over the next four years, Sydney Water will deliver a capital works program of about \$8.21 billion (excluding capitalised borrowing costs). This includes significant investment in improving resilience and reliability of Greater Sydney's water network.

Over the 2022-26 period, \$3 billion is planned for implementing the Greater Sydney Water Strategy to augment and safeguard Sydney's drinking water supply. Through this investment, Sydney Water plans to achieve strategic water supply objectives over the short and longer term. The overall work may include stages of work, such as (but not limited to) purified recycled water (PRW), desalination, surface water, demand management and network augmentations.

Research and innovation

Sydney Water's award-winning research and innovation (R&I) programs help improve efficiency, effectiveness and the quality of decision making. They also provide robust risk mitigation and strategic planning across the business.

The key R&I priority areas are:

- new products and services
- open innovation
- capability building
- sustainable smart cities
- circular economy and resource recovery
- reliable and resilient water supply
- healthy waterways and environment
- asset and operations
- horizon scanning
- pilots and technology trials.

Our new Innovation, Research and Deployment Plan was launched in October 2021. This plan is closely aligned to Sydney Water's Strategy and outlines our key research priorities across the next 10 years and beyond. It has a strong focus on our work in Western Sydney, as well as how we can successfully deploy our technology and innovations on the ground.

Progress has been made on the delivery of the Innovation, Research and Deployment Plan with key achievements:

- Improved innovative culture through increased business wide engagement and communication around problem solving and opportunity scanning for innovation, along with engagement into leadership forums and lunch & learns.
- Delivered the award-winning Sydney Water Innovation Festival 2021.
- Developed and implemented our updated Innovation Effectiveness Index score to measure our progress.

In 2021-22, Sydney Water was awarded the Australian Water Association's NSW R&D Excellence Award for Minimisation of Leaks and Breaks in Pipes with Innovative Integrated Deployment (collaborators: University of Technology Sydney, Detection Services, Ovarro and WaterGroup). We were also awarded the Australian Water Association's NSW Operational Excellence Award for the Sydney Water Innovation Festival 2021 (collaborator: Isle Utilities).

Sydney Water was the shortlisted finalist in Ozwater22 for the following awards:

- R&D Excellence Award – Minimisation of Leaks and Breaks in Pipes with Innovative Integrated Deployment (collaborators: University of Technology Sydney, Detection Services, Ovarro and WaterGroup).
- Organisational Excellence Award – Sydney Water Innovation Festival 2021 (collaborator: Isle Utilities).
- Infrastructure Project Innovation Award (metro) – IoT Wastewater Blockage Detection.
- Customer Experience Award – Digital Customer Platform.

We have implemented a research prioritisation process and continue to report on current and completed R&I activities. In 2021-22, we invested \$5.53 million across a range of R&I projects in collaboration with local and international universities, industry partners, utilities and government departments.

We've also been allocated funding towards improving water conservation. In 2021-22, we invested \$2.85 million into a diversified portfolio of projects aimed at reducing water consumption in households, businesses, and councils, and across our networks.

The significant investment in digital technology and enablement is continuing at pace to provide customers with enhanced services and reliable operations. This investment will also empower and protect our workforce and create predictability in asset performance to enable proactive, real-time situational intelligence in our operations.

As a result, Sydney Water will be:

- connected and engaged with customers through a personalised and valued set of relationships and effective digital channels
- connected with employees and partners who will be equipped with actionable intelligence to deliver customer service excellence within a safe and secure work environment
- connected across a smart asset base that will work more intelligently than ever before to stay ahead of incidents.

TABLE 11: R&I INVESTMENTS IN 2021-22

Project name	Collaborator/s	Investment ²⁰
Trial of a new nitrification management approach for chloraminated systems	Western Sydney University	4,635
Power activated carbon dosing to reduce dissolved organic carbon in treated water	The University of Sydney	29,000
Assessment of the use of recycled water for irrigation of urban green spaces in Western Sydney	Macquarie University	355,786
Application of recycled water to various Western Sydney soil landscapes	Western Sydney University	15,734
Pressurised pipe robotic sensing phase 2	University of Technology Sydney	408,710
Implementation of new technologies and methodologies for the development of future wet weather overflow monitoring program	CSIRO, University of New South Wales, Macquarie University, University of Melbourne	2,269,894
Hawkesbury Nepean South Creek fast modelling	University of Western Australia, Eco Logical Australia Pty Ltd, Aurecon Australasia Pty Ltd, BMT Commercial Australia Pty Ltd	1,288,118
Smart lining for pipes and infrastructure (CRCP – Cooperative Research Centres Project)	WSAA and others	209,265
Technical viability of tankered recycled water for local applications	SAS TTI Joint Venture	341,360
Data and analytics foundations	Plantit Test Management SOLS P/L, Insight Enterprises Australia P/L, Infoys Technologies Ltd	602,859
Development of methods for sewage monitoring to track and monitor COVID-19 virus presence and persistence in the Australian sewerage networks and population	Aust Genome Research Facility Ltd, WaterRA	9,398
Total		5,534,759

²⁰ The information included is based on cost estimates at 30 June 2022 and may be subject to change.



Corporate governance





The Board and Executive recognise that strong corporate governance is essential for Sydney Water to be a high-performing organisation with a sustainable future.

Our governance framework helps us to:

Deliver the outcomes our shareholders expect	Support our people and business operations	Set the framework for sound ethical, financial and risk management practices, and effective compliance and auditing programs.
----------------------------------------------	--------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------

The Board has adopted the Australian Institute of Company Directors (AICD) Corporate Governance Framework, which outlines the practices of good corporate governance across four major quadrants of focus and engagement.

FIGURE 5: AICD CORPORATE GOVERNANCE FRAMEWORK



The framework aligns with the ASX *Corporate Governance Council's Corporate Governance Principles and Recommendations* (4th Edition) and the Audit Office of NSW Governance Lighthouse model. It serves as the basis for measuring the activities of the Board and management against corporate governance best practice.

Under the Board Charter, the Board assesses its performance each year. In 2021, the Board conducted a self-assessment evaluation of its performance.

The Board also complies with the NSW Treasury's TPP17-10 *Guidelines for Governing Boards of Government Businesses*.

Board of Directors

In line with the *Sydney Water Act 1994* (NSW), the *State-Owned Corporations Act 1989* (NSW) and the Constitution of Sydney Water, the Board consists of a Chairperson and up to nine other Directors appointed by the shareholders.

The Portfolio Minister publicly advertises for nominations for Board membership. All members of the Board, except the Managing Director, are appointed for terms of up to three years, which may be renewed by the shareholders. A Non-executive Director's remuneration is set by the shareholders and paid by Sydney Water.

The Board's role and responsibilities

The Board is responsible for the corporate governance of Sydney Water. This includes:

- approving the strategic direction
- establishing performance targets as set out in the Statement of Corporate Intent (SCI)
- monitoring the achievement of those targets
- reviewing internal control systems, corporate governance frameworks and compliance.

The Board strives to honestly, fairly and diligently serve the interests of Sydney Water's shareholders, people, suppliers, customers and the communities in which they live. It delegates responsibility to the Managing Director for implementing the strategic direction and managing Sydney Water's day-to-day operations. The Board operates according to its Board Charter, which complements Sydney's Water's Constitution and its Directors' Code of Conduct.

The Board Charter allows for the Directors to seek independent professional advice at the expense of Sydney Water if it is deemed necessary.

Director independence

All Non-executive Directors on the Board are independent. They are subject to duties and responsibilities regarding conflicts of interest, including a disclosure requirement. The Corporate Secretary maintains a Register of Disclosures, which is reviewed annually, and Directors are invited to declare any conflicts of interest (perceived or actual) at the start of each Board meeting.

Indemnity and insurance

In line with the *State-Owned Corporations Act 1989* (NSW) and the Constitution of Sydney Water, all Directors have been granted indemnity, with the approval of our shareholders, in accordance with the NSW Treasury TPP18-04 *Directors and Officers Indemnity Policy for State Owned Corporations*.

Sydney Water has insurance coverage for Directors' and Officers' liability, which underpins and augments the Deed of Indemnity. These insurance arrangements do not cover conduct involving lack of good faith or wilful breach of duty.

Board of Directors skills matrix

The Board considers that its membership should comprise Directors who collectively bring a broad range of technical skills, expertise and experience. The Board has identified its desired collective skillset and the target number of Directors who should be specialists in each of these areas. It is not expected that Directors will possess specialist skills in all areas, but they are expected to possess all key qualifying skills to join the Board.

The skills matrix enables the Board Nominations Committee to identify and consider any gaps in the Board's collective skills, which is regularly reviewed especially when considering upcoming Board appointments.



TABLE 12: BOARD OF DIRECTORS SKILLS MATRIX AT 30 JUNE 2022

Skills and experience	Explanation	Target number of Directors at the desired specialist level of competency	Status
Accounting, Financial management, reporting and auditing	Expertise in technical management accounting and reporting, and financial auditing	1	▲
Digital transformation	Expertise in developing, selecting and implementing leading business transformation technology, including responding to digital disruption	1	▲
Regulatory and law	Expertise in regulatory environments and experience in interpreting and applying relevant legislative frameworks within a complex business	1	▲
Capital management and infrastructure finance	Technical expertise in capital transactions, debt capital markets, funding strategies and investments	1	▲
Environment	Technical and professional expertise in water resource management and environmental protection practices	1	▲
Health	Technical and professional expertise in protecting public health as it relates to water	1	▲
Engineering, construction, safety	Technical and professional expertise in an engineering, construction or safety context, including overseeing work health and safety systems	1	▲
Stakeholder engagement	Experience managing reputational risk, including stakeholder management, influence and positioning	1	▲

TABLE 12: BOARD OF DIRECTORS SKILLS MATRIX AT 30 JUNE 2022

Skills and experience	Explanation	Target number of Directors at the desired specialist level of competency	Status
Innovation	Experience in facilitating successful innovation within a large organisation to deliver new products, services and outcomes	1	▲
CEO experience	Prior Chief Executive Officer experience in a large organisation comparable to Sydney Water	2	▲
Corporate board experience	Prior experience on corporate or commercial boards of comparable size and complexity	2	▲
Financial literacy ²¹	Experience with financial statements and drivers of financial performance, including finance controls in a large organisation	All	▲
Risk management ²¹	Experience in applying and overseeing risk management frameworks, including settling the Board's risk appetite	All	▲
Commercial, business acumen, and leadership ²¹	Experience at a senior executive level within a large and complex corporate or commercial enterprise, with proven ability to make informed decisions and think strategically	All	▲
Strategy development ²¹	Experience in developing, setting and implementing clear strategic direction, including performance monitoring	All	▲
Culture and people ²¹	Ability to understand, assess and drive the desired organisational culture in a corporate context	All	▲

Performance indicator key: ▲ Target met or exceeded

21 Indicates the key qualifying skills required to join the Board.

Sydney Water Board Directors



Grant King

BE(Civil), MMtg, FAICD,
Professor University of
New South Wales



Non-executive Director and Chair

Director:

9 June 2021 to 30 September 2021

Chair:

1 October 2021 to present

Chair of Nominations, Economic Regulation* and People, Culture and Remuneration Committees

SKILLS AND EXPERIENCE

Grant is an experienced director of public and listed companies and has more than 30 years of executive management experience in the Australian energy industry. He was a long-serving Managing Director and Chief Executive Officer of Origin Energy until his retirement in 2016.

He brings to the Board expertise in energy markets, climate change and technology. Grant is recognised in the business community for his strategic thinking and leadership on environmental, social and governance issues. He is also involved in community and philanthropic activities.

EXTERNAL APPOINTMENTS

Grant is the Chair of the Climate Change Authority, HSBC Bank Australia, CWP Renewables, GreenCollar, Arventa and Melanoma Institute Australia; a Non-executive Director of the Origin Foundation, Great Barrier Reef Foundation and O’Connell Street Associates; and a member of the University of New South Wales Foundation.

He also holds the position as Professor of Energy Economics and Chair of the Energy Institute at the University of New South Wales. Grant is a former President of the Business Council of Australia.

* Denotes the individuals did not hold the designated roles for the full reporting period.

Roch Cheroux

MEng&BA, FIEAust



Chief Executive Officer and Managing Director

Managing Director:

2 September 2019 to present

Member of the Safety and Wellbeing, Planning and Infrastructure, Economic Regulation and People, Culture and Remuneration Committees

SKILLS AND EXPERIENCE

Roch is a key influencer in the water industry, with experience shaping and leading public and private corporations across the Asia-Pacific region and Europe.

In his previous role as Chief Executive of South Australian Water Corporation (SA Water), he led the transformation of South Australia's largest water utility, embedding changes to technology, culture and systems to improve the experience of its 1.6 million customers. Before joining SA Water, Roch was Chief Executive Officer of SUEZ for South East Asia and SUEZ-Degrémont Australia and New Zealand, Managing Director of United Utilities Asia and Pacific (TRILITY), and Chief Executive and Chairman of Tallinn Water in Estonia.

Roch holds formal qualifications in engineering and business management, and seeks to champion innovation, diversity and reconciliation in the workplace.

EXTERNAL APPOINTMENTS

Roch is active across the water industry and is currently Chair of the Water Services Association of Australia and the Ozwater 2023 Committee. He is also a member of the Australian Water Partnership Advisory Committee and the French-Australian Chamber of Commerce Advisory Council.

Trevor Bourne

B Sc (Mech Eng),
MBA, FAICD



Non-executive Director

Director:

10 February 2014 to present

Chair of the Safety and Wellbeing Committee

Member of the Planning and Infrastructure, Nominations, and People, Culture and Remuneration Committees

SKILLS AND EXPERIENCE

Trevor brings management experience, including as a chief executive officer, in manufacturing, logistics, engineering and large-scale projects. He is an experienced non-executive director, having served on public and private company boards for more than 20 years. He is a leader and advocate for work health and safety improvements.

EXTERNAL APPOINTMENTS

Trevor is a Non-executive Director of Transport Asset Holding Entity of NSW South Wales (TAHE). Formerly, he was Chair of Senex Energy Limited and a Non-executive Director of Virgin Australia Holdings Limited, Caltex Australia Limited, Origin Energy Limited, and Managing Director of Brambles Australasia.



Dr Marlene Kanga AO

BTech, MSc, PhD,
Hon FIEAust,
Hon FICHEM FTSE,
FAICD



Non-executive Director

Managing Director:

10 February 2014 to present

Chair of the Planning and Infrastructure Committee

Member of the Economic Regulation, Nominations, Safety and Wellbeing, and People, Culture and Remuneration Committees

SKILLS AND EXPERIENCE

Marlene is an experienced business leader and Non-executive Director. She has more than 30 years' experience in the chemical and process engineering industry in Australia and New Zealand and is a former President of Engineers Australia.

In the June 2022 Queen's Birthday Honours, Marlene was recognised as an Officer of the Order of Australia for her distinguished service to engineering, particularly as a global leader and role model to women in engineering.

EXTERNAL APPOINTMENTS

Marlene is a Non-executive Director of Airservices Australia, Business Events Sydney (BE Sydney), Standards Australia, and iOmniscient Pty Ltd. She sits on several other boards, focusing on innovation and the commercialisation of new technologies. Marlene is also a former President of the World Federation of Engineering Organisations, representing 100 nations and more than 30 million engineers.

Greg Coultas

BComm, FCA, MAICD



Non-executive Director

Director:

17 November 2016 to present

Chair of the Audit and Risk Committee

Member of the Safety and Wellbeing, Economic Regulation, Nominations*, and People, Culture and Remuneration Committees

SKILLS AND EXPERIENCE

Greg brings to the Board significant finance and risk management expertise, having served as a senior audit partner at Deloitte for 28 years until his retirement in November 2016. He held several senior management roles at Deloitte, including Managing Partner for NSW from 2005 to 2008. Greg served as a member of the Deloitte Australia Board from 2005 to 2016 and was Chairman of the firm's Audit and Risk Committee for 11 years.

EXTERNAL APPOINTMENTS

Greg is Chair of Hireup Holdings Pty Ltd and a member of the governance board of The Salvation Army Australian Territory. Formerly, he was a Non-executive Director of Virtus Health Limited and on the Board of Victoria Power Networks Pty Ltd and SA Power Networks, which were joint ventures between Cheung Kong Infrastructure and Spark Infrastructure.

Cameron Robertson

MEC, FIAA, GAICD



Non-executive Director

Director:

21 December 2017 to present

Chair of the Economic Regulation Committee*

Member of the Audit and Risk, Planning and Infrastructure, Nominations*, and People, Culture and Remuneration* Committees

SKILLS AND EXPERIENCE

Cameron's executive career has included roles in investment banking, asset management, asset development, social services and not-for-profit organisations. He was Managing Director and executive lead for the Infrastructure and Utilities group at Deutsche Bank and has worked at Lendlease. He has extensive commercial and public markets experience in debt structuring, advisory and complex finance transactions. He has also worked in public policy and management with a large not-for-profit organisation.

EXTERNAL APPOINTMENTS

Cameron is a Non-executive Director of Roads Retained Interests Pty Ltd (WestConnex entities), and WRC Carpenter No 1 Pty Ltd (owner of the Worsley Co-Generation Facility). He is a Nominee Director for SAS Trustee Corporation and serves on the board of Southern Way Pty Ltd (owner of the Peninsula Link Road). Cameron is also a member of the Direct Asset Committee of Aware Super (formerly First State Super).

Craig Roy

MSc, MBA, FAICD



Non-executive Director

Director:

1 January 2019 to present

Member of the Planning and Infrastructure, Safety and Wellbeing, Nominations*, and People, Culture and Remuneration Committees

SKILLS AND EXPERIENCE

Craig brings to the Board extensive experience in research and commercialisation strategy, innovation and entrepreneurship across a wide range of global projects and industry sectors. He is skilled in business sustainability in complex social, stakeholder and environmental settings. As a meteorologist and oceanographer, he understands the environment and climate change and its impacts on business. Craig was Deputy Chief Executive Officer of the CSIRO from 2010 to 2018. His career includes two decades as an officer of the Royal Australian Navy.

EXTERNAL APPOINTMENTS

Craig is Chair of Australian Research Data Commons, Silex Systems Limited and Global Laser Enrichment LLC. He was formerly the Chair of Data61, a Non-executive Director of the Australian National Commission for UNESCO, and member of the Vice-Chancellor's Industry Board at the University of Technology Sydney.

* Denotes the individuals did not hold the designated roles for the full reporting period.

Kate Dryden

BAS, LLB (First Class Hons), MAICD



Non-executive Director

Managing Director:

29 November 2021 to present

Member of the Audit and Risk, Planning and Infrastructure, Economic Regulation, and People, Culture and Remuneration Committees*

SKILLS AND EXPERIENCE

Kate is an experienced company executive and lawyer, with deep expertise in environmental law and the environmental services industry across the water, waste and energy sectors. Kate’s executive career included roles at Veolia, which included Board roles for several related entities. Before that she was a solicitor at Baker McKenzie and Mallesons Stephen Jaques. She has strong experience with effectively balancing risk mitigation and business growth.

EXTERNAL APPOINTMENTS

Kate is a Partner and co-founder of Sphere Infrastructure Partners.

Associate Professor Susan Petterson

BE (Environmental) (Hons), PhD, MAICD



Non-executive Director

Director:

15 February 2022 to present

Member of the Audit and Risk, Planning and Infrastructure and People, Culture and Remuneration Committees*

SKILLS AND EXPERIENCE

Susan brings to the Board important expertise in environmental protection and public health specifically related to water quality and sanitation. Over the last 20 years she has been a leader in the development and implementation of risk-based approaches for protection of public health both within Australia and Internationally.

EXTERNAL APPOINTMENTS

Susan is a Board member of the International Water Association (IWA) Health-Related Water Microbiology Specialist Group, a member of the National Health Medical Research Council (NHMRC) Recreational Water Quality Advisory Committee, Editor of the IWA Journal of Water and Health, and Director of Water & Health Pty Limited. She is also a member of the Australian Water Association and Academic Title Holder in the School of Medicine and Dentistry, at Griffith University.

Susan has served on the NHMRC Water Quality Advisory Committee (responsible for the revision of the Australian Drinking Water Guidelines), and for the World Health Organisation (WHO) on their Guidelines Development Group relating to the ‘WHO Guidelines for Sanitation and Health’.

* Denotes the individuals did not hold the designated roles for the full reporting period.

Director retirements during the reporting period

Bruce Morgan

BComm, FCA, FAICD,
Adjunct Professor
University of New
South Wales



Former Chair

Chair:

1 October 2013 to 30 September 2021

Director:

1 January 2012 to 30 September 2013

**Chair of the Nominations and People,
Culture and Remuneration Committees***

SKILLS AND EXPERIENCE

Bruce has extensive business experience as a Non-executive Director, including in water, energy and transport assets, and through his executive career in the professional services industry.

He was Chair of the Australian PwC Board for six years until 2012, when he retired as a partner. He was also a member of the PwC International Board for four years and Managing Partner of its Sydney and Brisbane offices.

EXTERNAL APPOINTMENTS

Bruce is a Non-executive Director of Origin Energy Limited, Chair of Transport Asset Holding Entity of New South Wales (TAHE), Deputy Chair of the European Australian Business Council, and a director of the University of NSW Foundation. He was formerly a Non-executive Director of Caltex Australia Limited and of Redkite Pty Ltd.

Dr Abby Bloom

BA (High Hons), MPH, PhD, FAICD,
Adjunct Professor University
of Sydney and University of
Technology Sydney



Former Non-executive Director

Director:

1 January 2013 to 31 December 2021

**Member of the Audit and Risk, Planning and
Infrastructure, Nominations, and People,
Culture and Remuneration Committees***

SKILLS AND EXPERIENCE

Abby is an experienced company director and former senior executive and corporate adviser in health care, insurance, utilities, water and wastewater, and ageing. During her 10 years at the US Department of State, Abby was the Senior Health, Water and Sanitation Policy Advisor, responsible for US foreign aid water and health policy and programs globally. She subsequently held senior executive and advisory roles in health, infrastructure and insurance in Australia and globally.

EXTERNAL APPOINTMENTS

Abby is a Non-executive Director of the State Insurance Regulatory Authority (SIRA), the Sydney Children's Local Hospitals Network, Cadenza Innovation Inc; Ballet Without Borders and the advisory board of ID Exchange.

An accredited independent risk and audit specialist, Abby chairs SIRA's Audit and Risk Committee (ARC) and serves on the ARCs of Southern NSW Local Health District, Department of Communities and Justice and Luminesce Alliance.

* Denotes the individuals did not hold the designated roles for the full reporting period.

Board committees

The following permanent committees have been convened for the period.

Audit and Risk

Purpose: To oversee Sydney Water's financial reporting, evaluate audit processes, and assess the risk and control environment for financial and non-financial risk.

Members: G Couttas (Chair), A Bloom*, C Robertson, Kate Dryden*, S Petterson* and G King*

Safety and Wellbeing

Purpose: To oversee Sydney Water's strategy and performance for safety and wellbeing.

Members: T Bourne (Chair), M Kanga, G Couttas, C Roy, G King* and R Cheroux

Planning and Infrastructure

Purpose: To oversee Sydney Water's strategic approach to planning for Greater Sydney, including asset investment, and its environment and regulatory strategies.

Members: M Kanga (Chair), A Bloom*, K Dryden*, S Petterson*, T Bourne, C Robertson, C Roy, G King* and R Cheroux

Nominations

Purpose: To assist the Board in fulfilling its corporate governance responsibilities with regards to Director appointments and reappointments.

Members: G King* (Chair), A Bloom*, T Bourne, G Couttas*, and M Kanga, C Robertson* and C Roy*

People, Culture and Remuneration

Purpose: To oversee Sydney Water's people strategy including remuneration, capability, talent management and succession planning.

Members: B Morgan* (Chair), G King* (Chair), A Bloom*, T Bourne, G Couttas, M Kanga, C Robertson*, C Roy, K Dryden*, S Petterson* and R Cheroux

Economic Regulation

Purpose: To oversee Sydney Water's economic regulatory framework and regulatory submissions and protect the long-term interests of customers and meets statutory obligations.

Members: B Morgan* (Chair), G King* (Chair), C Robertson*(Chair), G Couttas, M Kanga, K Dryden*, and R Cheroux

At its meeting in May 2022 the Board reviewed and discussed the Board Committee charters, structure, and membership. Significant changes to the composition of the Board Committees will be effective from 1 July 2022.

* Denotes the individuals did not hold the designated roles for the full reporting period.

Board meetings and attendance

The Board meets monthly, except in January (unless required). Meetings are held in line with Sydney Water's Constitution, following an annual schedule of set meeting dates and with additional meetings called when Directors see fit. Twelve meetings were held in 2021-22.

TABLE 13: DIRECTORS' MEETINGS, 2021-22

Directors	Meeting	Board	Audit and Risk Committee	Planning and Infrastructure Committee	Safety and Wellbeing Committee	Nominations Committee	People, Culture and Remuneration Committee	Economic Regulation Committee
	Number Held	12	5	4	4	2	2	5
B Morgan ²²		(C) 4	1	1	1	0	(C) 1	(C) 1
G King ²³		12 (8 as (C))	4	4	4	(C) 1	2 (1 as (C))	5 (2 as (C))
T Bourne		12	5	4	(C) 4	2 (1 as (C))	2	0
M Kanga		12	3	(C) 4	4	2	1	5
C Robertson		12	5	4	3	1	2	5 (2 as (C))
G Couttas		12	(C) 5	4	4	1	2	4
A Bloom ²⁴		6	3	2	2	1	1	0
C Roy		12	5	4	4	1	2	0
K Dryden ²⁵		6	2	2	2	0	1	3
S Petterson ²⁶		4	1	1	2	0	1	2
R Cheroux		12	5	4	4	2	2	5

Notes: The above table reflects meetings attended by all Directors as members or observers. The Board held strategy sessions with the Executive on 23 November 2021 and 22 March 2022. These sessions are not counted as Directors' meetings. (C) denotes chairperson.

22 Mr Morgan retired from the Board and as Chair effective 30 September 2021.

23 Mr King was appointed Chair of the Board effective from 1 October 2021, he was appointed as a Non-executive Director effective from 9 June 2021.

24 Dr Bloom retired from the Board effective 31 December 2021.

25 Ms Dryden was appointed to the Board effective from 29 November 2021.

26 Associate Professor Petterson was appointed to the Board effective from 15 February 2022.

Executive team and organisational structure

TABLE 14: ORGANISATION 2021-22

Chairman:	Grant King
Managing Director:	Roch Cheroux
Non-executive Directors:	Trevor Bourne, Dr Marlene Kanga AO, Greg Couttas, Cameron Robertson, Craig Roy, A/ Prof Susan Petterson, Kate Dryden
Customer, Strategy and Engagement General Manager: Maryanne Graham ²⁷ BComms (Journalism and Public Affairs) MAICD	<ul style="list-style-type: none"> • Strategy and Enterprise Planning • Strategic Communications and Corporate Social Responsibility • Competition and Regulation • Government, Stakeholder and Community Engagement • Brand, Media and Marketing • Customer and Strategic Insights
Asset Lifecycle General Manager: Paul Plowman BEng (civil), MBA	<ul style="list-style-type: none"> • Engineering and Technical Support • Major Projects • Property Services • Infrastructure Investment and Asset Performance • Program Delivery • Systems and Asset Planning
Customer Services General Manager: Kathy Hourigan	<ul style="list-style-type: none"> • Billing and Revenue • Contact Centre • Customer Metering and Accounts • Business Customers • Customer Hub • Customer Programs
Customer Delivery General Manager: Bernie Sheridan BE (Mech), MBA, MIEAust	<ul style="list-style-type: none"> • Laboratory Services • Network Regional Operations and Maintenance • Networks Field Operations • Water Resource Recovery • Water Supply and Production • Specialised Services • Work Programming and Optimisation
People and Culture General Manager: Gemma Martin BComm, CAHRI, SPHR	<ul style="list-style-type: none"> • Change and Business Improvement • Learning and Development • Workforce Planning and Insights • People, Partnering and Services • Safety, Health and Wellbeing • Diversity and Inclusion • Culture and Performance

²⁷ Maryanne Graham departed Sydney Water on 26 August 2022; Stuart Wallace has taken up the General Manager role.

TABLE 14: ORGANISATION 2021-22

Governance and Assurance General Manager and Corporate Secretary: Denisha Anbu BA, LLB (Hons 1), LLM, GAICD, FGIA	<ul style="list-style-type: none">• Internal Audit• Management Systems• Risk and Compliance• Water Quality• Wastewater and Environment• Legal, Claims and Secretariat• Resilience and Climate Change Adaptation• Protective Security
Finance and Business Performance General Manager: Jamie Hollamby CA, GAICD	<ul style="list-style-type: none">• Business Connect• Procurement• Finance• Supply Chain• Business Performance• Investment Governance
Business Development General Manager: Chris Gould LLB/BCom	<ul style="list-style-type: none">• Innovation and Product Development• Business Partnership Development• City, Growth and Development• Western Sydney Development
Digital Business General Manager: Dominic Hatfield BSc Computer Science	<ul style="list-style-type: none">• Data and Analytics• Digital Portfolio and Project Management• Digital Risk and Strategic Assurance• Operational Experience and Support• Digital Infrastructure Programs• Digital Experience and Support• Operational Technology Programs• Digital Service Management• Digital Business Programs

Risk management

The Enterprise Risk Management Framework helps us minimise the potential adverse impacts of uncertainty and maximise opportunities to safeguard the interests of our customers and shareholders as we deliver on our obligations and aspirations.

Our framework is consistent with the risk management standard AS ISO 31000:2018 – *Risk management – Guidelines*, and its requirements are aligned to the NSW Treasury Policy and Guidelines Paper TPP20-08 *Internal Audit and Risk Management Policy for the General Government Sector*.

The Audit and Risk Committee (ARC) assists the Board in overseeing the effectiveness of risk management, and the management of risks and assurance on controls as determined by the Enterprise Risk Management Framework. Other Board subcommittees also oversee risks related to their respective areas.

In these times of uncertainty and opportunities, the Board and its subcommittees continue to work closely to oversee evolving risks and be vigilant in their oversight of risks to the delivery of our obligations and aspirations.

TABLE 15: SUMMARY OF ENTERPRISE RISKS 2021-22

Principal objectives	Strategic outcomes				Enterprise risks and desired outcomes
Protect public health by supplying safe drinking water	✓		✓	✓	Public health Proactively manage events that could lead to serious impacts to public health
Protect the environment by conducting operations in compliance with the principles of ecologically sustainable development	✓		✓	✓	Environment Protect, restore and enhance the quality of our environment to the satisfaction of our regulators, customers and stakeholders
Be a successful business (by operating efficiently, maximising net worth, and exhibiting a sense of social responsibility)	✓			✓	Customer experience Prioritise the delivery of outcomes our customers value
		✓		✓	Safety and wellbeing Prevent or effectively manage serious, multiple or repeated injuries to, or deaths of, workers and members of the public
			✓	✓	Asset safety, reliability and capability Sustain critical operations and manage reasonably foreseeable business interruptions; plan and deliver critical infrastructure and achieve product and service objectives
			✓	✓	Capital program Deliver our capital investment program on time, on budget and in accordance with the Independent Pricing and Regulatory Tribunal's (IPART's) determination
			✓	✓	Enterprise security Manage and protect the exploitation of vulnerability in our digital, physical, personnel and supply chain spaces
		✓		✓	Culture and ethics Establish a culture that promotes ethical practices
	✓	✓		✓	Finance Manage our financial performance (including credit, debt, liquidity and third-party exposures)
		✓		✓	Organisational capability Build capabilities (people, systems and processes) required to deliver core business and strategic initiatives
	✓	✓	✓		Supply chain Manage access to supplies and equipment for our products and services to reduce costs, increase customer service and ensure supply chain resilience

First choice of customers and partners

Thriving, liveable and sustainable cities

High-performance culture

Successful and innovative business

As the world evolves, our focus remains on enhancing our risk culture by increasing our risk management capability and integrating risk management into the business. We continue to improve risk governance and risk maturity.

Insurance

Sydney Water's insurance program focuses on mitigating risks. We consider enterprise risks in determining insurance arrangements to ensure we have adequate financial resources to mitigate and minimise the effects of adverse events.

We regularly review our insurance program to confirm it is relevant and effective in mitigating risks. If appropriate, we transfer insurable risks to either the commercial insurance market or to Insurance and Care NSW.

Legal events

Following are the key changes in law and major judicial decisions that affected Sydney Water between 1 July 2021 and 30 June 2022:

Security of Critical Infrastructure Act 2018 (Cth)

The *Security of Critical Infrastructure Act 2018* (Cth) was amended by the *Security Legislation Amendment (Critical Infrastructure) Act 2021* (Cth) in December 2021 and by the *Security Legislation Amendment (Critical Infrastructure Protection) Act 2022* (Cth) in April 2022.

As a result of these amendments the Act's coverage has extended from four critical infrastructure sectors to 11. While water was previously included, that sector has now been amended to be water and sewerage. The amendments result in a broadening of the types of assets that fall within the 11 sectors and which are required to be reported to the Registrar of Critical Infrastructure Assets. This register provides the Australian Government with oversight as to who owns, controls and or has access to critical infrastructure assets. The amendments also include enhanced cyber security obligations which are intended to help the Federal Government establish a range of safeguards to mitigate and respond to cyber incidents associated with Australia's critical infrastructure assets.

Modern Slavery Act 2018 (NSW)

On 1 January 2022, the *Modern Slavery Act 2018* (NSW) commenced. Under this Act, Sydney Water is required to publish on its website each Modern Slavery Statement lodged under the federal Modern Slavery Act (*Modern Slavery Act 2018* (Cth)) and notify the NSW Anti-Slavery Commissioner that this

has been done. Sydney Water is required to include in its annual report a statement of steps taken to ensure goods and services procured by Sydney Water are not the product of modern slavery. Sydney Water is also required to include in its annual report a statement of action addressing any issue that during the financial year was raised by the NSW Anti-Slavery Commissioner.

Legislation related to COVID-19

Investigatory interviews by audio and audio-visual link

During 2020-21, Regulations were put in place under each of the following: *Protection of the Environment Operations Act 1997* (NSW), *Environmental Planning and Assessment Act 1979* (NSW), *Biodiversity Conservation Act 2016* (NSW), and *Water Management Act 2000* (NSW) to allow authorised officers, as a temporary measure, to conduct interviews by audio link or audio-visual link. The temporary measures were due to end on 31 March 2022. As at 24 March 2022, these temporary measures were made permanent under the following three Acts: *Protection of the Environment Operations Act 1997* (NSW), *Biodiversity Conservation Act 2016* (NSW), and *Water Management Act 2000* (NSW).

Remote witnessing for execution of documents by individuals

On 29 November 2021, the *Electronic Transactions Amendment (Remote Witnessing) Act 2021* (NSW) amended the *Electronic Transactions Act 2000* (NSW), which made permanent the arrangements for witnessing documents (including power of attorneys, deeds, agreements and affidavits and statutory declarations) by audio visual link in accordance with the provisions of that legislation.

Amendment to the Conveyancing Act 1919 (NSW)

On 29 November 2021, the *Customer Service Legislation Amendment Act 2021* (NSW) amended section 38A of the *Conveyancing Act 1919* (NSW) to expressly provide that for corporations, deeds may be created in electronic form and electronically signed and attested to, as the provision had previously only applied to individuals.

Major Judicial Decisions

There were no major judicial decisions from 1 July 2021 to 30 June 2022.



Financial performance





AS A STATE-OWNED CORPORATION

we must operate as efficiently as any comparable business and maximise the NSW Government's net investment.



Each year, Sydney Water Board agrees on a Statement of Corporate Intent (SCI) with shareholders. The SCI includes key business objectives, commercial performance and income targets, operational expenditure and capital investment. It also forms the basis of our yearly budget.

During 2021-22, our net profit after tax (NPAT) was \$325 million, which was \$69 million below the SCI target of \$394 million. Earnings before interest, tax, depreciation and amortisation (EBITDA) for the year was \$1,304 million, which was \$84 million under the SCI target of \$1,388 million.

We recognised a dividend of \$139 million, which was \$109 million lower than the SCI target of \$248 million.

The profit was lower than expected due to a \$57 million reduction in revenue. This decrease in revenue was predominantly driven by lower water consumption than was anticipated in the SCI, due to significantly higher than normal rainfall. There was a \$27 million increase in operating expenditure, including the additional costs of sourcing more water from the Sydney Desalination Plant. Borrowing Costs were \$20 million higher than SCI due to the higher inflation impact on CPI bonds and higher debt refinancing rates. These increased costs were offset by a \$33 million decrease in income tax expense and a \$2 million decrease in depreciation, amortisation, impairments and loss on asset sales.

TABLE 16: PROFIT AND LOSS STATEMENT, 2018-19 TO 2021-22

Financial performance target	2018-19 result	2019-20 result	2020-21 result	2021-22 result	2021-22 SCI budget	2021-22 variance to SCI budget
Total income (\$m)	2,927	2,967	2,748	2,764	2,821	(57)
Operating expenses (\$m)	1,471	1,501	1,428	1,460	1,433	(27)
Earnings before interest, tax, depreciation and amortisation (\$m)	1,456	1,466	1,320	1,304	1,388	(84)
Depreciation, amortisation, impairments and loss on asset sales (\$m)	317	389	384	427	429	2
Borrowing expenses (\$m)	457	448	361	416	396	(20)
Net profit before tax (\$m)	682	629	575	461	563	(102)
Income tax expense (\$m)	203	188	171	137	169	32
Net profit after tax (\$m)	479	441	404	325	394	(69)
Dividend (\$m)	915	963	687	139	248	109
Return on assets (%)	5.8	5.1	4.2	3.8	4.1	(0.3)
Net cash flow from operating activities	672	632	627	756	691	65
Net cash flow from operating activities interest cover (times)	2.5	2.4	2.7	2.8	2.7	0.1
Capital investment program ²⁸ (\$m)	833	843	885	1,170	1,533	363
Gearing ratio (%)	55	58	59	59	61	2

28 The capital investment program numbers exclude unregulated capex and capitalised borrowing costs.

Income

- Total income for the year was \$2,764 million, which was \$57 million below the SCI target of \$2,821 million.
- Regulated income was \$2,533 million, which was \$48 million lower than the SCI target of \$2,581 million. This was due to lower water sales than the SCI target due to significantly higher than normal rainfall.
- Non-regulated income was \$231 million, which was \$9 million lower than the SCI target of \$240 million.

Property sales

During 2021-22, we sold seven properties that were surplus to needs at a total gross sale price of \$4.1 million. We completed all sales in line with accepted NSW Government disposal standards and guidelines. Members of the public can request access to documents regarding property disposal under the *Government Information (Public Access) Act 2009* (NSW).

Operating expenditure

Total operating expenses for the year were \$1,460 million, which was \$27 million above the SCI target of \$1,433 million. This was mainly due to the additional costs of sourcing more desalinated water from the Sydney Desalination Plant than target.

Time for payment of accounts

Sydney Water did not incur any penalty interest charges during 2021-22 for overdue payments to creditors.

Net cash flow from operating activities

The net cash flow from operating activities in 2021-22 was \$756 million. This was \$65 million higher than our target of \$691 million and was due to lower operating payments, lower interest paid and lower income tax paid when compared to target.

Net cash flow from operating activities interest cover (times)

The net cash flow from operating activities interest cover (times) ratio was 2.8, which was slightly higher than the 2.7 target.

Investment management

We benchmark our investment portfolio's performance against the NSW Treasury Corporation's cash investment facility. In 2021-22, we had no financial investments, as we used surplus cash to minimise debt.

Debt management

At 30 June 2022, we had a \$12.8 million cash balance and our total debt was \$11.7 billion. Our debt portfolio was sourced through the NSW Treasury Corporation, and we actively manage it to limit the cost of funds. Additionally, 84% of our total debt was fixed-rate debt maturing out to 2041, with the remaining 16% inflation-indexed debt maturing out to 2035.

TABLE 17: DEBT MANAGEMENT, 2021-22

	Sydney Water	Benchmark
Market valuation at 30 June 2022 ²⁹ (\$m)	11,427	10,208
Generalised cost of funds 2021-22(%)	(6.2)	(6.4)
Weighted average cost 2021-22 (%)	3.9	4.3

²⁹ The market value of debt represents the value if all debt had to be retired. This is different to the capital value, which is the value in the financial statements. The market value of debt fell by 6.2% in 2021-22 due to the impact of rising bond yields on the value of debt issued.

Cash flow

- Cash receipts from our operations in 2021-22 were \$2,547 million, which was \$6 million more than in 2020-21.
- Total cash inflow was \$3.5 billion, which was \$925 million lower than in 2020-21, mainly due to an equity raising of \$750 million in 2020-21.
- We used \$1,479 million in cash for operational purposes, which was \$172 million lower than in 2020-21.
- Total interest paid was \$333 million, which was \$6 million lower than in 2020-21. Total interest paid includes interest and the government guarantee fee paid on our borrowings.

Return on assets and equity

Our return on assets for 2021-22 was 3.8%, against a target of 4.1%. The return on equity was 4.2%, which was under the target of 5.2% due to lower profits.

Return on invested capital

Our return on invested capital (ROIC) for 2021-22 was 4.7% which was lower than target of 4.8% due to a higher invested capital than the target.

Budget

TABLE 18: BUDGET 2022-23

Measure	Budget (\$m)
Total income	2,889
Total operating expenses	1,446
Depreciation, amortisation, impairments and loss on asset sales	435
Borrowing costs	357
Profit before tax	651
Income tax expense	195
Profit after tax	456

NSW Government's Sustainability Bond Programme

Sydney Water added more nature-based assets to a new NSW sustainability bond issuance in February 2022 as part of our ongoing participation in the NSW Government's Sustainability Bond Programme.

Established in 2018, the award-winning Programme finances projects and assets that support a broad range of NSW Government environmental and social policies, strategies and goals. Sydney Water has been an important delivery partner since the programme inception and has provided nature-based assets and sustainable water treatment projects for all bond lines issued to date.

One of the eligible nature-based projects was the award-winning naturalisation of Johnstons Creek, a tributary of the Parramatta River. This project involved deconstructing the concrete banks and rebuilding approximately 610 metres of the creek bank with natural sandstone incorporating intertidal rock pools. The areas of saltmarsh are an endangered ecological community and this was expanded to provide habitats and feeding areas for native invertebrate, bird and fish species. The increased native plantings on the banks from the project has also improved the biodiversity of the local area.

The other Sydney Water assets on the new sustainability bond are stormwater quality improvement projects which, when completed will feature a combination of different stormwater treatment systems and water sensitive urban design features such as wetlands, gross pollutant traps, bioretention systems and grassed swales.

These green, nature-based assets are designed to improve the stormwater quality going into bays and rivers around Sydney and supplement improvement works constructed by councils in local parks to help improve the ecological and social values of Sydney's waterways. Restoring and regenerating natural systems such as these within the urban landscape also delivers opportunities to transition in line with circular economy principles by providing sustainable and nature positive outcomes for our environment and society.

This year's TCorp \$1.5 billion benchmark sustainability bond is the fourth bond issued under the Programme, bringing total bonds on issue to \$7.225 billion (as of 30 June 2022). The allocated proceeds to June 2022 for Sydney Water's projects are summarised in Table 19.

TABLE 19: USE OF SUSTAINABILITY BOND PROGRAMME PROCEEDS FOR SYDNEY WATER ASSETS TO 30 JUNE 2022³⁰

Project name	Delivery partner	International Capital Market Association (ICMA) green or social bond category	Cumulative green bond proceeds allocation	Cumulative sustainability bond proceeds allocation	Total proceeds allocated
			(\$m)	(\$m)	(\$m)
Lower South Creek Treatment Programme: Quakers Hill and St Marys Water Recycling Plants Process and Reliability Renewal	Sydney Water	Sustainable water and wastewater management	244.0	50.0	294.0
Green Square Trunk Stormwater Improvement	Sydney Water	Sustainable water and wastewater management	n/a	63.2	63.2
Waterway Naturalisation and Stormwater Improvement – Tranche 1 – Astrolabe Park, Strangers Creek, Powells Creek and Cooks River	Sydney Water	Sustainable water and wastewater management	n/a	72.6	72.6
Waterway Naturalisation and Stormwater Improvement – Tranche 2 – Johnstons Creek, Milson Park, Parkside Drive Reserve	Sydney Water	Sustainable water and wastewater management	n/a	30.3	30.3

³⁰ Numbers provided by TCorp 2022

Executive officers

TABLE 20: EXECUTIVE REMUNERATION, 2021-22

PSSE band equivalent ³¹	2020-21		2021-22		Average remuneration (\$)	
	Female	Male	Female	Male	2020-21 (\$)	2021-22 (\$)
Above Band 4 equivalent	0	1	0	1	752,250	786,252
Band 4 equivalent	0	0	0	0	-	-
Band 3 equivalent	2	4	3	2	413,344	403,333
Band 2 equivalent	11	15	9	18	297,690	303,654
Band 1 equivalent	51	90	57	98	226,383	230,138
Total	64	110	69	119		
Grand total	174		188			

³¹ Sydney Water does not use Public Sector Senior Executive (PSSE) remuneration package ranges. For 2021-22, we reported in line with the regulatory definition, to include People Manager remuneration equivalent to the total remuneration package of the PSSE bands. At 30 June 2022, around 10% of our employee related expenditure was for employees remunerated at an equivalent level to the PSSE bands, which is unchanged from the end of 2020-21.

Consultant engagements

TABLE 21: PAYMENTS TO CONSULTANTS FOR ENGAGEMENTS VALUED AT OVER \$50,000, 2021-22³²

Vendor name	Contract description	Category	Amount (\$)
AECOM Australia Pty Ltd	Aboriginal cultural heritage and heritage assessments	Management Services	\$53,987.50
Atlas Engineering Group	Subject matter experts to assist with project review – Engineering Technical Services standard management review program	Management Services	\$59,499.20
AURECON Australia Pty Ltd	Sydney Water economic modelling	Management Services	\$64,969.78
Bowery Consulting Pty Ltd	Options analysis for various projects	Management Services	\$256,023.75
Kelleher Nightingale Consulting	Aboriginal cultural heritage impact assessments	Management Services	\$100,801.00
Marsden Jacob Associates	Aerotropolis Precincts and Greater Macarthur economic evaluation	Management Services	\$213,566.50
Nine-squared Pty Ltd	Support on Malabar program business case development	Management Services	\$63,000.74
NSW Circular	Economic modelling and workshops	Management Services	\$114,000.00
Permeate Partners Pty Ltd	Master Professional Service Agreement – Mt Taurus Feasibility Menangle Park – concept design, SCADA control risk assessment, rising main volumes and scenario modelling	Management Services	\$224,082.50
Sapere Research Group Ltd	Sydney Water Long-term Capital and Operational Plan (LTCOP) support – economic assessments and advice	Management Services	\$121,120.00
Sense Strategy Consulting Pty Ltd	Business case support	Management Services	\$143,040.00
Total			\$1,414,090.97

In 2021-22, we engaged 38 consultants for \$50,000 or less, with total costs of \$765,115.60.

³² Consultants are defined as companies that provide opinion or advice on a task. The consultant is independent of any ensuing process or work, and Sydney Water decides whether to act on the consultant's findings. It is the advisory nature of the work that differentiates it from other tasks commonly provided by service contractors.

Overseas travel

TABLE 22: OVERSEAS TRAVEL, 2021-22

Date of travel	Name	Destination	Purpose
26-30 June 2022	Clarissa Phillips	Spain	Attend WEX Global Conference to speak on Sydney Water's building of an information modelling delivery twin and smart water capabilities. Visit Valencia water and wastewater utility control room and observe digital twin, gaining an understanding of how other utilities are using digital twins. ICEX Spain Trade and Investment funded the travel.
27 June – 7 July 2022	Dominic Hatfield and Sridhar Pydipati	UK Germany	Visit Thames Water, Southern Water, Northumbrian Water and Severn Trent Water to gain insight into their digital transformation journey and discuss first-hand the rollout of key areas that Sydney Water is planning to invest in during the next several years. Attend SAP Global Utility Conference to research utility digital strategies for the future and gain better understanding of emerging solutions for record management, billing systems, finance management and other systems. Sydney Water funded the travel.

Exemptions from the reporting provisions

TABLE 23: ANNUAL REPORTING EXEMPTIONS

Statutory requirements	Statutory references	Comments
Paying accounts <ul style="list-style-type: none"> Performance in paying accounts, including action to improve payment performance 	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2015	The Public Finance and Audit Regulation 2015 was repealed on 1 July 2021. Schedule 1 of the Annual Reporting Statutory Bodies Regulation 2015 is still valid, in force and has not been repealed. A NSW Treasury exemption applies to this Schedule 1.
Time for paying <ul style="list-style-type: none"> Reasons for overdue payment Interest paid due to overdue payments 	Schedule 1 Annual Reports (Statutory Bodies) Regulation 2015	As above.

Pricing

How we set our prices

Our services are declared monopoly services under section 4 of the *Independent Pricing and Regulatory Tribunal Act 1992* (NSW). IPART sets and regulates our prices to ensure they are fair for our customers, while allowing us to cover costs and generate an adequate return on our assets.

We must set prices according to the IPART-determined maximum price, or IPART-determined methodology for calculating the maximum price. We cannot charge less than the maximum price set by IPART without the NSW Treasurer's approval.

In June 2020, IPART published its 2020 Price Determination for Sydney Water, which sets the prices we can charge for water, wastewater, stormwater drainage and other services from 1 July 2020 to 30 June 2024.

Note: In November 2021, IPART deferred the pricing review to 2025.

New (or upgraded) connection charges

During 2018–19, IPART released a determination on the maximum prices for connecting, or upgrading a connection, to a water supply, wastewater or drainage system. Although zero contributions for water, wastewater and stormwater services is no longer Government policy, we did not levy any new connection charges (also known as Infrastructure Contributions) during the 12 months to June 2022. This is in accordance with IPART's determination which allows 18 months from 1 January 2022 to develop, exhibit and register Development Servicing Plans for all areas where we expect to provide connection services to development before we begin to collect these contributions. The process of preparing Development Servicing Plans was on-going as of 30 June 2022.

In the 12 months to June 2022, Sydney Water did not provide any new services to existing properties to which this determination applied. This determination also allows grandfathering of all existing cases. That is, the prices for existing cases can be calculated in accordance with IPART's previous determination of those charges.

For an existing case in Terrey Hills, we quoted a connection charge calculated in accordance with the previous determination. The relevant properties had not connected by 30 June 2022, and therefore no charges were payable in the current reporting year.

Recycled water infrastructure contributions

Sydney Water has complied with IPART's Determination No. 8, 2006, which sets a methodology for fixing the maximum price that a water agency may charge for recycled water infrastructure contributions. We also began to apply IPART's 2019 recycled water pricing determination when the contributions for the Rouse Hill and Hoxton Park areas underwent their five-yearly review.

Two further schemes reached full development during the 12 months to June 2022, Oran Park/ Turner Road and Colebee. As such, we did not conduct the previously planned five-yearly review of those plans during this time.

TABLE 24: COMPLIANCE WITH IPART'S RECYCLED WATER DETERMINATIONS: NO. 8, 2006 AND 2019 – INFRASTRUCTURE CONTRIBUTION PER EQUIVALENT TENEMENT (ET), 2021-22

Recycled Water Scheme	Status of Development Servicing Plan (DSP)	Infrastructure contribution** (\$ per ET)	Compliance status against the determination
Rouse Hill	Reviewed & Registered (Oct 21)	4,512 (before review) 4,232 (after review)	Compliant
Hoxton Park	Reviewed & Registered (Oct 21)	8,007 (before and after review)*	Compliant
Oran Park/Turner Road	na	na	Compliant
Colebee	na	na	Compliant

* The NSW Treasurer gave approval to cap the price at the Hoxton Park scheme in 2016. The price above reflects the capped price, which is adjusted each year for inflation.

** Infrastructure contributions were termed 'developer charges' in the 2006 determination.

Sydney Water prices

TABLE 25: IPART PRICING TABLE, 2021-22

	IPART determined price (\$)	Adjustments for SDP by IPART determined method (\$)	Inflated IPART maximum prices (\$, at the rate of 1.1%)	Sydney Water daily rate (\$) ^a
2021-22	(2020-21)	(2021-22)	(2021-22)	(2021-22)
Service charges (\$)				
Residential premises				
Water				
Metered ^c	39.90	8.67	49.01	0.13427
Unmetered ⁱ	462.90	8.67	477.41	1.30797
Wastewater ^{b, d}	544.52		550.04	1.50696
Stormwater (drainage) ^b				
Standalone premises	77.55		78.40	0.21479
Multi premises	24.79		25.06	0.06866
Low impact	24.79		25.06	0.06866
Non-residential properties				
Water				
Water service charges by meter size (mm) ^e				
20	39.90	8.67	49.01	0.13427
25	62.34	13.55	76.58	0.20981
32	102.14	22.21	125.47	0.34375
40	159.59	34.70	196.05	0.53712
50	249.36	54.22	306.32	0.83923
80	638.36	138.79	784.17	2.14841
100	997.43	216.87	1,225.27	3.35690
150	2,244.38	487.95	2,757.08	7.55364
200	3,990.00	867.46	4,901.46	13.42866
250	6,234.38	1,355.41	7,658.54	20.98230
300	8,977.50	1,951.79	11,028.29	30.21449
500	24,937.50	5,421.64	30,634.14	83.92915
600	35,910.00	7,807.16	44,113.16	120.85797
Unmetered	462.90	8.67	477.41	1.30797

TABLE 25: IPART PRICING TABLE, 2021-22

	IPART determined price (\$)	Adjustments for SDP by IPART determined method (\$)	Inflated IPART maximum prices (\$, at the rate of 1.1%)	Sydney Water daily rate (\$) ^a
2021-22	(2020-21)	(2021-22)	(2021-22)	(2021-22)
Wastewater^{b, d}				
Wastewater service charges by meter size (mm) ^{f, g}				
20	486.03		491.38	1.34625
25	759.42		767.77	2.10348
32	1,244.24		1,257.93	3.44638
40	1,944.13		1,965.51	5.38496
50	3,037.70		3,071.12	8.41403
80	7,776.51		7,862.05	21.53986
100	12,150.79		12,284.45	33.65603
150	27,339.19		27,640.12	75.72636
200	48,603.00		49,138.00	134.62466
250	75,942.19		76,778.12	210.35101
300	109,356.75		110,560.50	302.90548
500	303,768.75		307,112.50	841.40411
600	437,427.00		442,242.00	1,211.62192
Unmetered	544.52		550.04	1.50696
Stormwater (drainage)^p				
Standalone premises				
Small (200m ² or less)	24.79		25.06	0.06866
Medium (201–1,000m ²) or low impact	77.55		78.40	0.21479
Large (1,001–10,000m ²)	447.82		452.75	1.24041
Very large (10,001–45,000m ²)	1,987.42		2,009.28	5.50488
Largest (45,001m ² or greater)	4,967.28		5,021.92	13.75868
Multi premises	24.79		25.06	0.06866
Low Impact assessed Non-Residential Property (irrespective of Property Area)	77.55		78.40	0.21479
Usage charges (\$/kL)				
Residential premises				
Filtered water	2.35		2.38	2.38
Uplift on Drought Response Days ^h	0.83		0.84	0.84
Non-residential properties				
Filtered water	2.35		2.38	2.38
Uplift on Drought Response Days ^h	0.83		0.84	0.84
Wastewater	1.20		1.21	1.21
Mandated recycled water supply services (\$/kL)				
Recycled water usage charge ⁱ				2.14

- a. Sydney Water's charges applied from 1 July 2021. Illustrated service charges are charged to customers at a daily rate based on 365 days in the year.
- b. The illustrated wastewater and stormwater service charges for both residential and non-residential premises/ properties contain discretionary service charges set by IPART for Sydney Water to recover the costs of wastewater and stormwater customer supported programs which are the 'Vaucluse Diamond Bay' and 'Waterways Health Improvement' programs. The wastewater discretionary charge for residential premises is \$1.06 pa (\$2021-22) and the stormwater discretionary charge for residential premises that do attract a stormwater drainage charge is \$0.86 pa (\$2021-22). The wastewater discretionary charge applicable to non-residential properties is subject to the meter size of the property whereas the stormwater discretionary charge for non-residential properties that do attract a stormwater drainage charge is \$0.86 pa (\$2021-22).
- c. 'Metered residential property' means a residential property that is serviced by one or more meters and includes a residential property within multi-premises that is serviced by one or more common meters.
- d. Wastewater service charge includes a deemed sewerage usage charge of \$181.50 per year based on a discharge allowance of 150 kL per year.
- e. IPART's maximum determined water service charge for meter sizes not specified in its determination is calculated using the following formula: $(\text{meter size})^2 \times 20 \text{ mm charge} / 400$.
- f. The service charge assumes a Discharge Factor (df%) of 100%. The relevant df% may vary from one non-residential property to another, as determined by Sydney Water. A pro rata adjustment shall be made where the df% is less than 100%.
- g. IPART's maximum determined wastewater meter connection charge for meter sizes not specified in its determination is calculated using the following formula: $(\text{meter size})^2 \times 20 \text{ mm charge} / 400 \times \text{df}\%$.
- h. Drought Response Days as defined in the Schedule 8 of the 2020 Price Determination for Sydney Water.
- i. Water service charge for unmetered customers of \$477.41 per year includes a deemed water usage charge of \$428.40 per year based on a usage allowance of 180 kL per year multiplied by the filtered water usage price of \$2.50 per kL (as defined in Schedule 1 of the 2020 Price Determination for Sydney Water).
- j. IPART has deferred setting prices for Sydney Water's mandatory recycled water schemes in the 2020 determination but has accepted Sydney Water's recycled water price of 90% of the filtered water usage price (non-drought). Sydney Water's mandated recycled water schemes are located at Rouse Hill, Hoxton Park, Colebee, Ropes Crossing, and Oran Park/Turner Road.

Notes:

- Other charging arrangements – including for Rouse Hill and Kellyville Village stormwater drainage, boarding houses, metered standpipes, trade waste and ancillary charges – in accordance with IPART's determined maximum price. Visit sydneywater.com.au/ourprices for more information.
- Sydney Water charges one non-residential property in the Rouse Hill stormwater catchment area a low-impact stormwater drainage charge instead of the Rouse Hill stormwater drainage charge, as approved by the Treasurer in 2014. This is the only non-residential property in the Rouse Hill area that receives the benefit of a land size cap or non-residential low-impact charge (which would be applicable if the property was in a declared stormwater catchment area).
- In the 2020 determination, IPART deferred setting maximum recycled water usage charges for our mandatory schemes at Rouse Hill, Hoxton Park, Colebee, Ropes Crossing, and Oran Park and Turner Road. It required that Sydney Water set the prices of these schemes in accordance with its recycled water pricing principles. In line with these principles, Sydney Water adopted a recycled water charge for all mandated schemes at 90% of the non-drought drinking water usage charge.



Auditor-General's statutory audit report

At the completion of the audit of Sydney Water's financial statements for the year ended 30 June 2022, the Auditor-General provided Sydney Water with a statutory audit report as required under the *Government Sector Audit Act 1983* (NSW).

No comments were made on any significant matters requiring a response from Sydney Water.

For more information on our environmental, financial and social performance throughout the year, please visit sydneywater.com.au/reports

Sydney Water Corporation

**Financial Statements
for the year ended 30 June 2022**

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Start of audited Financial Statements

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Revenue	1(a)	2,757,240	2,731,797
Other income	1(b)	6,564	16,013
Finance costs	2(a)	(415,643)	(361,323)
Other expenses	2(b)	(1,886,774)	(1,811,533)
Profit before income tax		461,387	574,954
Income tax expense	3(a)	(136,765)	(170,919)
Profit for the year		324,622	404,035
Other comprehensive Income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property, plant and equipment	4	82,705	208,429
Income tax effect	3(a)	(24,812)	(62,529)
		57,893	145,900
Remeasurement of defined benefit superannuation net liability	13(c)	229,981	107,449
Income tax effect	3(a)	(68,994)	(32,235)
		160,987	75,214
Other comprehensive income for the year net of income tax		218,880	221,114
Total comprehensive income for the year		543,502	625,149

This statement should be read in conjunction with the accompanying notes.

Statement of financial position

as at 30 June 2022

	Note	30 June 2022 \$'000	30 June 2021 \$'000
Current assets			
Cash and cash equivalents	8	12,783	6,300
Trade and other receivables	9	473,960	446,010
Other current assets	10	46,163	55,044
Current tax asset		31,252	-
		564,158	507,354
Non-current assets classified as held for sale		3,954	9,907
Total current assets		568,112	517,261
Non-current assets			
Non-current receivables	9	3,537	-
Property, plant and equipment	4	22,586,217	21,509,744
Right-of-use assets	5	329,489	358,999
Intangible assets	7	384,045	310,929
Total non-current assets		23,303,288	22,179,672
Total assets		23,871,400	22,696,933
Current liabilities			
Trade and other payables	11	758,210	575,713
Borrowings and other financial liabilities	12	164,434	111,393
Lease liabilities	5	36,590	33,267
Current tax liability		-	11,437
Dividends payable	15	138,750	274,400
Provisions	13	169,079	173,606
Deferred Government grants	14	62	-
Total current liabilities		1,267,125	1,179,816
Non-current liabilities			
Borrowings and other financial liabilities	12	12,114,786	11,333,803
Lease liabilities	5	316,010	343,909
Deferred tax liabilities	3(b)	1,668,082	1,513,840
Provisions	13	486,068	710,988
Total non-current liabilities		14,584,946	13,902,540
Total liabilities		15,852,071	15,082,356
Net assets		8,019,329	7,614,577
Equity			
Share capital	16	3,911,854	3,911,854
Asset revaluation reserve		2,773,470	2,717,948
Retained earnings		1,334,005	984,775
Total equity		8,019,329	7,614,577

This statement should be read in conjunction with the accompanying notes.

Statement of changes in equity

for the year ended 30 June 2022

	Note	Share capital \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2021		3,911,854	2,717,948	984,775	7,614,577
Profit for the year		-	-	324,622	324,622
Other comprehensive income		-	57,893	160,987	218,880
Total comprehensive income for the year		-	57,893	485,609	543,502
Transfers between equity items on disposal of assets		-	(2,371)	2,371	-
Total transfers between equity items		-	(2,371)	2,371	-
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	15	-	-	(138,750)	(138,750)
Total transactions with owners in their capacity as owners		-	-	(138,750)	(138,750)
Balance at 30 June 2022		3,911,854	2,773,470	1,334,005	8,019,329
Balance at 30 June 2020		3,161,854	2,573,520	1,191,054	6,926,428
Profit for the year		-	-	404,035	404,035
Other comprehensive income		-	145,900	75,214	221,114
Total comprehensive income for the year		-	145,900	479,249	625,149
Transfers between equity items on disposal of assets		-	(1,472)	1,472	-
Total transfers between equity items		-	(1,472)	1,472	-
Transactions with owners in their capacity as owners:					
Dividends provided for or paid	15	-	-	(687,000)	(687,000)
Proceeds from equity raising	16	750,000	-	-	750,000
Total transactions with owners in their capacity as owners		750,000	-	(687,000)	63,000
Balance at 30 June 2021		3,911,854	2,717,948	984,775	7,614,577

This statement should be read in conjunction with the accompanying notes.

Statement of cash flows

for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Cash receipts		2,547,379	2,541,747
Cash payments		(1,478,550)	(1,650,743)
Cash generated from operations		1,068,829	891,004
Social programs grants received from NSW Government		136,288	127,467
Other grants received from NSW Government		332	1,353
Grants received from Commonwealth Government		106	142
Interest received		1,815	5
Income tax refunds received		-	53,185
Interest paid		(188,291)	(160,016)
Government guarantee fee paid		(144,346)	(167,082)
Income tax paid		(119,017)	(118,622)
Net cash flows from operating activities	8(b)	755,716	627,436
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2,770	282
Other cash contributions received		3,908	6,761
Security and other deposits received		34,582	34,969
Payments for property, plant and equipment		(1,146,795)	(914,262)
Payments for intangible assets		(79,116)	(57,064)
Security and other deposits released		(19,572)	(26,110)
Net cash flows from investing activities		(1,204,223)	(955,424)
Cash flows from financing activities			
Proceeds from borrowings		803,838	993,606
Proceeds from equity raising		-	750,000
Payment of principal for lease liabilities related to right-of-use assets		(36,158)	(34,933)
Payment of principal for service concession liabilities		(38,290)	(41,540)
Dividends paid	15	(274,400)	(1,375,600)
Net cash flows from financing activities		454,990	291,533
Net increase/(decrease) in cash and cash equivalents		6,483	(36,455)
Cash and cash equivalents at beginning of the year		6,300	42,755
Cash and cash equivalents at end of the year	8(a)	12,783	6,300

This statement should be read in conjunction with the accompanying notes.

About these Financial Statements

Corporate information

Sydney Water Corporation (the Corporation) is a NSW statutory state-owned corporation established on 1 January 1999 following the enactment of the *Water Legislation Amendment (Drinking Water and Corporate Structure) Act 1998* and legislative amendments to the *Sydney Water Act 1994*. The address of the Corporation's head office is 1 Smith Street, Parramatta, NSW 2150.

The Corporation provides water and water-related services under its Operating Licence to customers in its area of operations in NSW. It operates under the commercial disciplines of the NSW Government's Commercial Policy Framework and accordingly the directors have determined that it is a for-profit entity for financial reporting purposes. The Corporation's ultimate parent is the NSW Government. Accordingly, the Corporation's financial statements form part of the consolidated NSW Total State Sector Accounts.

The Corporation's financial statements for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 24 August 2022.

Basis of preparation

These general purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards (including Australian Accounting Interpretations), the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018, mandates issued by NSW Treasury including NSW Treasury Directions issued under the GSF Act, NSW Treasury Circulars and NSW Treasury Policy and Guidelines Papers adopted in the Corporation's Statement of Corporate Intent.

The financial statements have been prepared on the historical cost basis, except for the following items:

- Certain classes of property, plant and equipment and intangible assets are stated using the fair value basis;
- Greenhouse trading certificates and biodiversity offset credits are held at fair value;
- Non-monetary developer contributions are recognised at current replacement cost;
- Non-current assets classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell;
- Borrowings are measured at amortised cost;
- Defined benefit superannuation liabilities are stated at the present value of accrued defined benefit obligations less the fair value of fund assets; and
- Other non-current provisions are stated at the present value of the future estimated obligations for the relevant liabilities concerned.

Performance for the reporting period

The financial statements cover the financial performance and cash flows of the Corporation for the reporting period 1 July 2021 to 30 June 2022, and its financial position as at 30 June 2022.

Presentation currency

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000).

Critical judgements and estimates

The Corporation makes estimates and assumptions concerning the future that are regularly evaluated based on historical experience and other factors. This includes expectations of future events that may have a financial effect on the Corporation and that are believed to be reasonable under the circumstances. Actual results may therefore differ from these estimates. Estimates and judgments that are material to the financial statements are disclosed in the following notes:

- Note 3 Taxation;
- Note 4 Property, plant and equipment;
- Note 5 Leases;
- Note 6 Service concession arrangements;
- Note 7 Intangible assets;
- Note 9 Trade and other receivables; and
- Note 13 Provisions.

Accounting policies

The accounting policies described in these financial statements are based on the requirements applicable to for-profit entities and have been consistently applied to all reporting periods presented. Significant accounting policies that summarise the basis of recognition and measurement of material items presented in these financial statements are provided in each applicable note about those items.

Significant changes in the current reporting period

There were no changes in accounting policy during the reporting period, nor did the introduction of new Accounting Standards and Accounting Interpretations lead to any change in measurement in these financial statements.

Notes to the Financial Statements

Performance for the reporting period

Note 1. Income

(a) Revenue

	Note	Regulated		Non-Regulated		Total	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Revenue from contracts with customers							
Service availability charges (redress rebates)		1,168,790	1,121,244	(2,208)	(4,417)	1,166,582	1,116,827
Usage charges		1,198,796	1,208,546	11,772	11,978	1,210,568	1,220,524
Ancillary services		21,778	14,996	3,406	4,166	25,184	19,162
Developer contributions	8(b)	-	331	190,766	213,738	190,766	214,069
Sundry revenue		-	-	18,940	15,165	18,940	15,165
Total revenue from contracts with customers		2,389,364	2,345,117	222,676	240,630	2,612,040	2,585,747
Timing of revenue recognition							
Over time		2,367,586	2,329,790	9,564	7,561	2,377,150	2,337,351
At a point in time		21,778	15,327	213,112	233,069	234,890	248,396
		2,389,364	2,345,117	222,676	240,630	2,612,040	2,585,747
Other revenues							
NSW Government grants for social programs		131,746	129,821	-	-	131,746	129,821
Other grants from NSW Government		-	-	185	1,645	185	1,645
Grants from Commonwealth Government		-	-	106	142	106	142
Interest revenue		-	-	1,815	1,014	1,815	1,014
Rent revenue from operating leases		5,421	5,648	5,421	5,647	10,842	11,295
Sundry revenue		-	-	506	2,133	506	2,133
Total other revenues		137,167	135,469	8,033	10,581	145,200	146,050
Total revenue		2,526,531	2,480,586	230,709	251,211	2,757,240	2,731,797

Recognition and measurement

Regulated revenues are revenues subject to Independent Pricing and Regulatory Tribunal New South Wales (IPART) Pricing Determination. All other revenues are non-regulated.

Revenue from contracts with customers

The Corporation's revenue streams from contracts with customers each consist of only a single performance obligation and a single transaction price. The transaction price is determined either by IPART (for regulated revenues and for non-regulated monetary developer contributions) or by agreement with the customer (for all other non-regulated revenues). The variability of the consideration for the Corporation's revenue streams can also be easily identified. The conditions for the customer to receive a redress or other rebate, discount or refund can be readily determined.

The Corporation does not have any contracts with customers where the period between the transfer of the promised services or goods and payment from the customer exceeds one year. As a result, transaction prices have not been adjusted for the time value of money.

Service availability charges

Service availability charges are a fixed charge to customers to cover the cost of making the Corporation's water, wastewater and stormwater services available. The Corporation transfers control over the availability of the services and recognises revenue evenly over time as customers continue to receive their service connection. The service availability charge revenue is billed in advance to customers at the commencement of each quarter and is progressively released to revenue as each month of the quarter concludes.

Redress rebates are provided to customers who experience interruption to their service. This redress rebate is a part of the Corporation's contract with its customers but is not subject to the IPART Pricing Determination.

Usage charges

Usage charges reflect revenue derived from the consumption of the Corporation's water, wastewater and trade waste services. The Corporation transfers control over the services to customers who then simultaneously consume those services, with the transfer and consumption considered to occur over time.

The Corporation recognises revenue based on a right to invoice as this corresponds with the value customers have received to date from their consumption of the services. Consumption is measured through the reading of the Corporation's installed meters. The Corporation recognises an estimate for the accrued revenue earned from unbilled consumption where meters have not been read as at the reporting date (refer to note 9).

Ancillary services

Ancillary services are provided to customers for water, wastewater and stormwater related services including building approvals and the provision of information such as plans and diagrams. Revenue is recognised at a point in time when the control over the services or information is transferred to the customer.

Developer contributions

The construction of pipes and other works by developers for the connection of their developments to the Corporation's water, wastewater, stormwater and recycled water infrastructure is certified by the Corporation. This is to ensure that construction meets the Corporation's design and construction standards for quality of service delivery.

The Corporation issues a compliance certificate to the developer upon the completion of certification. In return, the developer contributes the constructed pipes and other works at no cost to the Corporation. The fair value of these non-monetary developer contributions at initial recognition is estimated using current replacement cost. These non-monetary developer contributions are non-regulated revenues.

Certification which involves connection of new developments to the Corporation's recycled water infrastructure have additional monetary developer contributions charged to cover the incremental cost to the Corporation of the connection.

The non-monetary and monetary developer contributions revenues are recognised when the certification process is completed and control over the compliance certificate is transferred at a point in time to the developer being when the Corporation issues the compliance certificate.

Other revenues

NSW Government grants for social programs

The Corporation delivers several non-commercial social programs of the NSW Government. These include pensioner rebates, properties exempt from service and usage charges and expenditures for priority sewerage areas. The Corporation is reimbursed for the full cost of all social programs. Such reimbursements are recognised as revenue on an accrual basis at the same time as the related social program items are recognised in profit or loss.

Where such reimbursements are received in advance, they are recognised initially as deferred income in the statement of financial position and subsequently as revenue when the costs incurred, or revenues foregone for which they are intended to compensate are recognised in profit or loss.

(b) Other income

	Note	2022 \$'000	2021 \$'000
Gain on disposal of property, plant and equipment	8(b)	2,770	41
Income from sale of greenhouse trading certificates		2,665	2,451
Unrealised gain on biodiversity credits		1,129	13,521
Total other income recognised in profit or loss		6,564	16,013

Note 2. Expenses

(a) Finance costs

	Note	2022 \$'000	2021 \$'000
Interest expense for borrowings at amortised cost		225,323	193,024
Interest expense for lease liabilities related to right-of-use assets		11,747	14,367
Interest expense for service concession liabilities		22,412	23,535
Amortisation of deferred discounts on loans	8(b)	15,697	25,418
Total interest expense		275,179	256,344
Government guarantee fee expense – NSW Treasury		149,522	144,346
Indexation of CPI bonds	8(b)	54,058	9,012
Other		-	1
		478,759	409,703
Less amount capitalised as borrowing costs		(63,116)	(48,380)
Total finance costs recognised in profit or loss		415,643	361,323

Recognition and measurement

Interest and other borrowing costs are expensed as incurred within finance costs in profit or loss unless they relate to qualifying capital assets, in which case they are capitalised as part of the cost of those assets. Qualifying capital assets are assets that take a substantial period of time (12 months or more) to get ready for their intended use or sale.

Payments for the lease liabilities related to the right-of-use assets and for the service concession liabilities are allocated between principal and interest. The interest is expensed as incurred within finance costs in profit or loss over the lease period for the lease liabilities or over the service concession arrangement term for the service concession liabilities. This expense is to produce a constant periodic rate of interest on the remaining balance of the lease liabilities and service concession liabilities for each period.

Borrowing costs are capitalised where there is a direct relationship between the borrowings and the projects giving rise to qualifying capital assets.

Where funds are borrowed specifically for the acquisition, construction or production of a qualifying capital asset, the amount of borrowing costs capitalised is net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average.

The Government guarantee fee represents the fee paid by the Corporation to NSW Treasury for the guarantee that the NSW Government provides in relation to the Corporation's borrowings.

(b) Other expenses

	Note	2022 \$'000	2021 \$'000
Employee-related expenses:			
Total employee-related expenses before amounts capitalised		549,063	501,556
Less amounts capitalised		(190,805)	(141,477)
Total employee-related expenses		358,258	360,079
Non-employee related expenses:			
Availability charges and purchases of bulk water – Water NSW		197,134	196,434
Availability charges and operational costs - Sydney Desalination Plant		203,931	208,032
Tariff expenses from water filtration plant agreements		100,869	97,032
Maintenance services	2(d)	251,011	245,482
Operational services		109,134	92,918
Materials, plant and equipment		84,651	65,638
Leases of low value assets		100	13
Short-term leases expense		11,912	7,999
Electricity and other energy		51,749	49,513
Transport		5,447	3,932
Property including land tax		28,411	28,220
Data management		66,599	58,502
Unrealised loss on biodiversity offset credits		4,261	-
Other expenses from ordinary activities		59,009	44,942
Total non-employee related expenses before amounts capitalised		1,174,218	1,098,657
Less amounts capitalised		(72,917)	(30,803)
Total non-employee related expenses		1,101,301	1,067,854
Depreciation and amortisation expenses:			
Depreciation of property, plant and equipment	4	301,496	294,462
Depreciation of property, plant and equipment – right-of-use assets	5	41,258	41,819
Amortisation of intangible assets	7	53,623	44,793
		396,377	381,074
Losses from disposal of:			
Property, plant and equipment	8(b)	12,007	7,827
		12,007	7,827
Impairment losses expensed (reversed) through profit or loss:			
Receivables	9(c)	520	219
Property, plant and equipment	4, 8(b)	18,250	(105)
Intangible assets	7, 8(b)	61	377
Inventory		-	(5,792)
		18,831	(5,301)
Total other expenses recognised in profit or loss		1,886,774	1,811,533

(c) Additional information on superannuation expense

	Note	2022 \$'000	2021 \$'000
Superannuation expense recognised in profit or loss			
Defined benefit schemes			
Current service cost	13(c)	4,794	6,449
Net interest on the net defined benefit liability (asset)	13(c)	19,500	22,185
Defined benefit superannuation expense (advised by Administrator)		24,294	28,634
Other movements		(43)	(1,565)
Defined benefit superannuation expense before amounts capitalised		24,251	27,069
Less amount capitalised		(6,606)	(7,374)
Defined benefit superannuation expense		17,645	19,695
Defined contribution schemes			
Defined contribution superannuation expense before amounts capitalised		19,644	16,144
Less amount capitalised		(3,608)	(2,965)
Defined contribution superannuation expense		16,036	13,179
Total superannuation expense recognised in profit or loss		33,681	32,874

(d) Additional information on maintenance expense

	Note	2022 \$'000	2021 \$'000
Maintenance expenses			
Maintenance related expense included in employee related expenses	2(b)	83,416	83,422
Maintenance expense included in non-employee related expenses	2(b)	251,011	245,482
Total maintenance expenses		334,427	328,904

Recognition and measurement

Expenses are recognised in profit or loss when incurred. Expenses include items that are incurred in the course of ordinary activities as well as various losses that arise from either the disposal of recognised assets or the remeasurement of some items at the reporting date.

Expenses for wages and salaries are recognised on an accrual basis as services are rendered by employees. Expenses for sick leave, which is non-vesting, are recognised when the absences occur.

Note 3. Taxation

(a) Income tax expense recognised in profit or loss and on other comprehensive (loss)/income

	2022 \$'000	2021 \$'000
Current tax expense		
Current tax on profits for the year	68,564	132,440
Adjustments for current tax of prior years	7,765	752
	76,329	133,192
Deferred tax expense		
Origination and reversal of temporary differences	68,027	37,745
Adjustments for prior years	(7,591)	(18)
	60,436	37,727
Total income tax expense in profit or loss	136,765	170,919
Reconciliation of income tax expense to prima facie tax payable		
Profit before income tax	461,387	574,954
Tax at the Australian tax rate of 30% (2021: 30%)	138,415	172,486
Tax effect of amounts which are not (taxable) deductible (temporary)		
Research and development concession	(306)	(462)
Sundry items	(1,518)	(1,839)
	136,591	170,185
Under provided in prior year – current tax	7,765	752
(Over) provided in prior year – deferred tax	(7,591)	(18)
Income tax expense	136,765	170,919
Income tax on other comprehensive income		
Deferred tax relating to:		
Revaluation of property, plant and equipment	24,812	62,529
Remeasurement of defined benefit superannuation liability	68,994	32,235
Total income tax on other comprehensive (loss)/income	93,806	94,764

Recognition and Measurement

The Corporation is subject to notional taxation in accordance with the *State Owned Corporations Act 1989*. Notional income tax is payable to the NSW Government through Revenue NSW. The taxation liability is assessed according to the National Tax Equivalent Regime (NTER). The NTER closely mirrors the *Income Tax Assessment Act 1936* and the *Income Tax Assessment Act 1997* (as amended) and is administered by the Australian Taxation Office (ATO). The income tax expense for the year is the tax payable on the current year's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and for adjustments to tax payable or receivable in respect of prior years. The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period. Income tax is recognised in profit or loss except to the extent that it relates to items recognised in equity, in which case the income tax is itself recognised in equity as part of other comprehensive income. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Current and deferred tax assets are offset with current and deferred tax liabilities respectively where they relate to income taxes levied by the same taxation authority and the Corporation intends to settle current tax assets and liabilities with that taxation authority on a net basis.

(b) Deferred tax assets and liabilities

Movements

	Balance 1 July 2021	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30 June 2022
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment and intangibles	1,870,553	54,336	24,812	1,949,701
Other assets	3,428	1,816	-	5,244
Right-of-use assets	(5,453)	(1,481)	-	(6,934)
Employee benefits	(246,759)	(3,862)	68,994	(181,627)
Provisions not currently deductible	(13,634)	5,571	-	(8,063)
Anticipated receipts and accrued expenses	(7,519)	(5,229)	-	(12,748)
Other financial instruments	(82,838)	7,228	-	(75,610)
Greenhouse trading certificates and biodiversity offset credits	(3,938)	2,057	-	(1,881)
Net tax (assets) / liabilities	1,513,840	60,436	93,806	1,668,082

	Balance 1 July 2020	Recognised in profit or loss	Recognised in other comprehensive income	Balance 30 June 2021
	\$'000	\$'000	\$'000	\$'000
Property, plant and equipment and intangibles	1,694,151	113,873	62,529	1,870,553
Other assets	11,252	(7,824)	-	3,428
Right-of-use assets	(2,887)	(2,566)	-	(5,453)
Employee benefits	(270,190)	(8,804)	32,235	(246,759)
Provisions not currently deductible	(17,375)	3,741	-	(13,634)
Anticipated receipts and accrued expenses	(3,574)	(3,945)	-	(7,519)
Other financial instruments	(30,040)	(52,798)	-	(82,838)
Greenhouse trading certificates and biodiversity offset credits	12	(3,950)	-	(3,938)
Net tax (assets) / liabilities	1,381,349	37,727	94,764	1,513,840

Carrying amounts

	Assets		Liabilities		Net	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Property, plant and equipment and intangibles	-	-	1,949,701	1,870,553	1,949,701	1,870,553
Other assets	-	-	5,244	3,428	5,244	3,428
Right-of-use assets	(6,934)	(5,453)	-	-	(6,934)	(5,453)
Employee benefits	(181,627)	(246,759)	-	-	(181,627)	(246,759)
Provisions not currently deductible	(8,063)	(13,634)	-	-	(8,063)	(13,634)
Anticipated receipts and accrued expenses	(12,748)	(7,519)	-	-	(12,748)	(7,519)
Other financial instruments	(75,610)	(82,838)	-	-	(75,610)	(82,838)
Greenhouse trading certificates and biodiversity offset credits	(1,881)	(3,938)	-	-	(1,881)	(3,938)
Tax (assets) liabilities	(286,863)	(360,141)	1,954,945	1,873,981	1,668,082	1,513,840
Set-off of tax	286,863	360,141	(286,863)	(360,141)	-	-
Net tax (assets) / liabilities	-	-	1,668,082	1,513,840	1,668,082	1,513,840

(c) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised excluding any amount of GST, except where the amount of GST incurred by the Corporation as a purchaser is not recoverable from the ATO. In such cases, the GST incurred is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in other debtors in the statement of financial position (refer to note 9(a)).

Cash flows for GST are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as cash flows from operating activities.

(d) Uncertainty over income tax treatment

AASB Interpretation 23 *Uncertainty over income Tax Treatment* clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* where there is uncertainty over income tax treatments. An assessment is required of each uncertain tax position as to whether it is probable that the ATO will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases and tax rates. The amount is determined as either the single most likely amount or the sum of the probability weighted amounts in a range of possible outcomes, whichever better predicts the resolution of the uncertainty. Judgements are reassessed as and when new facts and circumstances are presented.

In *Victoria Power Networks Pty Ltd v Commissioner of Taxation* (2020) FCAFC 169, on 21 October 2020 the Full Federal Court made a judgement on what value to assign to assets received free of charge in terms of determining assessable income for the taxpayer. The Full Federal Court held that the arm's length value of the assets received free of charge under section 21A of the *Income Tax Assessment Act 1936* was limited to the rebate amount paid to the electricity distribution taxpayer by the customer. The arm's length value excluded the estimated cost of construction undertaken by the customer and provided free of charge to the taxpayer. The effect was to exclude the assets received free of charge from being classified as part of assessable income. The case was decided based on legislation and industry guidelines specific to the electricity distribution industry in the state of Victoria.

A subsequent Decision Impact Statement issued by the ATO stated that the Commissioner was currently assessing the potential impact of the decision on other infrastructure providers and regulated industries such as gas, water, telecommunications, rail and ports. The Commissioner is still yet to perform its assessment as at the reporting date. No specific guidance has been issued in relation to assets received free of charge and their classification as assessable income for entities within the regulated water industry.

The Corporation has considered the most likely outcome of the uncertainty associated with the case is that there will be no change to the status of the assets received free of charge being classified as assessable income. Hence no adjustment was made to the current income tax expense and the current income tax payable for the current reporting period.

Assets and fair values

Note 4. Property, plant and equipment

Movements and carrying amounts

	Market land and buildings	Leasehold property	System assets- infrastructure including system land	Service Concession Arrangements	Plant and equipment	Computer equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2020 – net carrying amount	143,504	25,173	17,661,463	1,307,238	38,701	26,372	1,262,663	20,465,114
Additions to work in progress	-	-	-	-	-	-	914,453	914,453
Additions transferred from work in progress	(2,231)	-	628,182	1,744	10,163	14,137	(651,995)	-
Additions – other and adjustments	-	-	207,308	-	-	-	-	207,308
Additions – service concession arrangements	-	-	-	18,496	-	-	-	18,496
Disposals	-	-	(7,681)	-	(1)	(9)	-	(7,691)
Reclassified as assets held for sale	(2,008)	-	-	-	-	-	-	(2,008)
Other reclassifications	(11,023)	-	13,070	-	(2,047)	-	-	-
Revaluation increments/(decrements) recognised in the asset revaluation reserve	(1,141)	2,933	185,840	20,797	-	-	-	208,429
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	492	-	-	-	-	-	(387)	105
Depreciation charge	(134)	(2,703)	(239,841)	(27,638)	(10,583)	(13,563)	-	(294,462)
At 30 June 2021 – net carrying amount	127,459	25,403	18,448,341	1,320,637	36,233	26,937	1,524,734	21,509,744
Additions to work in progress	-	-	-	-	-	-	1,195,573	1,195,573
Additions transferred from work in progress	705	-	417,827	3,767	2,196	15,097	(439,592)	-
Additions – other and adjustments	-	-	186,858	-	-	-	-	186,858
Additions – service concession arrangements	-	-	-	-	-	-	-	-
Disposals	-	-	(11,915)	-	(15)	(9)	-	(11,939)
Reclassified as assets held for sale	(1,313)	-	-	-	(38)	-	-	(1,351)
Reclassified to inventory	-	-	-	-	-	-	(1,810)	(1,810)
Other reclassifications	(8,598)	-	54,107	(45,509)	-	-	-	-
Reclassified to intangibles	-	-	-	-	-	-	(53,817)	(53,817)
Revaluation increments/(decrements) recognised in the asset revaluation reserve	8,995	3,056	(71,004)	141,658	-	-	-	82,705
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	516	-	-	-	-	-	(18,766)	(18,250)
Depreciation charge	(156)	(2,004)	(252,265)	(21,187)	(9,863)	(16,021)	-	(301,496)
At 30 June 2022 – net carrying amount	127,608	26,455	18,771,949	1,399,366	28,513	26,004	2,206,322	22,586,217

	Market land and buildings	Leasehold property	System assets - Infrastructure including system land	Service Concession Arrangements	Plant and equipment	Computer equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2021								
Fair value – Level 3								
Cost	-	-	-	-	185,553	117,581	1,524,734	1,827,868
Fair value – market approach	130,899	26,600	-	-	-	-	-	157,499
Fair value – income approach	-	-	18,448,341	-	-	-	-	18,448,341
Fair value – replacement cost	-	-	-	1,387,804	-	-	-	1,387,804
	130,899	26,600	18,448,341	1,387,804	185,553	117,581	1,524,734	21,821,512
Accumulated depreciation	(63)	(992)	-	(67,167)	(149,320)	(90,644)	-	(308,186)
Accumulated impairment	(3,377)	(205)	-	-	-	-	-	(3,582)
	(3,440)	(1,197)	-	(67,167)	(149,320)	(90,644)	-	(311,768)
At 30 June 2021 – net carrying amount	127,459	25,403	18,448,341	1,320,637	36,233	26,937	1,524,734	21,509,744
At 30 June 2022								
Fair value – Level 3								
Cost	-	-	-	-	187,009	127,361	2,206,322	2,520,692
Fair value – market approach	130,990	27,398	-	-	-	-	-	158,388
Fair value – income approach	-	-	18,771,949	-	-	-	-	18,771,949
Fair value – replacement cost	-	-	-	2,049,640	-	-	-	2,049,640
	130,990	27,398	18,771,949	2,049,640	187,009	127,361	2,206,322	23,500,669
Accumulated depreciation	(54)	(723)	-	(650,274)	(158,496)	(101,357)	-	(910,904)
Accumulated impairment	(3,328)	(220)	-	-	-	-	-	(3,548)
	(3,382)	(943)	-	(650,274)	(158,496)	(101,357)	-	(914,452)
At 30 June 2022 – net carrying amount	127,608	26,455	18,771,949	1,399,366	28,513	26,004	2,206,322	22,586,217
Revalued assets based on cost model								
Cost	38,189	26,745	22,319,813	757,955	-	-	-	-
Accumulated depreciation	(5,149)	(16,854)	(5,748,826)	(367,276)	-	-	-	-
Accumulated impairment	(9,000)	-	-	-	-	-	-	-
	(14,149)	(16,854)	(5,748,826)	(367,276)	-	-	-	-
At 30 June 2022 – net carrying amount	24,040	9,891	16,570,987	390,679	-	-	-	-

	Market land and buildings	Leasehold property	System assets - Infrastructure including system land	Service Concession Arrangements	Plant and equipment	Computer equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2020								
Fair value – Level 3	-	-	-	-	-	-	-	-
Cost	147,601	26,600	17,661,463	182,383	103,641	1,262,663	1,548,687	
Fair value – market approach	-	-	-	-	-	-	-	174,201
Fair value – income approach	-	-	17,661,463	-	-	-	-	17,661,463
Fair value – replacement cost	-	-	-	1,337,447	-	-	-	1,337,447
Accumulated depreciation	147,601	26,600	17,661,463	1,337,447	103,641	1,262,663	20,721,798	
Accumulated impairment	(77)	(1,222)	-	(30,209)	(77,269)	-	-	(252,459)
	(4,020)	(205)	-	-	-	-	-	(4,225)
	(4,097)	(1,427)	-	(30,209)	(77,269)	-	-	(256,684)
At 30 June 2020 – net carrying amount	143,504	25,173	17,661,463	1,307,238	38,701	26,372	1,262,663	20,465,114
At 30 June 2021								
Fair Value – Level 3	-	-	-	-	-	-	-	-
Cost	130,899	26,600	18,448,341	185,553	117,581	1,524,734	1,827,868	
Fair value – market approach	-	-	-	-	-	-	-	157,499
Fair value – income approach	-	-	18,448,341	-	-	-	-	18,448,341
Fair value – replacement cost	-	-	-	1,387,804	-	-	-	1,387,804
Accumulated depreciation	130,899	26,600	18,448,341	1,387,804	117,581	1,524,734	21,821,512	
Accumulated impairment	(63)	(992)	-	(67,167)	(90,644)	-	-	(308,186)
	(3,377)	(205)	-	-	-	-	-	(3,582)
	(3,440)	(1,197)	-	(67,167)	(90,644)	-	-	(311,768)
At 30 June 2021 – net carrying amount	127,459	25,403	18,448,341	1,320,637	36,233	26,937	1,524,734	21,509,744
Revalued assets based on cost model								
Cost	38,302	26,745	21,637,956	843,688	-	-	-	
Accumulated depreciation	(4,817)	(15,353)	(5,421,165)	(375,005)	-	-	-	
Accumulated impairment	(9,516)	-	-	-	-	-	-	
	(14,333)	(15,353)	(5,421,165)	(375,005)	-	-	-	
At 30 June 2021 – net carrying amount	23,969	11,392	16,216,791	468,683	-	-	-	

(a) Asset classes

The Corporation has the following asset classes forming property, plant and equipment:

System assets

These are infrastructure assets that deliver water, wastewater, recycled water and stormwater services to customers through an integrated network of various asset categories. This class also includes system land and water meters. System land is land upon which the various system asset categories are located and which has no other alternative use.

Market land and buildings

These are properties held and owned by the Corporation and that have potential for alternative use.

Leasehold property

This is a property held by the Corporation under a 99-year lease.

Plant and equipment

These are assets that comprise vehicles, office equipment and operating plant and machinery.

Computer equipment

These are assets that comprise computer hardware, such as servers, desktop computers, laptops and other associated computer peripherals.

Service Concession assets

The Corporation as a public sector grantor engages private sector operators to provide public services using the Corporation's assets. The private sector operators must exercise managerial discretion over the specified term of the arrangements when providing the public services. The Corporation's assets identified in these arrangements are recognised as service concession assets (refer to note 6).

(b) Acquisitions and capitalisation

Property, plant and equipment assets are recognised initially at the cost of acquisition, which includes costs directly attributable to bringing the relevant asset to the location and condition necessary for it to operate as intended.

Items costing \$5,000 or more individually and having a minimum expected working life of three years are capitalised. In the case of system (pipeline) asset categories that work together to form an entire network, all expenditures are capitalised regardless of cost.

For system assets constructed by the Corporation for its own use, the initial cost capitalised includes the cost of construction including direct labour, materials, contractors' services costs, inspection costs, capital support costs and borrowing costs. These costs are capitalised initially as work in progress and then reclassified as completed assets when the asset becomes operational.

Inspection costs are capitalised when incurred and are depreciated over the period until the next inspection. Restoration costs are also capitalised when a decision to decommission the asset has been made. This also gives rise to the recognition of a corresponding liability as a provision (refer to note 13(d)).

Where system assets are handed over by developers free of charge, they are initially recognised at fair value using the cost approach (refer to note 4(d)) based on an estimate of the sub-contractor's cost, which in effect represents their replacement cost as at the date of acceptance.

(c) Asset revaluations

After initial recognition, each class of property, plant and equipment is stated at fair value less any accumulated depreciation and accumulated impairment losses. Adoption of the revaluation model, rather than the cost model, is required under NSW Treasury mandates for NSW public sector entities.

For system assets, market land and buildings, leasehold properties and service concession assets, remeasurement to fair value is undertaken by way of an asset revaluation. For these asset classes, revaluation increments are recognised in other comprehensive income and credited to an asset revaluation reserve within equity in the statement of financial position.

Plant and equipment, computer equipment and work in progress are not subject to revaluations as their carrying amounts closely approximate their fair value.

Where a revaluation decrement or an impairment loss reverses a previous revaluation increment within the asset revaluation reserve, the revaluation decrement or impairment loss is debited to that reserve until the original credit is extinguished. Any excess debit above the original credit is recognised as an expense in profit or loss.

Revaluation increments and decrements are offset against one another on an 'individual asset' basis.

For system assets (including right-of-use assets similarly classified), the 'individual asset' is considered to be the entire system asset network at the whole of entity level. This is because all the system asset categories work together as an integrated network to provide services to customers and to generate cash flows, rather than individually. For market land and buildings and the leasehold property (including right-of-use assets similarly classified), the 'individual asset' is considered to be each individual land parcel together with any building improvements on the land parcel.

When revaluing system assets, market buildings and leasehold property to fair value, any accumulated depreciation or amortisation is netted against the gross carrying amount and the resulting balance is then increased or decreased by the revaluation adjustment.

Upon disposal of assets that have been revalued, any asset revaluation reserve balance relating to the disposed assets is transferred to retained earnings.

(d) Fair value approaches and hierarchy levels

Fair value is defined as 'the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.' There are three approaches to calculating fair value:

- the market approach, where fair value is determined using prices and other relevant information generated by market transactions involving identical or comparable assets or groups of assets;
- the income approach, where fair value is determined by converting future cash flows to a single current (discounted) amount; and
- the cost approach, where fair value is determined by calculating the current replacement cost of an asset, which represents the amount that would be required currently to replace the service capacity of an asset.

Fair value measurement is classified into three levels of a hierarchy based on the inputs used:

- Quoted prices in active markets (level 1);
- Other observable inputs (level 2); and
- Unobservable inputs (level 3).

Due to the unique nature of the Corporation's property, plant and equipment assets, while level 2 observable inputs are considered, the inputs used to determine the fair value measurements also includes level 3 unobservable inputs. Hence the fair value measurements are considered level 3 valuations. This also applies to intangible assets (refer to note 7).

(e) Fair value measurement of asset classes

The relevant valuation technique used for each asset class of property, plant and equipment is as follows:

System assets – income approach

The income approach is used to value system assets, as there is generally no active market for assets of such a specialised nature. The income approach is considered more relevant to a market participant than the estimated depreciated current replacement cost of these assets.

The income approach calculates fair value using the stream of future net cash flows (discounted to their present value) from the whole, integrated network of system assets held by the Corporation. Determining fair value under this approach is highly dependent on the assumptions used to estimate the future net cash flows (refer note 4(f)).

The Corporation aligns its approach to determining the future cash flows with the pricing methodology applied by IPART. In addition to the cash flows for regulated assets under this approach, the Corporation's fair value calculations also include estimated cash flows from non-regulated assets, which are not included in IPART's methodology.

System assets are assessed as an integrated network because of the interdependent nature of their operations, and they are grouped at a whole of entity level because the IPART pricing methodology assesses future cash flows at that level.

The fair value of system assets is determined by initially calculating the total value of all Sydney Water assets that contribute to the generation of future cash flows. The fair value of system assets is then derived by deducting asset classes that are shown separately and have been valued (at fair value) using a market or cost approach.

Market land and buildings, and leasehold property – market approach

Fair value is measured based on valuations of the open market value of the property by independent valuers, after (where applicable) considering community expectations, government directives and heritage aspects concerning the future use of the property being valued.

Inputs to the valuations are sale prices of similar properties in the same or comparable localities, rental income and applicable lease terms. Where land is environmentally contaminated and the Corporation has an obligation to remediate the land, a separate provision is raised where reliable estimates of remediation costs have been determined. Estimates of the costs to sell are regarded as an impairment to the realisation of fair value and are deducted from the independent market valuations when determining their recoverable amount (as an impairment to fair value).

Independent comprehensive market valuations are obtained every three years unless market conditions necessitate an earlier valuation. During the interim years between comprehensive valuations, an index based valuation adjustment (determined by independent valuers) is applied to each property. Market land and buildings acquired between valuations are stated at directors' valuation for the reporting period and revalued at the next valuation date unless there is a specific need to obtain an independent valuation earlier. At each reporting date, a review of the property market is undertaken to see if there has been a material change in the fair values of market land and buildings since the revaluation date. Where there has been a material change, the carrying amounts in the statement of financial position are adjusted accordingly.

Plant and equipment, computer equipment and work in progress – cost approach

Depreciated historical cost is considered an acceptable surrogate for a market-based fair value for plant and equipment and computer equipment. Cost is considered the most accurate fair value measurement of assets under construction and within work in progress.

Service concession assets - cost approach

Service concession assets are measured at current replacement cost. Current replacement cost is estimated using the modern engineering equivalent replacement asset (MEERA) methodology and then depreciated via the straight-line method based on assessment of useful lives and asset condition. This assessment is based on visual inspection of the asset and the review of asset condition records provided by the operator.

Independent replacement cost valuations are obtained every five years. During the interim years between comprehensive valuations, an index based valuation adjustment (determined by independent valuers) is applied to each service concession asset. New service concession assets are subject to an independent replacement cost valuation.

(f) Fair value model

A discounted cash flow model is used to determine the total fair value of all the Corporation's asset classes, including market land and buildings, leasehold property, system assets, plant and equipment, computer equipment, service concession assets and intangible assets (refer to note 7). Fair value is calculated based on discounting the future cash flows derived from the IPART methodology for regulated assets and including estimated cash flows from non-regulated assets. For the current reporting period, future revenues were estimated as follows:

- For future years where IPART has set prices in their last Pricing Determination (from 1 July 2020 to 30 June 2025 – the current 'Price Path'), the revenue requirement determined by IPART was used. This is for the 3 years following the 30 June 2022 balance date. Adjustments were made (where required) for changes in water demand/usage and customer growth. The current Price Path was extended by 1 year to 30 June 2025 following agreement with IPART. For the previous year the current Price Path was for 4 years.
- For future years (after 30 June 2025), the methodology applied by IPART was used. This involves determining a regulatory asset base (RAB) for the purpose of calculating an 'annual revenue requirement', and therefore the future cash flows, that will be generated by the Corporation's assets. The 'annual revenue requirement' is the revenue needed to pay for the Corporation's investment in its assets ('return of capital), obtain an investment return ('return on' capital) and pay for operating expenses. It also covers an allowance for a theoretical income tax amount and working capital.

The major assumptions used in the Corporation's fair value model are outlined below:

Assumptions	Approach used to determine fair value and impact on fair value measurement
Discount rate	Post-tax WACC 'nominal' discount rate of 5.12% (2021: 5.02%). The rate was determined after a market assessment of rate parameters. The asset value would increase with a reduction in the discount rate.
Growth rate	Growth rate used to estimate the terminal value The Gordon's Growth Model is used to calculate the terminal value. The growth rate used is the assumed forecast growth rate in free cash flows beyond the initial 10-year forecast period used. A rate of 2.50% has been adopted (2021: 2.50%).
CPI rate for future years after the current 'Price Path'	The adjusted RAB above is then escalated using a CPI rate of 2.50% (2021: 2.50%) for determining the annual revenue requirement beyond the current 'Price Path', for future years in the forecast after 30 June 2025. The asset value would increase/decrease with an increase/decrease in the CPI.
Period of discounting	The discounting incorporates cash flows over a ten-year period and an estimate of 'terminal value' using the Gordon's Growth Model. Asset values would be slightly lower if the period of discounting was reduced as future earnings would not include cash flows that may be earned from additional capital investment in the outer years.
Service and usage revenue cash inflows	Estimates of future revenue earnings were drawn from the Corporation's Statement of Corporate Intent and were based on: <ul style="list-style-type: none"> • IPART's June 2020 Pricing Determination and expected earnings rates over succeeding pricing periods, • the RAB determined by IPART from the June 2020 Pricing Determination and rolled forward thereafter, and • capital spending over the future forecast / discount period. <p>The asset value would be higher if future revenue was higher.</p>
Other non-regulated revenue cash inflows	Cash flows from non-regulated recycled water assets are added to future regulated income streams. Investment and interest income are excluded. The asset value would be higher if non-regulated revenue (including developer charges on non-regulated recycled water assets) was higher.
Operating expenditure cash outflows	Operating expenditures were drawn from the Corporation's Statement of Corporate Intent, excluding non-cash items such as depreciation and impairment expenses. The asset value would be higher if operating expenditure was lower than that incorporated into prices over the current 'Price Path' and no effect thereafter as it is assumed that operating expenditure would be fully funded ('passed through') in future IPART Pricing Determinations.
Capital expenditure cash outflows	Capital expenditure over the 10-year forecast period. The asset value would be higher if capital expenditure was higher.
Cash flows from franking credits	Benefits accruing from franking credits that could accompany future dividends paid by the Corporation to a hypothetical investor (in the private sector) were included in future cash flows.

Sensitivity analysis

Discount rate	Rate Applied %	If higher +0.2%	If lower -0.2%
Nominal post-tax rate	5.12%	5.32%	4.92%
Calculated fair value of property, plant and equipment including right-of-use assets (\$'000)	22,915,706	21,166,805	24,956,517
Resulting change (\$'000)		(1,748,901)	2,040,811

Estimated future service and usage revenue	Rate Applied %	If higher +1.0%	If lower -1.0%
Statement of Corporate Intent 2022-23	100%	101%	99%
Calculated fair value of property, plant and equipment including right-of-use assets (\$'000)	22,915,706	23,964,560	21,866,852
Resulting change (\$'000)		1,048,854	(1,048,854)

Terminal value growth rate	Rate Applied %	If higher +0.25%	If lower -0.25%
Terminal value growth rate	2.50%	2.75%	2.25%
Calculated fair value of property, plant and equipment including right-of-use assets (\$'000)	22,915,706	25,080,118	21,125,811
Resulting change (\$'000)		2,164,412	(1,789,895)

(g) Depreciation and amortisation

Items of property, plant and equipment (excluding freehold land) that are owned are depreciated or amortised on a straight-line basis over their estimated useful lives, making allowance where appropriate for residual values. The lives are reviewed annually, considering assessments of asset condition, commercial and technical obsolescence and expected normal wear and tear. Work in progress is not depreciated until the assets are brought into service and are available for use. The normal life expectancies of major asset classes and categories of property, plant and equipment when initially installed are as follows for 2022 and 2021:

	Number of Years
System asset network categories:	
Dams (non-catchment) and stormwater wetlands infrastructure	200
Canals, tunnels and weirs	100
Major pipelines (above ground)	140
Water mains, wastewater mains / aqueducts	55 to 150
Stormwater drains and basins	80 to 150
System buildings	20 to 50
Water, sewage and stormwater pumping stations	15 to 100
Reservoirs	15 to 150
Integrated control systems	3 to 15
Water meters	8 to 20
Right-of-use assets	Lease term
Other classes:	
Market buildings	20 to 40
Leasehold property	99
Plant and equipment	5 to 12
Computer equipment	3 to 12
Right-of-use assets	Lease term
Service concession assets	7 to 100

For wastewater gravity mains greater than 100mm in diameter, the hole/cavity component is considered to be non-depreciable as these mains are capable of being repeatedly re-lined in the future (rather than being entirely replaced through excavation) and hence only the pipe conduit component for these mains shown above under the category of wastewater mains is considered to be depreciable.

(h) Classification as assets held for sale

Assets classified as held for sale are assets that are expected to be recovered primarily through sale rather than use. These are shown under current assets in the statement of financial position. Immediately before classification as held for sale, the measurement of the asset is updated consistent with the revaluation policies for property, plant and equipment.

On initial classification as held for sale, the asset is measured at the lower of its carrying amount and its fair value less costs to sell. Any subsequent impairment losses of assets held for sale are recognised as an expense in profit or loss.

Any reversals of impairment are also recognised in profit or loss, but not exceeding the amount of impairment losses previously recognised as an expense before the asset was classified as held for sale. Once a depreciable asset is classified as held for sale, depreciation ceases for that asset.

(i) Impairment testing

At each reporting date, the carrying amount of property, plant and equipment assets is reviewed to determine whether there is an indication of impairment. If any indication of impairment exists, an estimate of the recoverable amount of the assets affected is made. Recoverable amount is determined as the higher of fair value less costs to sell, and value in use. Value in use is also determined by discounting future cash flows generated by the Corporation's assets using the IPART regulatory pricing methodology.

Impairment losses occur when the carrying amount of an asset within a cash-generating unit, or of the cash-generating unit taken as a whole, exceeds the recoverable amount for that asset or cash-generating unit respectively. Impairment losses are recognised as an expense in profit or loss, unless the impairment loss can be applied to a revaluation increment that exists for the asset in the asset revaluation reserve.

Impairment losses for a cash-generating unit taken as a whole are allocated to reduce the carrying amount of each asset in the cash-generating unit on a pro rata basis, except for those assets that have a separately determinable recoverable amount. The Corporation has a single cash-generating unit at the whole of entity level.

Impairment losses are reversed if there has been a change in the estimates used to determine recoverable amount or if an event or significant changes have occurred during the reporting period that have led, or will lead, to a benefit to the Corporation because of the manner in which the asset is expected to be used. Impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Note 5. Right-of-use assets and lease liabilities

Movements and carrying amounts of right-of-use assets

	Market land and buildings \$'000	System assets - Infrastructure including system land \$'000	Plant and equipment \$'000	Computer equipment \$'000	Total \$'000
At 1 July 2020 – net carrying amount	191,436	171,942	23,921	4,686	391,985
Additions	42	1,477	7,877	-	9,396
Disposals	(484)	-	(79)	-	(563)
Depreciation charge	(15,099)	(15,121)	(9,256)	(2,343)	(41,819)
At 30 June 2021 – net carrying amount	175,895	158,298	22,463	2,343	358,999
Additions	421	-	8,023	-	8,444
Disposals	-	-	(10)	-	(10)
Modifications	(8,281)	6,872	202	4,521	3,314
Depreciation charge	(14,312)	(15,983)	(8,675)	(2,288)	(41,258)
At 30 June 2022 – net carrying amount	153,723	149,187	22,003	4,576	329,489

Carrying amounts of related lease liabilities

	2022 \$'000	2021 \$'000
Current		
Lease liabilities related to right-of-use assets	36,590	33,267
Total current liabilities related to right-of-use assets	36,590	33,267
Non-current		
Lease liabilities related to right-of-use assets	316,010	343,909
Total non-current liabilities related to right-of-use assets	316,010	343,909

Amounts recognised in the statement of comprehensive income

	Note	2022 \$'000	2021 \$'000
Interest expense for lease liabilities related to right-of-use assets	2(a)	11,747	14,367
Depreciation charge – right-of-use assets	2(b)	41,258	41,819
Leases of low value assets expense	2(b)	100	13
Short-term lease expense	2(b)	11,912	7,999

Amounts recognised in the statement of cash flows

	2022 \$'000	2021 \$'000
Cash outflows for lease payments (within cash flows from financing activities)	36,158	34,933
Lease interest paid (within cash flows from operating activities)	11,747	14,367
Total cash outflows for leases	47,905	49,300

(a) Types of right-of-use assets and related lease liabilities

The Corporation has the following types of right-of-use assets and related lease liabilities:

Property leases

The Corporation leases properties to conduct its operations. Leases for property generally have terms of one to ten years' duration with option periods following, ranging up to 15 years. Where no option periods exist under these leases, it is necessary to negotiate a new lease with the owner, who has the right to require vacant possession. Where there are option periods, the option to continue occupation rests with the Corporation alone. The following factors are relevant when considering the option to extend the property lease term:

- If any leasehold improvements are expected to have a significant remaining value, the Corporation is typically reasonably certain to extend; and
- The Corporation considers the historical lease durations, the costs and business disruption required to replace the leased properties.

Most extension options in the property leases have been included in the lease liability because the Corporation could not replace the asset without significant cost or business disruption.

The lease for the head office building at 1 Smith Street, Parramatta was renegotiated during the financial year. The previous lease was for a term of 15 years (ending in May 2024) with two 5-year option periods. The renegotiated lease is for a term of 10 years (ending in May 2034) with an option to extend.

Recycled water infrastructure lease

The Corporation has a lease agreement to obtain recycled water from a plant that is owned and operated by an external party in the Rosehill/Camellia area. A lease arises for the Corporation in relation to the payments made to obtain the recycled water which is subsequently sold to a small number of foundation customers for industrial and irrigation purposes. The lease agreement is for a term of 20 years, extending to 2031-32. There is no option to extend.

Computer equipment leases

The Corporation holds two leases to rent server capacity at two NSW Government Data Centre facilities. Each lease is for a three-year term with no option for extension. The two leases were extended before year-end for a term of two years to 2023-24 with no option to extend.

Plant and other equipment

The Corporation leases motor vehicles and other plant and equipment. These leases are predominantly for terms between two and five years. There is an option to extend the lease liability however these have not been included because the Corporation can replace the asset without significant cost, i.e., commence a new lease liability.

Short-term leases and low-value leases

The Corporation applied the short-term lease recognition exemption under AASB 16 *Leases* (AASB 16) as mandated by NSW Treasury to its short-term leases (where lease term at commencement is 12 months or less and do not contain a purchase option). The Corporation also applied the lease of low-value assets recognition exemption under AASB 16 as mandated by NSW Treasury to its leases considered to be low value (less than \$10,000). Lease payments on short-term leases and low value asset leases are recognised as an expense on a straight-line basis over the lease term.

(b) Recognition and measurement of right-of-use assets

The Corporation as lessee recognises right-of-use assets and lease liabilities for most operating leases at commencement date of the lease term. This is the date the underlying lease assets are available for use. Right-of-use assets are initially measured at the amount of the related initial measurement of the lease liability. This amount is then adjusted by any lease payments made at or before the commencement date, any lease incentives received, initial direct costs incurred in relation to the lease and the estimated costs for dismantling and removing the right-of-use asset. Subsequent to initial recognition the right-of-use asset is measured using the cost model as per NSW Treasury mandate.

(c) Depreciation of right-of-use assets

The right-of-use assets are depreciated on a straight-line basis over their lease term as this is considered to be shorter than the right-of-use assets' estimated useful lives. The normal life expectancy of these assets when initially installed is the lease term.

(d) Recognition and measurement of lease liabilities

At the commencement date of the lease, the Corporation as lessee recognises lease liabilities related to right-of-use assets measured at the present value of lease payments to be made over the lease term. Lease payments include:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid under residual value guarantees;
- The exercise price of any purchase options reasonably certain to be exercised by the Corporation; and
- Payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising the option to terminate.

The lease payments are discounted using the interest rate implicit in the lease. Where this rate cannot be readily determined, which is generally the case for most of the Corporation's leases, the incremental borrowing rate of the Corporation is used instead. The incremental borrowing rate is the rate that the Corporation would have to pay to borrow the funds necessary to obtain a right-of-use asset of similar value and in a similar economic environment, with similar terms and conditions. This rate is then increased by the Government guarantee fee rate charged by NSW Treasury.

After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest expense and reduced for the lease payments made. Lease payments are dissected into a principal portion and an interest portion, with the principal portion reducing the lease liability over time.

The carrying amount of the lease liabilities is also remeasured if there is a modification, a change in the lease term, a change in the lease payments due to a change in the CPI index or another index/rate used to determine such lease payments or a change in the assessment of an option to purchase the underlying asset.

Where the Corporation is exposed to potential future increases in variable lease payments based on the CPI index or another index/rate, these are not included within the lease liability until they take effect. When the adjustments take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease agreements do not impose any covenants. The leased assets are not used as security for borrowing purposes. The Corporation also does not provide residual value guarantees in relation to leases.

The average incremental borrowing rate applied to new lease liabilities from 1 July 2021 was 3.19% (from 1 July 2020: 3.69%).

(e) Extension and termination options

Extension and termination options are included in most of the property leases. These terms are used to maximise operational flexibility in terms of managing contracts. All extension and termination options held are exercisable only by the Corporation as lessee and not by the respective lessor.

In determining the lease term, management considered all facts and circumstances that create an economic incentive to exercise an extension option, or to not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Corporation as lessee.

(f) Leases for where the Corporation is the lessor

The Corporation as lessor classifies its leases as either operating or finance leases. The Corporation does not hold any finance leases as lessor.

Note 6. Service concession assets and service concession liabilities

The Corporation holds the following service concession arrangements during the year ended or as at 30 June 2022:

Description	Blue Mountains sewage transfer scheme agreement	Water filtration plant agreements	Gerrigong Gerroa sewage treatment plant agreement	St Mary's advanced water treatment plant agreement	Bingara Gorge treatment plant
Name and description of the service concession arrangements	The Corporation has a service concession arrangement for both the Corporation owned portion and the operator owned portion of a sewage tunnel in the Blue Mountains. This tunnel is used for the transfer of sewage to the Corporation's sewage treatment plant at Winmalee.	The Corporation has contractual arrangements with the owners of water filtration plants at Prospect, Macarthur, Illawarra, and Woronora for the filtration of bulk water.	The Corporation has a service agreement with an operator for the collection, transport and treatment of sewage using the Corporation's pumping stations, pipe networks and sewage treatment works. The treated sewage is then re-used as part of a dairy farm's operations.	The Corporation has a service agreement with the operator to produce highly treated recycled water for discharge to the Hawkesbury-Nepean River using the Corporation's advanced water treatment plant at St Mary's.	The Corporation has a service agreement with the operator to take and treat wastewater from Bingara Gorge and Wilton Village. This will supply recycled water services for the Bingara and Wilton area and any excess flow sent to an effluent pond for irrigation of an adjacent golf course.
Terms of the arrangement	The term of the agreement is for 35 years and commenced in April 1996, with the Corporation having an option to extend to 50 years.	The term of the water filtration plant agreements are: <ul style="list-style-type: none"> Macarthur: 1 March 2011 to 8 September 2030. Illawarra and Woronora: 1 October 2015 – 30 November 2036. Prospect: 1 Jul 2016 – 30 November 2035. 	The term of the agreement is for 20-years, effective August 2002.	The term of the agreement is for 10-years effective August 2010, with the Corporation having an option to extend for a period between 2 to 10 years.	The term of the agreement is for 8-years ending in March 2023.
Rights and obligations	A tariff is payable to the legal owner, separated into principal and interest, and the legal title of the asset will transfer to the Corporation at the end of the agreement. The tariff component includes both a service and capital component, with the latter giving rise to a service concession liability.	A tariff is payable to the legal owner, separated into principal and interest, and the legal title of the asset will transfer to the Corporation at the end of the agreement. The tariff component includes both a service and capital component, with the latter giving rise to a service concession liability.	A tariff is payable to the operator for the operations and maintenance of the Corporation's plant. The tariff component includes only a service component. There is no related service concession liability for this service concession asset.	A tariff is payable to the operator for the operations and maintenance of the Corporation's plant. The tariff component includes only a service component. There is no related service concession liability for this service concession asset.	A tariff is payable to the operator for the operations and maintenance of the Corporation's plant. The tariff component includes only a service component. There is no related service concession liability for this service concession asset.
Frequency of payments	Quarterly.	Monthly.	Monthly.	Monthly.	Monthly.
Changes in arrangements that occurred during FY21	No changes.	A \$18.496 million addition occurred to the Macarthur Filtration plant.	No changes.	No changes.	A service concession arrangement arose during FY22.
Changes in arrangements that occurred during FY22	No changes.	No changes.	No changes.	This service concession arrangement was terminated during the financial year. The plant is now operated by employees of the Corporation.	The service concession asset was acquired on 28 June 2022 and the service concession arrangement was entered into effect from that date.

Carrying amounts of service concession assets

	2022	2021
	\$'000	\$'000
Blue Mountains Sewage Tunnel - owned by Corporation	504,292	461,991
Blue Mountains Sewage Tunnel - owned by operator	378,794	342,927
Water filtration plants	423,648	402,127
Gerringong Gerroa Sewage treatment plant	73,888	68,014
St Mary's advanced water treatment plant	-	45,578
Bingara Gorge treatment plant	18,744	-
Total service concession assets	1,399,366	1,320,637

(a) Recognition and measurement of service concession assets

The Corporation will recognise the service concession asset when it obtains control over the underlying asset. Control arises if the following conditions are present:

- The Corporation as the grantor controls or regulates what services the operator must provide with the service concession asset, to whom it must provide the services and the related price, and either;
- The Corporation as the grantor controls through ownership, beneficial entitlement or other factors, a significant residual interest in the service concession asset at the end of the term of the service concession arrangement; or
- The service concession arrangement requires that the service concession asset is used for its entire economic life.

Service concession assets are initially recognised at current replacement cost based on the principles set out within AASB 13 *Fair Value Measurement* (AASB 13).

Where the asset is an existing asset of the Corporation, the asset is reclassified as a service concession asset and remeasured at current replacement cost at the date of the reclassification. Any difference between the previous carrying amount and current replacement cost is recognised as if it were a revaluation of the asset.

Subsequent to initial recognition, the service concession asset is measured at current replacement cost less depreciation and any impairments.

At the end of the service concession arrangement term, the Corporation will reclassify the service concession arrangement to the appropriate asset class. The fair value reverts from current replacement cost to the appropriate approach to determining fair value by asset class. The asset is only derecognised when the Corporation ceases control to control the asset.

Note 7. Intangible assets

Movements and carrying amounts

	Computer software	Easements and other rights of access	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2020 – net carrying amount	226,712	16,019	57,739	300,470
Additions to work in progress	-	-	55,629	55,629
Additions transferred from work in progress	52,598	485	(53,083)	-
Reclassifications	-	-	-	-
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	(377)	-	(377)
Amortisation charge	(44,793)	-	-	(44,793)
At 30 June 2021 – net carrying amount	234,517	16,127	60,285	310,929
Additions to work in progress	-	-	72,983	72,983
Additions transferred from work in progress	105,910	-	(105,910)	-
Reclassifications	-	-	53,817	53,817
Impairment (losses)/losses reversed or revaluation (decrements)/increments recognised in profit or loss	-	(61)	-	(61)
Amortisation charge	(53,623)	-	-	(53,623)
At 30 June 2022 – net carrying amount	286,804	16,066	81,175	384,045

	Computer software	Easements and other rights of access	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2021				
Fair value – Level 3				
Cost	732,562	-	60,285	792,847
Fair value – income approach	-	16,127	-	16,127
Accumulated amortisation	(498,045)	-	-	(498,045)
Accumulated impairment	-	-	-	-
	(498,045)	-	-	(498,045)
At 1 July 2021 – net carrying amount	234,517	16,127	60,285	310,929
At 30 June 2022				
Fair value – Level 3				
Cost	834,765	-	81,175	915,940
Fair value – income approach	-	16,066	-	16,066
Accumulated amortisation	(547,961)	-	-	(547,961)
Accumulated impairment	-	-	-	-
	(547,961)	-	-	(547,961)
At 30 June 2022 – net carrying amount	286,804	16,066	81,175	384,045
At 1 July 2020				
Fair value – Level 3				
Cost	679,963	-	57,739	737,702
Fair value – income approach	-	16,019	-	16,019
Accumulated amortisation	(453,251)	-	-	(453,251)
Accumulated impairment	-	-	-	-
	(453,251)	-	-	(453,251)
At 1 July 2020 – net carrying amount	226,712	16,019	57,739	300,470
At 30 June 2021				
Fair value – Level 3				
Cost	732,562	-	60,285	792,847
Fair value – income approach	-	16,127	-	16,127
Accumulated amortisation	(498,045)	-	-	(498,045)
Accumulated impairment	-	-	-	-
	(498,045)	-	-	(498,045)
At 30 June 2021 – net carrying amount	234,517	16,127	60,285	310,929

(a) Asset classes

Intangible assets are identifiable non-monetary assets without physical substance. The Corporation has the following asset classes forming intangible assets:

Computer software

Computer software that is not an integral part of any related hardware is classified as an intangible asset. Software that is an integral part of related hardware is incorporated within the relevant class of physical assets, such as computer equipment or system assets under property, plant and equipment.

Cloud computing arrangements

Cloud computing arrangements provide the Corporation with the right to access the cloud provider's application software over the term of the arrangement. The Corporation does not receive a software intangible asset at the commencement of the term of the arrangement. A right to receive future access to the cloud provider's application software does not give the Corporation as a customer the right to obtain the future economic benefits flowing from the cloud application software itself and to restrict others from accessing these benefits.

Costs incurred for the development of software code that enhances, modifies or creates an additional capability for existing on premise systems is classified as an intangible software asset where the Corporation has the right to obtain the future economic benefits flowing from the software development and can restrict others from accessing those future economic benefits. Configuration and customisation costs associated with cloud computing arrangements is only capitalised where the Corporation satisfies the definition of control.

Easements and other rights of access

Easements or licences are entered into to allow the Corporation to access system assets situated on or under land owned by other parties.

(b) Acquisition and capitalisation

Intangible assets are capitalised initially at cost. Costs incurred on incomplete intangible assets that are being progressively acquired are recognised as work in progress at the reporting date. These assets are reclassified as completed intangible assets when the assets are fully acquired and are operational or available for use.

(c) Measurement of asset classes

The relevant valuation technique used for each asset class of intangible assets is as follows:

Computer software – cost approach

The fair value of computer software is based on the cost approach as it is considered that there is no active market that can be referenced to obtain a market-based fair value. In this case, amortised historical cost is considered an acceptable surrogate for depreciated replacement cost under the cost approach.

Easements and other rights of access – income approach

The fair value of easements and other rights of access is determined using the income approach as part of the fair value model used for system assets, as the easements are directly related to those assets (refer to notes 4(e) and 4(f)). Easements and other rights of access are included in the calculation of the fair value of the system assets. Any valuation adjustment that is applied to system assets is also applied to easements and other rights of access.

(d) Amortisation

Computer software has a finite life and accordingly it is amortised on a straight-line basis over its expected useful life.

Easements have indefinite lives, as there is no finite period over which their use is fully consumed, and so they are not amortised. Other rights of access that have a defined licensing period are amortised over that period on a straight-line basis.

Easements are only derecognised when a management decision has been made to relocate the relevant system asset component and the need for the easement no longer exists.

Work in progress intangible assets with finite lives are not amortised until the assets are brought into service and are available for use.

The normal life expectancies of intangible asset classes are as follows:

Intangible assets subject to amortisation	Number of Years
Computer software	3 to 9

Working capital management

Note 8. Cash and cash equivalents

(a) Balances at the reporting date

Carrying amounts

	2022 \$'000	2021 \$'000
Cash at bank	12,783	6,300

Recognition and measurement

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with a maturity period of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Corporation does not hold any cash equivalents (2021: \$Nil).

Cash balance not recognised

Under the terms of an agreement between City of Parramatta Council (Council) and the Corporation, the Corporation is contributing to the overall development of the Civic Place public domain at Parramatta. At the reporting date, an amount of \$3.866 million (2021: \$3.864 million) is currently placed in an interest-bearing bank account administered by the Corporation in accordance with the agreement. The balance of cash in this bank account has not been recognised by the Corporation as an asset because officers of Council are also signatories to the account and restrict its use so that the cash is not able to be used for any other purpose by the Corporation. Funds can only be released from the bank account when Council provides to the Corporation certification of public domain works procured by Council in relation to the Civic Place development. At that time, the Corporation must hand over to the Council 14.3 per cent of the certified value of the public domain work completed. Any funds remaining unexpended in the bank account as at the end of the agreement will return to the Corporation's normal cash management activities and restrictions over the use of this cash will cease.

(b) Notes to the statement of cash flows

	Note	2022 \$'000	2021 \$'000
Reconciliation of profit to net cash flows from operating activities			
Profit for the year		324,622	404,035
Adjustments for:			
Gain on disposal of property, plant and equipment	1(b)	(2,770)	(41)
Loss on disposal of property, plant and equipment	2(b)	12,007	7,827
Developer contributions	1(a)	(190,766)	(214,069)
Depreciation and amortisation	2(b)	396,377	381,074
Amortisation of deferred discounts on loans	2(a)	15,697	25,418
Indexation of CPI bonds	2(a)	54,058	9,012
Impairment loss (reversed) for property, plant and equipment	2(b), 4	18,250	(105)
Impairment loss (reversed) recognised for intangible assets	2(b), 7	61	377
Net movement in statement of financial position items applicable to operating activities:			
Other current assets		10,295	(28,964)
Trade and other receivables		(31,487)	(26,487)
Trade and other payables		127,067	(49,346)
Provisions		534	13,427
Income tax assets and liabilities		21,623	105,484
Deferred Government grants		148	(206)
Net cash flows from operating activities		755,716	627,436

(c) Non-cash financing and investing activities

Assets handed over at no cost by developers and the acquisition and disposal of right-of-use assets are not included in the statement of cash flows as these are regarded as non-cash.

Reconciling non-cash contributions from developers with total developer contributions

	Note	2022 \$'000	2021 \$'000
Developer contributions per profit and loss	1(a), 8(b)	190,766	214,069
Less: 'Other cash contributions received' (within cash flows from investing activities)		(3,908)	(6,761)
Assets received at no cost from developers and capitalised (non-cash contributions)	4	186,858	207,308

The amount capitalised during the current reporting period relating to the acquisition of right-of-use assets (refer to note 5) was \$8.444 million (2021: \$9.396 million) and \$0.010 million (2021: \$0.563 million) was disposed from right-of-use assets during the current reporting period. The modification of leases amounted to \$3.314 million (2021: Nil).

(d) Reconciliation of changes in liabilities arising from financing activities (from cash flows and non-cash flows)

	Borrowings - NSW Treasury Corporation \$'000	Lease liabilities related to right-of-use assets \$'000	Service concession liabilities \$'000	Dividends payable \$'000	Total \$'000
Balance at 1 July 2020	9,809,091	403,207	631,113	963,000	11,806,411
Cash flows	993,606	(34,933)	(41,540)	(1,375,600)	(458,467)
Non-cash acquisition	-	9,396	18,496	-	27,892
Non-cash amortisation of deferred premiums	25,418	-	-	-	25,418
Non-cash indexation of CPI indexed bonds	9,012	-	-	-	9,012
Disposal of lease liabilities (right-of-use assets)	-	(494)	-	-	(494)
Dividends payable	-	-	-	687,000	687,000
Balance at 1 July 2021	10,837,127	377,176	608,069	274,400	12,096,772
Cash flows	803,838	(36,158)	(38,290)	(274,400)	454,990
Non-cash acquisition	-	8,443	-	-	8,443
Accrued payments for service concession arrangements	-	-	(1,279)	-	(1,279)
Non-cash amortisation of deferred premiums	15,697	-	-	-	15,697
Non-cash indexation of CPI indexed bonds	54,058	-	-	-	54,058
Disposal of lease liabilities (right-of-use assets)	-	(175)	-	-	(175)
Modification of lease liabilities (right-of-use assets)	-	3,314	-	-	3,314
Dividends payable	-	-	-	138,750	138,750
Balance at 30 June 2022	11,710,720	352,600	568,500	138,750	12,770,570

Note 9. Trade and other receivables

(a) Balances at the reporting date

Carrying amounts

	2022 \$'000	2021 \$'000
Current assets		
Trade receivables from contracts with customers		
Outstanding service availability and usage charges	162,277	163,679
Loss allowance	(558)	(746)
	161,719	162,933
Accrued unbilled usage charges on unread meters:		
Water	181,811	175,726
Wastewater	33,290	18,479
Other	2,015	1,716
	217,116	195,921
Other trade debtors	25,306	19,195
Loss allowance	(520)	-
	24,786	19,195
Total trade receivables from contracts with customers	403,621	378,049
Other receivables		
Other debtors and accrued revenue	34,000	44,689
Prepayments	36,339	23,272
Total other receivables	70,339	67,961
Total current trade receivables from contracts with customers and other receivables	473,960	446,010
Non-current assets		
Non-current receivable held with Biodiversity Conservation Trust	3,537	-
	3,537	-

Recognition and measurement

Trade and other receivables are amounts receivable for services to customers prior to the end of the reporting period and that are yet to be collected. Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price. The Corporation holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

Accrued unbilled usage charges on unread meters comprises estimates for accrued revenue for water usage, sewer usage, trade waste and recycled water charges where meters have not been read as at the reporting date. The Corporation estimates the accrual based on consumption data and other inputs. These charges are billed to customers with actual consumption once meters are read. The estimation is inherently uncertain due to the continuous consumption of water and the time delay in water meter readings and billings to the customer (generally one quarter in arrears to consumption). Consumption patterns also vary between customers and seasons, adding estimation complexity.

Outstanding trade receivables for service availability and usage charges are required to be settled within 21 days. Other trade debtors are generally required to be settled within 14 days. All other current receivables are expected to be realised within 12 months of the reporting date.

The non-current receivable represents a portion of the proceeds from sale of the Corporation's biodiversity offset credits that will be used to help meet the Corporation's obligations to protect its biodiversity stewardship sites (refer to notes 10 and 13(d)).

(b) Ageing analysis of trade receivables from contracts with customers

	Gross Amount 2022 \$'000	Allowance for Impairment 2022 \$'000	Net amount 2022 \$'000	Gross Amount 2021 \$'000	Allowance for Impairment 2021 \$'000	Net amount 2021 \$'000
Outstanding service and usage charges						
Not past due	81,043	-	81,043	64,292	-	64,292
Past due 22 - 30 days	9,600	-	9,600	10,830	-	10,830
Past due 31 - 60 days	14,153	-	14,153	21,534	-	21,534
Past due 61 - 90 days	8,829	-	8,829	8,497	-	8,497
Past due 91 - 180 days	12,781	-	12,781	17,389	-	17,389
Past due 181 - 365 days	13,440	(558)	12,882	18,223	(746)	17,477
Past due > 365 days	22,431	-	22,431	22,914	-	22,914
	162,277	(558)	161,719	163,679	(746)	162,933
Other trade debtors						
Not past due	5,794	-	5,794	6,220	-	6,220
Past due 15 - 30 days	6,707	-	6,707	1,413	-	1,413
Past due 31 - 60 days	421	-	421	1,452	-	1,452
Past due 61 - 90 days	263	-	263	2,974	-	2,974
Past due 91 - 180 days	6,370	-	6,370	5,037	-	5,037
Past due 181 - 365 days	2,366	-	2,366	995	-	995
Past due > 365 days	3,385	(520)	2,865	1,104	-	1,104
	25,306	(520)	24,786	19,195	-	19,195

All other balances within trade receivables and other receivables are not past due and are expected to be realised at the amounts carried in the statement of financial position when due.

(c) Movement in loss allowance**Movements**

	Outstanding service and usage charges		Other trade debtors		Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Carrying amount at beginning of the year	(746)	(867)	-	-	(746)	(867)
Charge for (loss allowance)	-	-	(520)	(219)	(520)	(219)
Amounts written off	188	121	-	219	188	340
Carrying amount at end of the year	(558)	(746)	(520)	-	(1,078)	(746)

The Corporation applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables (refer to note 19(b)).

Note 10. Other current assets

Carrying amounts

	2022 \$'000	2021 \$'000
Inventories - at cost	41,138	41,523
Biodiversity offset credits – at fair value	5,025	13,521
Total other current assets	46,163	55,044

Recognition and measurement

Inventories at cost

Inventories include a variety of items on hand including stock, stores and materials for operational and maintenance purposes. These items have been measured by actual count or weight and are valued at the lower of cost and net realisable value using the 'weighted average' basis of valuation for the purposes of determining cost. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Water that resides in the Corporation's infrastructure assets at the reporting date is not recognised as inventory. This water is under the control of the Water Administration Ministerial Corporation.

Biodiversity offset credits at fair value

Biodiversity offset credits held at the reporting date by the Corporation are issued under the Biodiversity Offsets Scheme administered by the Department of Planning and the Environment NSW. The biodiversity offset credits can be publicly traded and are granted in return for the obligation to maintain and protect the biodiversity of the Biodiversity Stewardship sites held by the Corporation. These obligations are contained within the Biodiversity Stewardship agreements held between the Corporation and the NSW Government Biodiversity Conservation Trust. The Biodiversity Stewardship sites relates to land held within the System Assets – Infrastructure property, plant and equipment asset category.

The biodiversity offset credits are held for trading purposes, and when sold will be used in part to fund the obligation to maintain the Biodiversity Stewardship sites. Biodiversity offset credits that are issued to the Corporation, and which are held for trading purposes are initially recognised at fair value based on the market price at the time. Their carrying amount is subsequently restated to fair value based on the prevailing market price at the reporting date, with any gains or losses recognised in profit or loss.

Note 11. Trade and other payables

Carrying amounts

	2022 \$'000	2021 \$'000
Current		
Trade payables	177,461	56,242
Non-trade payables	33,916	82,061
Income in advance	42,135	24,468
Government guarantee fee payable	149,522	144,346
Interest expense payable	59,255	51,220
Accrued expenses	295,921	217,376
Total trade and other payables	758,210	575,713

Recognition and measurement

Trade accounts payable and accrued expenses (other than for interest on loans and the Government guarantee fee) are normally settled within 30 days. Accrued interest on loans and advances is generally payable within a maximum period of six months. Other non-trade payables are payable at various times throughout the reporting period. Trade and other payables are not secured against the assets of the Corporation.

Trade accounts payable and accrued expenses are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Debt Management

Note 12. Borrowings and other financial liabilities

Carrying amounts

	2022 \$'000	2021 \$'000
Current		
Borrowings:		
Come and Go borrowings – NSW Treasury Corporation	123,000	71,500
Other financial liabilities		
Service concession liabilities	41,434	39,893
Total current borrowings and other financial liabilities	164,434	111,393
Non-current		
Borrowings:		
Long-term borrowings – NSW Treasury Corporation	11,587,720	10,765,627
Other financial liabilities		
Service concession liabilities	527,066	568,176
Total non-current borrowings and other financial liabilities	12,114,786	11,333,803

Recognition and measurement

(a) Borrowings

Interest-bearing borrowings obtained by the Corporation from NSW Treasury Corporation are recognised initially at the fair value of the consideration received, which incorporates any transaction costs associated with the borrowings. Subsequent to initial recognition, they are stated at amortised cost using the effective interest method. This includes capital indexed bonds whose carrying amount is restated at each reporting date by way of an indexation adjustment based on CPI. Amortised cost is calculated by considering any differences between the initial fair value and the final redemption value of the borrowings, such as discounts or premiums. These differences are amortised to profit or loss as part of finance costs over the period of the borrowings on an effective interest basis. Indexation adjustments on CPI indexed bonds are also recognised as part of finance costs in profit or loss.

Interest-bearing borrowings are classified as current liabilities only if the borrowing is due to be settled within 12 months after the reporting date and there is no discretion on the part of the Corporation to extend or refinance the obligation on a long-term basis with the respective lender. All other interest-bearing borrowings are classified as non-current liabilities, including those in which the Corporation has the discretion to refinance or roll over the borrowings for at least 12 months after the reporting date even if they are due to mature within a shorter period.

(b) Service concession liabilities

Where the Corporation as grantor recognises a service concession asset (refer to note 6), it shall also recognise a service concession liability owed to the owner or operator. The exception to recognition of a service concession liability is when the service concession asset is only recognised as a result of a reclassification from another property, plant and equipment asset class or from intangible assets and there is no additional consideration provided by the owner or operator.

The fair value of the service concession liabilities has been determined as the present value of the payments to be made under the service concession arrangements that represent repayments of the service concession liability. The repayments have been discounted per NSW Treasury mandate using the incremental borrowing rate of the Corporation. This is the rate that the Corporation would have to pay to borrow the funds necessary to obtain a service concession asset of similar value in a similar economic environment and with similar terms and conditions. This rate is then increased by the amount of the Government guarantee fee rate charged by NSW Treasury. Payments by Sydney Water to the operators under the service concession arrangements are, in accordance with their substance, allocated between repayments of the service concession liability and charges for services provided by the operator. Charges for services provided by the operator in respect of the service concession are expensed as the services are delivered.

After initial recognition, the amount of the service concession liabilities is increased to reflect the accumulation of interest expense and is reduced for the service concession liability repayments made.

Service concession liabilities comprise liabilities for the Corporation's obligations under the Blue Mountains sewage transfer scheme agreement and the water filtration plant agreements (refer to note 6).

(c) Borrowing facilities

The Corporation holds the following borrowing facilities as at 30 June:

Financing facilities	Utilised	Not Utilised	Total Facility	Utilised	Not Utilised	Total Facility
	2022 \$'000	2022 \$'000	2022 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
Bank overdraft facility	-	15,000	15,000	-	15,000	15,000
Purchase credit card facility	143	857	1,000	289	711	1,000
Guarantee facility	21,300	8,700	30,000	16,800	13,200	30,000
Come and Go short-term borrowing facility	123,000	27,000	150,000	71,500	28,500	100,000
Long-term borrowing facility	11,587,720	3,912,280	15,500,000	10,765,627	1,734,373	12,500,000
	11,732,163	3,963,837	15,696,000	10,854,216	1,791,784	12,646,000

Bank overdraft facility

The Corporation has a bank overdraft facility with its corporate banker. Overdraft interest is charged based on the corporate banker's debit rate that is calculated daily and applied to any overdrawn balances.

Purchase credit card facility

The Corporation has a purchase credit card facility with its corporate banker. The purchase credit card facility is used by the Corporation only as an efficient means for staff to purchase low value non-monetary items for the Corporation.

Guarantee facility

The Corporation has the NSW Treasurer's approval for obtaining a total guarantee facility from either the Corporation's corporate banker, NSW Treasury Corporation or a combination of both. This facility is predominantly used by the Corporation to provide a guarantee to Insurance and Care NSW in respect of the Corporation's remaining self-insurance workers' compensation liability. The facility can also be used from time to time whenever a guarantee is required, in lieu of security deposits, under contractual arrangements with external parties.

Come and Go short-term borrowing facility

The Corporation has a Come and Go short-term borrowing facility in place with NSW Treasury Corporation. The Come and Go facility is used extensively as part of the Corporation's daily cash management function.

Long-term borrowing facilities

The Corporation has the NSW Treasurer's approval to obtain long-term borrowing facilities from NSW Treasury Corporation. The Corporation cannot borrow in its own name from the market without the NSW Treasurer's approval. Accordingly, both new loans and the refinancing of maturing loans are arranged via NSW Treasury Corporation.

NSW Treasury Corporation loans are negotiated with either a floating interest rate, in which case the rate is reset periodically, or at a fixed rate where interest is paid half-yearly in arrears or on maturity.

NSW Treasury Corporation also provides CPI indexed bonds and resettable loans to the Corporation. CPI indexed bonds are either restated by an indexation adjustment based on CPI on a quarterly basis, or they require payment of the CPI indexation semi-annually along with the interest payment. Resettable loans are loans where the interest rate resets in line with the regulatory Pricing Determination period. These loans are usually refinanced at maturity. Fixed rate loans currently have maturities up to 19 years (2021: 20 years) for the Corporation. CPI indexed bonds have a maximum term to maturity of 13 years to 2035 (2021: 14 years to 2035). None of these facilities are secured against the assets of the Corporation.

Other liabilities

Note 13. Provisions

Carrying amounts

	2022 \$'000	2021 \$'000
Current		
Short-term provisions:		
Annual leave	42,497	40,965
Termination benefits	537	4,439
Employee benefits on-costs	2,326	2,008
Road restoration	-	7,492
Total short-term provisions	45,360	54,904
Current portion of long-term provisions:		
Long service leave	101,656	98,518
Employee benefits on-costs	5,540	4,778
Superannuation	386	-
Workers' compensation self-insurance	2,499	1,483
General insurance	1,334	1,292
Restoration of leased premises	1,892	224
Restoration costs from decommissioning and maintaining system assets	10,412	12,407
Total current portion of long-term provisions	123,719	118,702
Total current provisions	169,079	173,606
Non-current		
Long-term provisions:		
Employee benefits for long service leave	10,176	10,087
Employee benefits on-costs	555	489
Post-employment benefits from superannuation	441,750	661,246
Workers' compensation self-insurance	17,924	15,880
General insurance	1,649	2,080
Restoration of leased premises	1,149	10,699
Restoration costs from decommissioning and maintaining system assets	9,365	10,507
Biodiversity management action plan	3,500	-
Total non-current provisions	486,068	710,988
Employee benefits and related on-costs		
Employee benefits – current	144,153	139,483
Employee benefits on-costs – current	7,866	6,786
Employee benefits – non-current	10,176	10,087
Employee benefits on-costs – non-current	555	489
Aggregate employee benefits and related on-costs	162,750	156,845

The annual leave and the unconditional entitlements to long service leave (where employees have completed the required period of service or where employees are entitled to pro-rata payments in certain circumstances) are presented as current liabilities. The Corporation does not have an unconditional right to defer settlement for any of these obligations. However, based on experience, the Corporation does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The Corporation expects to make payments totalling \$30.653 million (2021: \$22.931 million) for annual leave, and payments totalling \$7.462 million (2021: \$15.805 million) for long-service leave in the next reporting period. All other provisions under current liabilities are expected to be paid in the next reporting period for the amount recognised.

Recognition and measurement

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

If the obligation is to be settled greater than 12 months after the reporting date and the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. This is usually the risk-free rate on Government bonds that most closely matches the timing of the expected future payments, except where noted below. If the obligation is due to be settled less than 12 months after the reporting date, the provision is stated at the best estimate available and is not discounted.

(a) Employee benefits provisions

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled less than 12 months after the reporting date in which the employees render the related service. They include wages, salaries and annual leave. All short-term employee benefits that are payable at the reporting date are measured on an undiscounted basis at the nominal amount expected to be paid. Liabilities for wages and salaries are included within trade and other payables (refer to note 11).

Termination benefits

Termination benefits for the Corporation refers specifically to redundancy benefits payable to employees as a result of organisational restructures. Provisions for restructuring are recognised only when the Corporation has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main details to those affected.

The liability for termination benefits for specific employees that have accepted an offer of termination benefits is measured at the calculated entitlement that will be paid to those employees. When specific employees are not known, an estimate for a provision is calculated based on the number of employees expected to accept an offer of termination benefits in accordance with the termination plan. The liability for termination benefits is usually settled in the following reporting period and thus is not discounted.

Long service leave liabilities

Long service leave liabilities represent the present value of the future benefits that employees have earned in return for their service in the current and prior reporting periods. The discount rate used is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating to the terms of these obligations.

The liabilities and expenses for long service leave are recognised when employees render service that increases their entitlement to future benefits. The expense in each case is recognised as one net amount that encompasses several components, such as current service cost and the interest cost from discounting. Unconditional entitlements to long service leave benefits are classified as current liabilities in the statement of financial position, while conditional and pre-conditional entitlements are classified as non-current liabilities.

Employee benefit on-costs

Costs that are a consequence of employment, but which are not employee benefits themselves, such as payroll tax, are recognised as liabilities and expenses when the employment to which they relate has occurred. Payroll tax payable at the reporting date in relation to wages and salaries paid during the previous month is recognised as part of trade and other payables, consistent with the classification of any recognised liability for wages and salaries. Payroll tax payable in respect of annual leave, long service leave or termination benefits to be made in the future is recognised as part of provisions, consistent with the classification of any recognised liabilities for these employee benefits.

(b) Post-employment benefits - Defined contribution superannuation schemes

Contributions to these schemes are recognised as an expense in profit or loss as incurred. The liability recognised at the reporting date represents the contributions to be paid to these schemes in the following month. The Corporation contributes to the Aware Superannuation Scheme and other private schemes nominated by employees to a lesser extent.

(c) Post-employment benefits - Defined benefit superannuation schemes

The Corporation's net obligation in respect of defined benefit schemes is actuarially calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods. That benefit is discounted to determine its present value, and the fair value of any scheme assets is deducted. The discount rate is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating to the terms of the Corporation's obligations. Calculations are performed by the Pooled Fund's actuary using the projected unit credit method and they are advised to individual agencies for recognition and disclosure purposes in their financial statements. Where the present value of the defined benefit obligation in respect of a scheme exceeds the fair value of the scheme's assets, a liability for the difference is recognised in the statement of financial position. Where the fair value of a scheme's assets exceeds the present value of the scheme's defined benefit obligation, an asset is recognised in the statement of financial position.

Any superannuation asset recognised is limited to the total of any unrecognised past service cost and the present value of any economic benefits that may be available in the form of refunds from the schemes or reductions in future contributions to the schemes, as advised by the Pooled Fund's actuary. The Corporation discloses defined benefit superannuation liabilities or assets as non-current as this best reflects when the Corporation expects to settle (realise) the liabilities (assets). Remeasurements of the net defined benefit liability or asset are recognised in other comprehensive income (directly through retained earnings) in the reporting period in which they occur. Such remeasurements include actuarial gains or losses, the return on plan assets (excluding amounts included in net interest on

the defined benefit liability or asset) and any change in effect of the asset ceiling (excluding amounts included in net interest on the defined benefit liability or asset).

The Corporation contributes to three defined benefit superannuation schemes in the NSW public sector Pooled Fund. The schemes are:

- State Superannuation Scheme (SSS);
- State Authorities Superannuation Scheme (SASS); and
- State Authorities Non-Contributory Superannuation Scheme (SANCS).

The Pooled Fund holds in trust the investments of these schemes. The following disclosures in relation to these schemes have been provided by SAS Trustee Corporation (STC).

Nature of benefits provided by the Pooled Fund

As these schemes are defined benefit schemes, at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal. These schemes are closed to new members.

The regulatory framework

The above schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations. The schemes in the Pooled Fund are exempt public sector superannuation schemes under the *Commonwealth Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the NSW Government undertakes to ensure that the Pooled Fund will conform with the principles of the Commonwealth Government's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The NSW Government prudentially monitors and audits the Pooled Fund and the STC Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the STC Board and internal processes that monitor the STC Board's adherence to the principles of the Commonwealth Government's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2021. The next actuarial investigation is to be carried out as at 30 June 2024.

Other entities' responsibilities for the governance of the Pooled Fund

STC is responsible for the governance of the Pooled Fund. STC has a legal obligation to act solely in the best interests of the Pooled Fund beneficiaries. STC has the following roles:

- Administration of the Pooled Fund and payment to the beneficiaries from Pooled Fund assets when required in accordance with the Pooled Fund rules;
- Management and investment of the Pooled Fund assets; and
- Compliance with the Trust Deed and other applicable regulations.

Risks

There are several risks to which the Pooled Fund exposes the Corporation. The more significant risks relating to the defined benefits are:

- Investment risk – The risk that investment returns will be lower than assumed and the Corporation will need to increase contributions to offset this shortfall;
- Longevity risk – The risk that pensioners live longer than assumed, increasing future pensions;
- Pension indexation risk – The risk that pensions will increase at a rate greater than assumed, increasing future pensions;
- Salary growth risk – The risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions; and
- Legislative risk – The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The Pooled Fund assets are invested with independent fund managers and have a diversified asset mix. The Pooled Fund has no significant concentration of investment risk or liquidity risk.

Significant events

There were no scheme amendments, curtailments or settlements during the reporting period.

Net defined benefit liability movement

The Pooled Fund actuary calculates the defined benefit obligations based on two separate methodologies, an Accounting basis and the Funding basis:

- Under the Accounting basis (used for financial reporting purposes), the Pooled Fund's actuary determines the present value of the defined benefit obligations by discounting the future benefits payable to members at the yield on high quality corporate bonds of a similar maturity at the end of the reporting period.
- Under the Funding basis, the Pooled Fund's actuary determines the value of the accrued benefits as the value of future benefits payable to members (allowing for future salary increases), discounted using the expected rate of return on the assets to fund the benefits.

The Funding basis is used to determine the level of employer contributions needed to be provided by each employer to meet the defined benefit obligations. The net underfunded shortfall calculated using the Funding Basis at 30 June 2022 is \$164.634 million (refer to note 13(c)(i)).

Movements and carrying amounts

	SASS		SANCS		SSS		Total	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Reconciliation of the net defined benefit liability								
Net defined benefit liability at beginning of the year	103,280	109,501	26,613	33,755	531,353	610,613	661,246	753,869
Current service cost	1,983	3,063	993	1,105	1,818	2,281	4,794	6,449
Net interest on the net defined benefit liability (asset)	2,997	3,172	668	878	15,835	18,135	19,500	22,185
Actual return on Fund assets less interest income	5,847	(14,648)	477	(358)	34,982	(87,699)	41,306	(102,705)
Actuarial (gains) losses arising from changes in demographic assumptions	-	6,374	-	397	-	(8,528)	-	(1,757)
Actuarial (gains) losses arising from changes in financial assumptions	(31,070)	(1,476)	(3,513)	(800)	(265,446)	33,318	(300,029)	31,042
Actuarial (gains) losses arising from liability experience	918	2,696	279	42	27,544	(36,767)	28,741	(34,029)
Employer contributions	(5,402)	(5,402)	(8,406)	(8,406)	-	-	(13,808)	(13,808)
Net defined benefit liability at end of the year	78,553	103,280	17,111	26,613	346,086	531,353	441,750	661,246
Reconciliation of the fair value of fund assets								
Fair value of fund assets at beginning of the year	160,112	152,040	6,570	3,355	954,012	905,530	1,120,694	1,060,925
Interest income	4,539	4,171	247	118	27,320	25,799	32,106	30,088
Actual return on Fund assets less interest income	(5,847)	14,648	(477)	358	(34,982)	87,699	(41,306)	102,705
Employer contributions	5,402	5,402	8,406	8,406	-	-	13,808	13,808
Contributions by participants	1,841	1,976	-	-	811	1,018	2,652	2,994
Benefits paid	(18,040)	(19,111)	(2,283)	(3,339)	(79,011)	(76,861)	(99,334)	(99,311)
Taxes, premiums and expenses paid	(995)	986	(1,294)	(2,328)	7,347	10,827	5,058	9,485
Fair value of fund assets at end of the year	147,012	160,112	11,169	6,570	875,497	954,012	1,033,678	1,120,694
Reconciliation of the defined benefit obligation								
Present value of defined benefit obligations at beginning of the year	263,392	261,541	33,183	37,110	1,485,365	1,516,143	1,781,940	1,814,794
Current service cost	1,983	3,063	993	1,105	1,818	2,281	4,794	6,449
Interest cost	7,536	7,343	915	996	43,155	43,934	51,606	52,273
Contributions by fund participants	1,841	1,976	-	-	811	1,018	2,652	2,994
Actuarial (gains) losses arising from changes in demographic assumptions	-	6,374	-	397	-	(8,528)	-	(1,757)
Actuarial (gains) losses arising from changes in financial assumptions	(31,070)	(1,476)	(3,513)	(800)	(265,446)	33,318	(300,029)	31,042
Actuarial (gains) losses arising from liability experience	918	2,696	279	42	27,544	(36,767)	28,741	(34,029)
Benefits paid	(18,040)	(19,111)	(2,283)	(3,339)	(79,011)	(76,861)	(99,334)	(99,311)
Taxes, premiums and expenses paid	(995)	986	(1,294)	(2,328)	7,347	10,827	5,058	9,485
Present value of defined benefit obligations at end of the year	225,565	263,392	28,280	33,183	1,221,583	1,485,365	1,475,428	1,781,940
Adjustment for effect of asset ceiling								
At beginning/end of the year	-	-	-	-	-	-	-	-

The adjustment for the effect of any asset ceiling is determined based on the maximum economic benefit available to the Corporation in the form of reductions in future employer contributions.

Fair value of Pooled Fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers. Assets are not separately invested for each entity, and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund:

Asset category	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Percentage invested in each asset class
As at 30 June 2022:					
Short term securities	5,041,192	1,854,969	3,186,223	-	13.7
Australian fixed interest	244,972	-	244,972	-	0.7
International fixed interest	1,439,643	4,287	1,415,027	20,329	3.8
Australian equities	6,518,777	5,893,947	622,584	2,246	17.7
International equities	12,174,407	12,002,063	169,289	3,055	33.0
Property	2,362,344	-	-	2,362,344	6.4
Alternatives	9,095,720	(637)	2,160,192	6,936,165	24.7
Total	36,877,055	19,754,629	7,798,287	9,324,139	100.0
As at 30 June 2021:					
Short term securities	5,108,370	2,398,668	2,709,702	-	12.2
Australian fixed interest	903,816	-	903,816	-	2.2
International fixed interest	1,755,026	45,227	1,709,799	-	4.2
Australian equities	8,310,657	8,308,316	2,341	-	19.9
International equities	13,889,679	13,884,531	5,148	-	33.2
Property	3,287,730	626,961	-	2,660,769	7.9
Alternatives	8,529,710	759	2,709,827	5,819,124	20.4
Total	41,784,988	25,264,462	8,040,633	8,479,893	100.0

Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares and listed unit trusts.

Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash, notes, government, semi-government and corporate bonds, unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property, unlisted shares, unlisted infrastructure, distressed debt and hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such, managers make limited use of derivatives.

The fair value of the Pooled Fund's total assets as at the reporting date include \$nil (2021: \$41.5 million) in NSW Government bonds. Of the direct properties owned by the Pooled Fund:

- SAS Trustee Corporation occupies part of a property 100% owned by the Pooled Fund with a fair value of \$362.0 million (2021: \$328.0 million); and
- Health Administration Corporation occupies part of a property 50% owned by the Pooled Fund with a fair value of \$540.0 million (2021: \$443.0 million).

Significant actuarial assumptions at the reporting date

	2022	2021
Discount rate	5.30% pa	2.98% pa
Salary increase rate (excluding promotional increases):		
2022-23	3.15% pa	2.74% pa
2023-24	3.62% pa	2.74% pa
2024-25	2.87% pa	2.74% pa
2025-26	2.74% pa	2.74% pa
Thereafter	3.20% pa	3.20% pa
Rate of CPI increase		
2021-22	4.00% pa	1.75% pa
2022-23	5.50% pa	1.75% pa
2023-24	3.00% pa	2.25% pa
2024-25	3.00% pa	2.25% pa
2025-26	2.75% pa	2.62% pa
2026-27	2.75% pa	2.62% pa
Thereafter	2.50% pa	2.62% pa

Pensioner mortality: The pensioner mortality assumptions are as per the 2021 Actuarial investigation of the Pooled Fund. These assumptions are disclosed in the actuarial investigation report available from STC's website. The report shows the pension mortality rates for each age.

Sensitivity analysis

The Corporation's total defined benefit obligation as at the current reporting date under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at the current reporting date. Scenarios A to F relate to sensitivity of the total defined benefit obligation of the Pooled Fund to economic assumptions, and scenarios G and H relate to sensitivity to demographic assumptions.

Discount rate	Base case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate
Discount rate	5.30%	4.80%	5.80%
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	As above	As above
Defined benefit obligation (\$'000)	1,475,428	1,554,431	1,402,689
Discount rate and CPI	Base case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	As above	As above	As above
Rate of CPI increase	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Salary inflation rate	As above	As above	As above
Defined benefit obligation (\$'000)	1,475,428	1,552,655	1,403,849
Discount rate, CPI and salary inflation rate	Base case	Scenario E +0.5% salary increase rate	Scenario F -0.5% salary increase rate
Discount rate	As above	As above	As above
Rate of CPI increase	As above	As above	As above
Salary inflation rate	As above	Above rates plus 0.5% pa	Above rates less 0.5% pa
Defined benefit obligation (\$'000)	1,475,428	1,480,031	1,470,983
Mortality rate	Base case	Scenario G Lower mortality*	Scenario H Higher mortality**
Defined benefit obligation (\$'000)	1,475,428	1,491,065	1,462,619

*Assumes the short term pensioner mortality improvement factors for years 2022-2026 also apply for years after 2026.

**Assumes the long term pensioner mortality improvement factors for years post 2026 also apply for the years 2022 to 2026.

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Asset – Liability matching strategies

STC monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements. No explicit asset-liability matching strategy is used by STC.

Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as at 30 June 2021. Contribution rates are set after discussions between the employer, STC and NSW Treasury. Funding positions are reviewed annually, and funding arrangements may be adjusted as required after each annual review.

(i) Surplus/deficit

The following is a summary of the 30 June 2022 and 30 June 2021 financial position of the Schemes calculated in accordance with AASB 1056 *Superannuation Entities* (AASB 1056).

	SASS		SANCS		SSS		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Accrued benefits *	198,362	204,831	24,248	24,853	975,702	950,636	1,198,312	1,180,320
Fund assets' net market value	(147,012)	(160,112)	(11,169)	(6,570)	(875,497)	(954,012)	(1,033,678)	(1,120,694)
Net (surplus) deficit	51,350	44,719	13,079	18,283	100,205	(3,376)	164,634	59,626

* There is no allowance for a contribution tax provision in the accrued benefits figure. Allowance for contribution tax is made when setting the contribution rates.

(ii) Contribution recommendations

Recommended contribution rates for the Corporation are:

	SASS		SANCS		SSS	
	2022	2021	2022	2021	2022	2021
	%	%	%	%	%	%
Multiple of member contributions	1.9	1.9	-	-	1.6	1.6
Percentage of member salary	-	-	2.5	2.5	-	-

(iii) Economic assumptions

The economic assumptions adopted for AASB 1056 at the reporting date are:

Weighted Average Assumptions:	2022	2021
Expected rate of return on Fund assets backing current pension liabilities	7.0% pa	6.5% pa
Expected rate of return on Fund assets backing other liabilities	6.2% pa	5.7% pa
Expected salary increase rate (excluding promotional salary increases)	3.2% pa	2.7% pa
Expected rate of CPI increase	4.8% pa	2.0% pa

Expected contributions to be paid in the next reporting period

	SASS		SANCS		SSS		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected employer contributions	-	5,402	8,406	8,406	5,402	-	13,808	13,808

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 10.8 years (2021: 12.4 years).

(d) Other provisions

Carrying amounts and movements

	Road restoration \$'000	Workers' compensation self-insurance \$'000	General insurance \$'000	Restoration of leased premises \$'000	Decommissioning and maintaining system assets \$'000	Biodiversity management action plan \$'000
Carrying amounts at beginning of the year						
Current	7,492	1,483	1,292	224	12,407	-
Non-current	-	15,880	2,080	10,699	10,507	-
	7,492	17,363	3,372	10,923	22,914	-
Movement during the year						
Provisions made	-	4,619	1,652	-	-	3,500
Provisions used	(7,492)	(1,559)	(2,041)	(7,924)	(3,136)	-
Unwinding of discount	-	-	-	42	(1)	-
	(7,492)	3,060	(389)	(7,882)	(3,137)	3,500
Carrying amounts at end of the year						
Current	-	2,499	1,334	1,892	10,412	-
Non-current	-	17,924	1,649	1,149	9,365	3,500
	-	20,423	2,983	3,041	19,777	3,500

Road restoration

This provision recognised obligations for payment of road restoration costs to councils. Such obligations arose where roads needed to be restored to their original condition at the completion of construction or maintenance activity. There was uncertainty in relation to the amount and timing of payment and the Corporation's estimates are based on past experience of works undertaken. Road restoration costs are capitalised as part of the cost of an asset that is constructed. Where no asset is created and road restoration costs are incurred, the costs are expensed in profit or loss. The provision is no longer required as the Corporation has streamlined its internal processes during the current reporting period to provide certainty as to the amount and timing of payments.

Workers' compensation self-insurance and general insurance

The workers' compensation self-insurance provision recognises the Corporation's remaining self-insurance liability for workers' compensation injury claims prior to 1 March 2007. The general insurance provision recognises the Corporation's remaining self-insurance liability claims relating to damage, costs, goodwill payments, loss or injury (other than workers' compensation). The provisions are actuarially calculated on a discounted cash flow basis, using information including estimates of the probable cost of each claim, the type of injuries and claims, potential recoveries and industry wide experience. The provisions also include an estimate for incurred but not reported claims based on past experience and is based on a likelihood of adequacy of 50%. There is uncertainty with some factors such as probable costs, discount rates, settlement period, the likelihood of adequacy and estimations of future claims, and claims incurred and not yet reported.

Restoration of leased premises

This provision recognises the Corporation's obligation to pay restoration costs for leased premises where the Corporation must restore the premises back to their original state at the end of the lease term. Estimates of restoration costs are discounted using the yield on government bonds. The main uncertainty is in relation to the actual restoration costs that will ultimately be incurred. Restoration costs are separately capitalised against assets that have been acquired as part of leasing the premises, such as fit outs. Where the Corporation has not incurred expenditure to acquire assets as part of leasing the premises, the restoration costs are expensed in profit or loss.

Decommissioning and maintaining system assets

This provision recognises the Corporation's obligation for restoration costs of decommissioning and/or maintaining system asset network components, including costs of dismantling, decommissioning, removing a system asset network component and restoring the site on which it was located. It also includes constructive obligations for rectification works where safety issues have been identified, such as electrical cabling repairs and asbestos removal. Estimates are made in relation to the period over which the system asset network component will be decommissioned, or the constructive obligation is expected to be settled. The liability is calculated on a discounted cash flow basis.

Biodiversity management action plan

This provision recognises the Corporation's obligation to protect and maintain the biodiversity of its Biodiversity Stewardship sites. The provision is an estimate as determined by the NSW Biodiversity Conservation Trust and included in the Biodiversity Stewardship agreements and covers such costs as weed control, signage, fencing and gate maintenance, pest control, monitoring and other costs.

Note 14. Deferred Government grants**Carrying amounts**

	2022 \$'000	2021 \$'000
Current		
NSW Government grant for growth planning labour resources	62	-
Total current deferred Government grants	62	-

Recognition and measurement

Conditional Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received, and that the Corporation will comply with the conditions attaching to them. They are then transferred to profit or loss as revenue as the conditions are fulfilled, unless they are of a material amount that compensates the Corporation for the cost of a specific identifiable asset or assets, in which case they are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset or assets.

Note 15. Dividends payable**Movements and carrying amounts**

	2022 \$'000	2021 \$'000
Dividends payable at the beginning of the year	274,400	963,000
Movement during the year		
Dividend recognised at 3.54 cents per share (2021: 17.56 cents per share)	138,750	687,000
Dividends paid on shares at 7.01 cents per share (2021: 35.16 cents per share)	(274,400)	(1,375,600)
	(135,650)	(688,600)
Dividends payable at the end of the year	138,750	274,400

Recognition and measurement

A liability for dividends payable is recognised in the reporting period in which the dividend is declared. Dividends are regarded as declared when they are appropriately authorised as no longer at the discretion of the Corporation. This occurs through a formal process whereby the Board recommends the dividend to its voting shareholder Ministers and the final agreed dividend is accepted and approved by the voting shareholder Ministers prior to the end of the reporting period.

Under the NTER, the Corporation is not required to maintain a dividend franking account.

Equity

Note 16. Share capital

Carrying amounts and movements

	2022 \$'000	2021 \$'000
Issued and fully paid-up share capital	3,911,854	3,911,854
Total share capital	3,911,854	3,911,854
Balance of ordinary shares at the beginning of the year	3,911,854	3,161,854
Movement during the year		
Share issuance	-	750,000
		750,000
Balance of ordinary shares at the end of the year	3,911,854	3,911,854

The Corporation's two shareholders are:

- the Treasurer; and
- the Minister for Finance and Small Business.

Each shareholder holds 1,955,927,000 (2021: 1,955,927,000) ordinary shares non-beneficially on behalf of the NSW Government. The shares entitle the NSW Government to a dividend from the Corporation. The amount of the dividend is determined as part of the annual process of negotiating and agreeing the Corporation's Statement of Corporate Intent with the shareholder Ministers.

Any changes to the Corporation's share capital can only be undertaken in accordance with the Corporation's constitution and with the agreement of its shareholder Ministers.

On 2 July 2020, Sydney Water received a \$750 million equity injection from the NSW Government. The equity injection was paid to maintain Sydney Water's capital structure consistent with the requirements of the NSW Government's Commercial Policy Framework.

Unrecognised Items

Note 17. Commitments

(a) Capital expenditure commitments

	2022 \$'000	2021 \$'000
Capital expenditure commitments		
Not later than one year	1,133,627	762,900
Later than one year and not later than five years	904,556	504,912
Later than five years	78,532	86,919
	2,116,715	1,354,731

Contractual commitments for capital expenditure cover both property, plant and equipment and intangible assets. Amounts disclosed for these commitments include total GST of \$192.428 million (2021: \$123.157 million).

(b) Other lease commitments

	2022 \$'000	2021 \$'000
Receivable as lessor		
Future rentals:		
Not later than one year	10,722	10,845
Later than one year and not later than five years	36,454	35,077
Later than five years	126,263	131,998
	173,439	177,920

Leases are non-cancellable and are mainly in respect of residential, commercial and industrial properties, open space and space for telecommunication towers. Leases are for terms ranging from less than one year to 50 years. Lease rentals are generally reviewed annually. Amounts disclosed for these commitments include total GST of \$15.767 million (2021: \$16.175 million).

Note 18. Contingencies

(a) Contingent liabilities

A contingent liability is a possible obligation that may become payable depending on a future event or a present obligation that is not probable to require payment or cannot be reliably measured. A provision is not recognised for contingent liabilities. The Corporation is a party to various legal actions and claims which have arisen in the ordinary course of business. Any liabilities arising from such claims cannot be reliably measured at this time. In the directors' opinion, disclosure of any further information would be prejudicial to the interests of the Corporation.

Guarantees provided

Under the *Workers' Compensation Act 1987*, as the Corporation was a self-insurer until 1 March 2007 and as a state-owned corporation was deemed to not have Government employer status, the Corporation is required to provide a guarantee to Insurance and Care NSW that secures the Corporation's remaining self-insurance workers' compensation liability. The value of the guarantee at the reporting date was \$21.300 million (2021: \$16.800 million) (refer to note 12(c)).

(b) Contingent assets

The Corporation is seeking to recover costs incurred under contractual arrangements through litigation. It is also seeking to settle several outstanding insurance claims and recover costs or losses from insurers. In the directors' opinion, disclosure of any further information about these claims would be prejudicial to the interests of the Corporation and cannot be reliably measured at this time.

Other Notes

Note 19. Financial risk management

(a) Financial instruments and financial risk factors

The Corporation has the following financial instruments:

- lease liabilities related to right-of-use assets (refer to note 5).
- cash and cash equivalents (refer to note 8);
- trade and other receivables (refer to note 9);
- trade and other payables (refer to note 11);
- borrowings (refer to note 12); and
- service concession liabilities (refer to note 12).

These financial instruments expose the Corporation to a range of financial risks in its normal course of business operations. These risks include liquidity risk, credit risk, interest rate risk and regulatory risk. The Corporation does not have any material exposure to price risk or foreign currency risk.

(b) Financial risk exposures

Liquidity risk

During the current and previous reporting periods, there were no defaults or breaches on any borrowings payable. No assets have been pledged as collateral. The Corporation's exposure to liquidity risk is deemed low based on previous reporting periods' data and current reassessment of risk. Liquidity risk is managed by the Corporation through the maintenance of extensive short-term and long-term cash flow forecasting models, and through the availability of borrowing facilities approved by the NSW Treasurer under the *Government Sector Finance Act 2018* (GSF Act).

The objective is to maintain a balance of funding and flexibility in ensuring cash is available each day to meet the Corporation's financial obligations, whilst maintaining a daily bank balance with minimum surplus funds.

Whilst current liabilities are greater than current assets, the Corporation continues to operate as a going concern. The Corporation derives most of its revenue from the operation of its infrastructure assets, generating positive cash flows and also has access to significant committed borrowing facilities.

Credit risk

Exposures to credit risk for the Corporation are primarily in relation to cash and cash equivalents and trade and other receivables. At the reporting date, the maximum exposure to credit risk for the Corporation is represented by the carrying amount of cash and cash equivalents and trade and other receivables in the statement of financial position (refer to notes 8 and 9).

Cash and cash equivalents

The Corporation only deals with creditworthy counterparties and recognised financial intermediaries as a means of mitigating the risk of financial losses from defaults. Policies are in place to monitor the credit ratings of counterparties and to limit the amount of funds placed with those counterparties, depending on their credit rating.

Trade and other receivables

The Corporation monitors balances outstanding on an ongoing basis and has policies in place for the recovery or write-off of amounts outstanding. The Corporation applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the lifetime expected credit losses, trade and other receivables were grouped based on:

- whether the trade and other receivables related to service availability and/or usage charges or related to sundry charges; and
- shared credit risk characteristics including whether the outstanding debtor is subject to legal recovery.

The expected loss rates are based on the payment profiles of revenues over the ten-year period prior to the reporting date and the related historical credit losses experienced over the same period. The historical loss rates were then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Corporation identified the NSW gross domestic product rate to be the most relevant factor, and accordingly adjusts the historical loss rates based on the expected change in this factor.

Interest rate risk

The Corporation is exposed to changes in market interest rates, primarily from the Corporation's portfolio of interest-bearing short-term and long-term borrowings. The Corporation manages this exposure by implementing various treasury management policies and controls approved by the Board that are designed to ensure debt maturities are spread across the yield curve. These controls include approved parameters specifying the minimum and maximum percentages of debt issuance in maturity bands, approved parameters limiting the maximum exposure to floating interest rate debt products, weighted average life management targets and approved trading bands.

Long-term fixed rate and CPI indexed bonds with maturities to 2041 have been issued in order to maintain a high weighted average life of the debt portfolio over time. At the reporting date, the debt portfolio was comprised of 83.9% of fixed rate bond debt and 16.1% CPI indexed debt (2021: 79.5% of fixed rate bond debt and 20.5% CPI indexed debt).

The Corporation's Treasury Management Policy has been approved by the Board, allowing debt management strategies to manage the financial impact of regulatory risks that occur in the current regulatory pricing environment (refer to 'Regulatory risk' below).

The table below details the carrying amounts of financial assets and financial liabilities, including their weighted average interest rates, that are exposed to interest rate risk at the reporting date:

	Note	Weighted average interest rate		Carrying amount	
		2022 %	2021 %	2022 \$'000	2021 \$'000
Financial assets					
At amortised cost:					
Cash	8	0.75	-	12,783	6,300
				12,783	6,300
Financial liabilities					
At amortised cost:					
Borrowings:					
Come and Go borrowings - NSW Treasury Corporation	12	1.96	0.18	123,000	71,500
Long-term borrowings - NSW Treasury Corporation	12	3.10	2.42	11,587,720	10,765,627
Other financial liabilities:					
Lease liabilities related to right-of-use assets	5	3.19	3.69	352,600	377,176
Service concession liabilities	12	3.80	3.80	568,500	608,069
				12,631,820	11,822,372

Sensitivity analysis

The table below shows the effect on profit after tax and equity at the reporting date if nominal interest rates had been 100 basis points (that is, one percentage point) higher or lower than current levels, with all other variables being held constant and considering all underlying exposures and related hedges if any.

Based on the value of the Australian short-term interest rates (one month Bank Bill Swap Rate – BBSW) at the reporting date of 1.14% (2021: 0.01%), a 100 basis points increase would increase the rate to 2.14% (2021: 1.01%) and a 100 basis points decrease would reduce the rate to 0.14% (2021: -0.99%). This is broadly representative of recent interest rate increases and decreases within a certain range, which is reasonably possible given historical movements in official interest rates by the Reserve Bank of Australia. Historically, the Reserve Bank of Australia official cash rate has fluctuated between 0.10% and 1.50% over the past five years.

	Interest Revenue		Post Tax Profit		Equity	
	Higher (lower)		Higher (lower)		Higher (lower)	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Judgement of reasonably possible events						
Interest rates 100 basis points higher	127	63	89	44	89	44
Interest rates 100 basis points lower	(127)	(63)	(89)	(44)	(89)	(44)

For the current reporting period shown above, the sensitivity to changes in interest rates at the reporting date relates to the bank account balance only, as no debt was subject to changes in interest rates at the reporting date.

Regulatory risk

Regulatory risk is the risk that the Corporation's actual cost of debt will not be fully compensated through the methodology employed by IPART in determining the Corporation's prices to be charged to customers. The main components of regulatory risk are real interest rate risk, debt margin risk and inflation risk.

Regulatory risk is managed by the Corporation through policies and strategies to hedge the components of regulatory risk. These include strategies that align the debt portfolio structure to IPART's cost of debt determination methodology.

The objective of managing regulatory risk is to ensure that the Corporation's actual cost of debt does not vary significantly from the cost of debt included by IPART in its Pricing Determination, and so that this does not impact negatively on financial ratios and the Corporation's credit rating.

(c) Financial risk management policies, objectives and reporting

The risks outlined above are managed in accordance with treasury management policies approved by the Board. These policies provide a framework of strict controls to manage the impact of these exposures, within the overall framework of the GSF Act. The policies cover several aspects such as:

- approved delegation levels and segregation of duties for dealing, authorising and settling treasury management transactions;
- approved credit limits for dealing with counterparties;
- the types of treasury transactions, including derivatives, that the Corporation can enter into;
- approved limits for hedging foreign exchange exposures;
- the structure of debt and investment portfolios; and
- approved benchmarks for managing performance.

Treasury and financial risk management performance is reported to a designated sub-committee of the Board on a quarterly basis. Treasury management strategies and performance are also reported on and reviewed on a quarterly basis by a Treasury Committee of senior finance managers.

(d) Capital management

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern, so that it can continue to provide appropriate returns for its shareholders and benefits for the community within its area of operations. This is achieved by maintaining an optimal capital structure that aims to minimise or reduce the cost of capital, whilst at the same time ensuring the Corporation's operations and capital works objectives are achieved. The capital structure of the Corporation is monitored based on key performance indicators, which include:

- the level of gearing for the Corporation; and
- its debt to equity ratio.

In determining appropriate prices for the Corporation to charge its customers, IPART has adopted a standard gearing assumption of 60 per cent for the purposes of determining the Corporation's weighted average cost of capital (WACC). The WACC is a key input in IPART's regulatory pricing methodology in which a regulated asset base is used to determine the Corporation's 'annual revenue requirement' (and ultimately prices to be charged to customers) based on the efficient use of resources and an appropriate rate of return on capital invested.

The table below shows the level of capital employed at the reporting date for the Corporation, as well as financial ratios used in the management of capital based on the definitions within NSW Treasury's Commercial Policy Framework.

	Note	2022 \$'000	2021 \$'000
Interest-bearing debt			
Come and Go borrowings - NSW Treasury Corporation	12	123,000	71,500
Long-term borrowings - NSW Treasury Corporation	12	11,587,720	10,765,627
Total interest-bearing debt		11,710,720	10,837,127
Total equity		8,019,329	7,614,577
Interest-bearing debt + total equity		19,730,049	18,451,704
Gearing ratio (Interest-bearing debt / Interest-bearing debt + Total equity)		59.35%	58.73%
Total interest-bearing debt		11,710,720	10,837,127
Other interest-bearing liabilities			
Service concession liabilities	12	568,500	608,069
Lease liabilities related to right-of-use assets	5	352,600	377,176
Total other interest-bearing liabilities		921,100	985,245
Total interest-bearing liabilities		12,631,820	11,822,372
Total equity		8,019,329	7,614,577
Total capital employed		20,651,149	19,436,949
Debt to equity ratio (Total interest-bearing liabilities / Total equity)		157.52%	155.26%

(e) Maturity analysis of financial assets and financial liabilities recognised in the statement of financial position.

The following tables reflect the maturity bands for settlement of the carrying amounts of financial assets and financial liabilities recognised in the statement of financial position at the reporting date.

	Note	Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	Repricing or maturing in:			Total \$'000
					3 to 4 years \$'000	4 to 5 years \$'000	More than 5 years \$'000	
2022								
Financial assets								
Cash	8	12,783	-	-	-	-	-	12,783
Trade and other receivables *		420,104	-	-	-	-	-	420,104
		432,887	-	-	-	-	-	432,887
Financial liabilities								
Trade and other payables *		716,075	-	-	-	-	-	716,075
Borrowings:								
Come and Go borrowings and long-term borrowings	12	2,048,572	1,801,679	2,031,484	1,923,272	640,991	3,264,722	11,710,720
Other financial liabilities:								
Service concession liabilities	12	41,435	43,801	46,042	48,526	51,138	337,558	568,500
Lease liabilities related to right-of-use assets	5	36,590	36,759	31,196	30,505	29,788	187,762	352,600
		2,842,672	1,882,239	2,108,722	2,002,303	721,917	3,790,042	13,347,895
2021								
Financial assets								
Cash	8	6,300	-	-	-	-	-	6,300
Trade and other receivables *		403,699	-	-	-	-	-	403,699
		409,999	-	-	-	-	-	409,999
Financial liabilities								
Trade and other payables *		551,371	-	-	-	-	-	551,371
Borrowings:								
Come and Go borrowings and long-term borrowings	12	1,494,560	1,612,639	1,698,982	1,945,531	904,790	3,180,625	10,837,127
Other financial liabilities:								
Service concession liabilities	12	39,893	41,442	43,814	46,055	48,539	388,326	608,069
Lease liabilities related to right-of-use assets	5	33,267	30,362	29,917	29,524	28,773	225,333	377,176
		2,119,091	1,684,443	1,772,713	2,021,110	982,102	3,794,284	12,373,743

* These balances differ from the statement of financial position as they exclude prepayments and statutory taxes receivable in the case of trade and other receivables, and income in advance and statutory taxes payable in the case of trade and other payables. These items are out of scope in relation to these disclosures.

(f) Contractual maturities of all cash flows from financial liabilities

The following tables reflect the maturity bands for all undiscounted contractual payments for settlement, including repayments of principal and interest, resulting from recognised financial liabilities as at the reporting date. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at the reporting date.

	Less than 1 year \$'000	Repricing or maturing in:					Total \$'000
		1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	More than 5 years \$'000	
2022							
At amortised cost:							
Trade and other payables *	716,075	-	-	-	-	-	716,075
Borrowings:							
Come and Go borrowings and long-term borrowings	2,298,488	2,022,268	2,163,830	2,201,716	736,425	3,917,054	13,339,781
Other financial liabilities:							
Service concession liabilities	62,314	63,066	63,588	64,263	64,964	382,870	701,065
Lease liabilities related to right-of-use assets	47,627	45,845	39,624	37,600	36,151	204,808	411,655
	3,124,504	2,131,179	2,267,042	2,303,579	837,540	4,504,732	15,168,576
2021							
At amortised cost:							
Trade and other payables *	551,371	-	-	-	-	-	551,371
Borrowings:							
Come and Go borrowings and long-term borrowings	1,700,883	1,830,471	1,850,168	2,014,255	1,020,293	3,707,093	12,123,163
Other financial liabilities:							
Service concession liabilities	66,179	62,677	62,682	63,403	63,916	489,106	807,963
Lease liabilities related to right-of-use assets	46,544	42,478	40,932	39,460	37,647	256,021	463,082
	2,364,977	1,935,626	1,953,782	2,117,118	1,121,856	4,452,220	13,945,579

* These balances differ from the statement of financial position as they exclude income in advance and statutory taxes payable. These items are out of scope in relation to these disclosures.

(g) Fair values of financial assets and financial liabilities

The following table details the carrying amounts, their fair values and the basis for determining the fair value at the reporting date for all financial instruments:

	Basis of fair value	Note	Carrying amount		Fair Value	
			2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Financial assets						
Cash	Carrying amount	8	12,783	6,300	12,783	6,300
Trade and other receivables *	Carrying amount		420,104	403,699	420,104	403,699
			432,887	409,999	432,887	409,999
Financial liabilities						
Trade and other payables *	Carrying amount		716,075	551,371	716,075	551,371
Borrowings:						
Come and Go borrowings	DCF** using interest rates from independent market source	12	123,000	71,500	122,997	71,500
Long-term borrowings	DCF using interest rates from independent market source	12	11,587,720	10,765,627	11,304,442	11,520,313
Other financial liabilities:						
Service concession liabilities	DCF using interest rates from independent market source	12	568,500	608,069	479,134	654,752
Lease liabilities related to right-of-use assets	DCF using interest rates from independent market source	5	352,600	377,176	295,430	387,734
			13,347,895	12,373,743	12,918,078	13,185,670

* These balances differ from the statement of financial position as they exclude prepayments and statutory taxes receivable in the case of trade and other receivables, and income in advance and statutory taxes payable in the case of trade and other payables. These items are out of scope in relation to these disclosures.

** Discounted cash flows

There were no financial instruments at either the current reporting date or the previous reporting date that were carried in the statement of financial position at fair value determined by any of the three valuation methods defined in note 4(d).

Note 20. Related party disclosures

The Corporation has related party relationships with key management personnel and with entities that belong to the NSW Total State Sector consolidated group controlled by the NSW Government.

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation, directly or indirectly. This comprises all directors, whether executive or non-executive, senior executives who lead the various divisional groups of the Corporation, the Corporation's two shareholder Ministers and its Portfolio Minister.

Compensation is shown below for the directors and the senior executives only. The NSW Legislature pays compensation to Ministers and this is not reimbursable from the Corporation.

	2022 \$'000	2021 \$'000
Short-term employee benefits	5,037	4,807
Post-employment benefits	320	283
Other long-term benefits	24	-
Termination benefits	6	25
	5,387	5,115
This comprises compensation relating to:		
Directors:		
Executive	876	815
Non-executive	762	777
	1,638	1,592
Senior executives	3,749	3,523
	5,387	5,115

The above disclosures for senior executives are based on actual payments made for employee benefits during the reporting period.

(b) Other transactions with key management personnel and related entities

From time to time, key management personnel may purchase goods or services from the Corporation. These purchases are on the same terms and conditions as those entered into by other customers and are trivial in nature. There were no related party transactions during either the current or previous reporting periods with other entities related to the Corporation's directors and senior executives.

(c) Other related party transactions

The Corporation is both a lessor and a lessee to several peppercorn leases where the other party is a member of the NSW Total State Sector consolidated group. The peppercorn leases are held to help further the strategic objectives of the NSW Government. The fair value of these leases is not quantified as the costs to obtain valuations would outweigh any benefits of providing such disclosure.

The Corporation provides laboratory testing services to test for COVID-19 markers for NSW Health. Revenues for these services during the current reporting period was \$4.274 million (2021: \$2.721 million).

The Corporation also provides unmetered water for urban and bush firefighting free of charge to NSW Fire and Rescue and the NSW Rural Fire Service.

Note 21. Consultants

The total amount paid or payable to consultants engaged by the Corporation during the reporting period was \$2.179 million (2021: \$1.303 million).

Note 22. Auditors' remuneration

The audit fee (exclusive of GST) for the audit of the financial statements by the Audit Office of NSW is \$0.490 million (2021: \$0.470 million).

Note 23. Impacts of COVID-19 and events occurring after the reporting period

The global COVID-19 pandemic and the subsequent restrictions imposed by Australian governments during 2021-22 have caused disruption to businesses and economic activity. Sydney Water has managed and continues to actively manage the risks arising from COVID-19 and has implemented a number of initiatives in response to the pandemic. These initiatives include measures to protect the safety and wellbeing of our customers and our employees. Measures have also been put in place to maintain the quality of water and wastewater services.

In relation to our customers, we recognised the financial hardship associated with the pandemic and implemented a number of initiatives to support our customers including the extension of contact centre hours to manage higher call volumes, waivers of late payment fees and interest charges on late payments and a reduction in debt recovery activities.

For our employees, our initial priority was to protect vulnerable employees by isolating them from site. Employees who were not considered to be providing location-critical services were enabled to work from home. Additional measures were implemented to protect the health and safety of those employees whose roles required them to work at company locations. We have also provided wellbeing resources and access to assistance to our staff to help them manage the uncertainty that prevails.

Operationally, measures have been taken in relation to ensuring the ongoing availability of critical supplies, conducting testing on wastewater for COVID-19 markers and adjustments to our capital program to ensure the implementation of COVID-19 safety plans.

Sydney Water had experienced some increase in the level of customers not paying their bills by the due date and some minor costs associated with implementation of the measures discussed above.

The Corporation has identified the following significant financial impacts from COVID-19 as recorded in the 2021-22 profit or loss:

	2022
	\$'000
Revenue	
Sundry revenue	4,274
Rental revenue (rent relief)	(474)
	3,800
Expenses	
Employee related expenses	227
Maintenance services	4,155
Operational services	754
Materials, plant and equipment	10,902
Transport	1,278
Property including land tax	1,122
Other expenses	50
	18,488

Construction contractors sought from the Corporation reimbursement of the incremental costs incurred to comply with the NSW Health Orders (lockdown) implemented for the COVID-19 Delta variant. These incremental costs included payment for securing the Corporation's construction sites and payment of the wages of the construction contractors' workforces stood down during the lockdown to enable the Corporation's construction projects to efficiently resume once the lockdown was lifted. These incremental costs totalled \$13.403 million for the current reporting period with \$4.155 million included in maintenance services, \$0.754 million included in operational services and \$8.494 million included in materials, plant and equipment expenses. The incremental costs were classified as operating expenditure in accordance with the accounting guidance mandated by NSW Treasury.

COVID 19 is not expected to materially impact the financial position of the Corporation during the coming reporting period. As the ongoing impacts of COVID-19 are difficult to predict, the Corporation will continue to monitor the risks and react accordingly.

End of audited financial statements

Directors' Declaration

In the opinion of the Directors of Sydney Water Corporation:

- (a) the accompanying Financial Statements and notes thereto:
 - (i) present fairly the Corporation's financial position as at 30 June 2022, its financial performance and its cash flows, as represented by its transactions for the year ended on that date;
 - (ii) comply with applicable Australian Accounting Standards and the applicable requirements of the *Government Sector Finance Act 2018*, the *Government Sector Finance Regulation 2018* and the Treasurer's directions;
- (b) there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.
- (c) we are not aware of any circumstances at the date of this declaration that would render any particulars included in the accompanying Financial Statements and notes thereto to be misleading or inaccurate.

Signed in accordance with section 7.6(4) of the *Government Sector Finance Act 2018* and in accordance with a resolution of the Directors:



.....
Director



.....
Director

Date: 26 August 2022



INDEPENDENT AUDITOR'S REPORT

Sydney Water Corporation

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Sydney Water Corporation (the Corporation), which comprise the Directors' Declaration, the Statement of profit or loss and other comprehensive income for the year ended 30 June 2022, the Statement of financial position as at 30 June 2022, the Statement of changes in equity and the Statement of cash flows, for the year then ended, notes comprising significant accounting policies, and other explanatory information.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the *Government Sector Finance Regulation 2018* (GSF Regulation) and the Treasurer's Directions
- presents fairly the Corporation's financial position, financial performance and cash flows

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Corporation in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial statements for the year ended 30 June 2022. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matters to be communicated in my report.

Key Audit Matter	How my audit addressed the matter
Fair value of system assets	
<p>At 30 June 2022, the Corporation's statement of financial position reported \$18.8 billion in system assets measured at fair value. System assets are highly specialised and account for 83 per cent of the total property, plant and equipment balance.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> the system assets are financially significant to the statement of financial position the discounted cash flow (DCF) model is complex and involves significant judgements and assumptions changes in assumptions, such as the discount rate, demand growth expectations, price and cost assumptions, can significantly affect the fair value. <p>Further information on the valuation techniques, inputs and sensitivity for system assets is disclosed in Note 4.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> obtained an understanding of the Corporation's approach to estimating the fair value of system assets assessed whether the DCF model: <ul style="list-style-type: none"> incorporated all key assumptions and inputs relevant to valuing system assets of a water entity met the requirements of Australian Accounting Standards assessed the competence, capability and objectivity of management's independent experts reviewed the reasonableness of key assumptions and sensitivity of the conclusions to changes in the assumptions reviewed the model's mathematical accuracy assessed the adequacy of the financial statement disclosures against the requirements of the Australian Accounting Standards.
Valuing of defined benefit superannuation liabilities	
<p>At 30 June 2022, the Corporation's statement of financial position reported net defined benefit superannuation liabilities totalling \$442 million. This liability balance is provided to the Corporation by the Administrator of the SAS Trustee, based on an independent actuarial assessment.</p> <p>I considered this to be a key audit matter because:</p> <ul style="list-style-type: none"> the defined benefit superannuation liability is financially significant to the statement of financial position the underlying liability valuation model (the model) is complex due to the significant degree of judgement required to determine key assumptions used to value the liability the value of the liability is sensitive to minor changes in valuation inputs. <p>Further information on the significant actuarial assumptions and sensitivity analysis is disclosed in Note 13.</p>	<p>Key audit procedures included:</p> <ul style="list-style-type: none"> obtained an understanding of the processes and key controls in place supporting the: <ul style="list-style-type: none"> membership data used in the model defined benefit superannuation liability calculation assessed the completeness and accuracy of the membership data used in the model with the assistance of actuarial experts, reviewed the methodology and key assumptions for reasonableness assessed qualifications, competence and objectivity of actuarial experts assessed the adequacy of financial statement disclosures against the requirements of applicable Australian Accounting Standards and Treasurer's Directions.

Key Audit Matter**How my audit addressed the matter****Accrued unbilled water usage charges**

At 30 June 2022, the Corporation's statement of financial position reported \$182 million accrued unread revenue for customer water usage.

I considered this to be a key audit matter because there is significant judgement and uncertainty involved in calculating this accrual, such as the:

- amount of water loss in transit between the dam and the end customer
- different rates and product offerings for residential and commercial customers
- complexity in estimating water usage across a large number of customers, which can be influenced by many factors including weather and individual circumstances.

Further information on recognition and measurement for accrued unbilled usage charges is disclosed in Note 9.

Key audit procedures included:

- obtained an understanding of the processes and key controls the Corporation has in place to determine the estimated unbilled water usage charges
- evaluated reasonableness of the key assumptions for water loss factors, volume and rates used to determine unbilled water usage charges
- tested the mathematical accuracy of the calculation
- assessed the historical accuracy of the estimate against subsequent billings.

Directors' Responsibilities for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, the GSF Act, GSF Regulations, Treasurer's Directions and the *State Owned Corporations Act 1989*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar6.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Corporation carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

1 September 2022
SYDNEY



Appendices





Appendix 1: Government Information (Public Access) Act 2009

In 2021-22, applications to Sydney Water under the *Government Information (Public Access) Act 2009* (NSW) (GIPA Act) were managed by the Information Management team. A dedicated page on the Sydney Water website covers all reporting and publication requirements of the GIPA Act. The webpage describes how to formally apply for access to information under the GIPA Act and provides an application form.

Sydney Water reports on access applications made under the GIPA Act each year, which is tabled in Parliament as required by Part 7 of the Act. This information is also provided to the Information and Privacy Commission NSW.

Sydney Water, for the period 1 July 2021 to 30 June 2022:

- received 130 valid formal access applications under the GIPA Act
- out of the 130, ten access applications carried over to 2022-23 (in accordance with statutory timeframes)
- received 10 informal applications
- decided 120 formal access applications (not including the 14 applications decided, which were carried over from 2020-21)
- had two access applications withdrawn by applicants.

We aim to proactively make information publicly available on our website.

We do this by:

- identifying categories of information often sought
- publicising initiatives, developments and projects that we want the public to know about
- identifying important information we've produced since a previous review
- providing information that it would be in the public interest for us to disclose.

You can learn more about what information is available and how to access it at sydneywater.com.au/SW/about-us/our-organisation/Howweprovideinformation/index.htm.

TABLE A: DECISION MADE ON APPLICATIONS BY TYPE OF APPLICANT AND OUTCOME³³

Applicant	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Media	1	1	0	0	0	0	0	0
Members of Parliament	1	2	0	2	0	0	0	1
Private sector business	20	1	0	1	0	0	0	1
Not for profit organisations or community groups	0	0	0	0	0	0	0	0
Members of the public (application by legal representative)	30	2	0	1	0	1	0	0
Members of the public (other)	47	4	1	3	0	0	0	0

³³ We may make more than one decision regarding a particular access application. If so, we record each decision made. This also applies to Table B.

TABLE B: NUMBER OF APPLICATIONS BY TYPE OF APPLICATION AND OUTCOME

Type	Access granted in full	Access granted in part	Access refused in full	Information not held	Information already available	Refuse to deal with application	Refuse to confirm/deny whether information is held	Application withdrawn
Personal information applications ³⁴	0	0	0	0	0	0	0	0
Access applications (other than personal information applications)	85	9	1	7	0	1	0	2
Access applications that are partly personal information applications and partly other	14	1	0	0	0	0	0	0

³⁴ A personal information application is an access application for personal information (as defined in clause 4 of Schedule 4 to the Act) about the applicant (the applicant being an individual).

TABLE C: DETAILS ABOUT INVALID APPLICATIONS

Reason for invalidity	No of applications
Application does not comply with formal requirements (section 41 of the Act)	0
Application is for excluded information of the agency (section 43 of the Act)	0
Application contravenes restraint order (section 110 of the Act)	0
Total number of invalid applications received	0
Invalid applications that subsequently became valid applications	0

TABLE D: CONCLUSIVE PRESUMPTION OF OVERRIDING PUBLIC INTEREST AGAINST DISCLOSURE: MATTERS LISTED IN SCHEDULE 1 (DECISIONS TO REFUSE ACCESS)

	Number of times consideration used ³⁵
Overriding secrecy laws	0
Cabinet information	0
Executive Council information	0
Contempt	0
Legal professional privilege	2
Excluded information	0
Documents affecting law enforcement and public safety	0
Transport safety	0
Adoption	0
Care and protection of children	0
Ministerial code of conduct	0
Aboriginal and environmental heritage	0

³⁵ More than one public interest consideration may apply in relation to a particular access application and, if so, each such consideration is to be recorded (but only once per application). This also applies in relation to Table E.

TABLE E: OTHER PUBLIC INTEREST CONSIDERATIONS AGAINST DISCLOSURE: MATTERS LISTED IN TABLE TO SECTION 14 OF ACT

	Number of occasions when application not successful
Responsible and effective government	0
Law enforcement and security	0
Individual rights, judicial processes and natural justice	11
Business interests of agencies and other persons	5
Environment, culture, economy and general matters	0
Secrecy provisions	0
Exempt documents under interstate Freedom of Information legislation	0

TABLE F: TIMELINESS

	Number of applications
Decided within the statutory timeframe (20 days plus any extensions)	84
Decided after 35 days (by agreement with applicant)	36
Not decided within time (deemed refusal)	0
Total	120

TABLE G: NUMBER OF APPLICATIONS REVIEWED UNDER PART 5 OF THE ACT (BY TYPE OF REVIEW AND OUTCOME)

	Decision varied	Decision upheld	Total
Internal review	2	1	3
Review by Information Commissioner ³⁶	0	0	0
Internal review following recommendation under section 93 of Act	0	0	0
Review by NCAT (NSW Civil Administrative Tribunal)	0	1	1
Total	2	2	4

³⁶ The Information Commissioner does not have the authority to vary decisions but can make recommendations to the original decisionmaker. The data in this case indicates that a recommendation to vary or uphold the original decision has been made by the Information Commissioner.

TABLE H: APPLICATIONS FOR REVIEW UNDER PART 5 OF THE ACT (BY TYPE OF APPLICANT)

	Number of applications for review
Applications by access applicants	4
Applications by persons to whom information the subject of access application relates (see section 54 of the Act)	0

TABLE I: APPLICATIONS TRANSFERRED TO OTHER AGENCIES UNDER DIVISION 2 OF PART 4 OF THE ACT (BY TYPE OF TRANSFER)

	Number of applications transferred
Agency-initiated transfer	2
Applicant-initiated transfer	0

Appendix 2: Public interest disclosures

TABLE J: PUBLIC INTEREST DISCLOSURES 2021-22

Public interest disclosures	Number of disclosures ³⁷
Number of public interest disclosures received by Sydney Water	31
Number of public officials who made public interest disclosures to Sydney Water	32
Number of public interest disclosures received, relating to:	
• corrupt conduct	30
• maladministration	0
• serious and substantial waste	1
• government information contravention	0
• local government pecuniary interest contravention	0
Number of public interest disclosures (completed this period)	31

³⁷ Reporting aligns with the NSW Ombudsman's definition, which includes contractors, subcontractors and instances where anonymous disclosures could reasonably be believed to have been made by employees, contractors or subcontractors.

We have an established internal policy of reporting to the Managing Director and Internal Audit Group. We also maintain an independent corruption hotline for employees and the public to report suspected corrupt behaviour, serious waste of resources or any other suspicious matters.

The accounting firm, KPMG manages Sydney Water's independent corruption hotline. KPMG is advised that employees who have requested to remain anonymous can receive protection under the *Public Interest Disclosures Act 1994* (NSW) should they wish to come forward with their identity. All confidentiality will be maintained.

We raise employee awareness through:

- the annual e-learning program
- a quarterly integrity update on current issues
- awareness articles in the weekly employee newsletter, Waterways
- employee discussions including for new employees during their induction.

Appendix 3: Annual Report external production costs

We have outsourced production of some elements of the Sydney Water Annual Report 2021-22 due to limitations with internal capabilities and resources. The total estimated cost of producing this year's report is \$17,256 (excluding GST).³⁸

³⁸ estimated figure correct at time of publication.

Appendix 4:

Global Reporting Initiative

Sydney Water is committed to reporting in line with GRI standards. The 2021-22 Annual Report includes an overview of the GRI requirements we currently report to the public. We are working towards comprehensive GRI reporting as part of our 2022-23 Annual Report.

SYDNEY WATER ANNUAL REPORT 2021-2022 – GRI INDEX

Disclosure	Topic	Location
2-1	Organisational details	1, 15, 116, 122
2-2	Entities included in the organisation's sustainability reporting	122-124
2-03	Reporting period, frequency and contact point	198
2-5	External assurance	84-85, 94-97
2-6	Activities, value chain and other business relationships	14-15, 22-26, 28, 32-34
2-7	Employees	60-65
2-8	Workers who are not employees	63
2-9	Governance structure and composition	84-87, 96-97
2-10	Nomination and selection of the highest governance body	94-99
2-11	Chair of the highest governance body	88
2-12	Role of the highest governance body in overseeing the management of impacts	88, 94-99
2-13	Delegation of responsibility for managing impacts	94-99
2-14	Role of the highest governance body in sustainability reporting	96
2-17	Collective knowledge of the highest governance body	91-98
2-18	Evaluation of the performance of the highest governance body	84-85
2-25	Processes to remediate negative impacts	15-17, 20-35, 78
2-28	Membership associations	41-43, 50-53, 75
201-3	Defined benefit plan obligations and other retirement plans	155-156
201-4	Financial assistance received from government	147, 162-163, 165
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	97, 99, 110-112
207-4	Country-by-country reporting	15, 42, 67, 122
403-4	Worker participation, consultation, and communication on occupational health and safety	60-65



Glossary





A**Audit and Risk Committee (ARC)****Australian Institute of Company Directors (AICD)****Average**

The sum of scores divided by the total number of results.

B**BillAssist®**

Sydney Water's Customer Assistance Program to help customers with payment difficulties and/or growing debt.

Biosolids

Nutrient-rich, organic waste products that can be used in agriculture, composting and land rehabilitation.

Bypass

Partially treated wastewater discharged from a wastewater treatment plant.

C**Catchment**

An area of land surrounding a dam or water storage, or the area served by a wastewater treatment plant.

Rain falling over a water catchment drains to a dam and may contain nutrients, minerals and contaminants collected from the land surfaces.

Waste is collected from homes and businesses in wastewater pipes within a wastewater catchment and drains by gravity or is pumped to a specific wastewater plant.

Centrepay

A regular payment arrangement that allows customers receiving income support from Centrelink to pay bills through regular deductions from their Centrelink payment.

Conservation

Resource use, management and protection to prevent degrading, depleting or wasting resources to ensure resources are sustainable for present and future generations.

Culturally and linguistically diverse (CALD)

Customers who speak English as a second language.

CxP

Customer Experience Platform (SAP S/4 HANA)

D**Drinking water**

Water treated to comply with Australian Drinking Water Guidelines 2011 to the satisfaction of NSW Health.

DSP

Development Servicing Plan

E**EAP**

Employee Assistance Program

EBITDA

Earnings before interest, tax, depreciation and amortisation

Energy & Water Ombudsman NSW (EWON)

The NSW Government–approved dispute resolution scheme for NSW electricity, gas and water customers.

Environment Protection Authority (EPA)

An independent body that regulates and responds to activities that can affect the health of the NSW environment and its people.

ET

Equivalent tenement

F**Filtration (water)**

A process for removing particles from water by passing it through a porous barrier – such as a screen, membrane, sand or gravel.

G

Government Information (Public Access) Act 2009 (GIPA Act)

An Act to facilitate public access to government information.

I

IICATS

Integrated instrumentation, control, automation and telemetry system

Independent Pricing and Regulatory Tribunal (IPART)

The independent pricing regulator for the water, public transport, local government, electricity and gas industries, as well as the licence administrator for water, electricity and gas.

Information Commissioner

The Information and Privacy Commission NSW is an independent statutory authority that administers legislation dealing with privacy and access to government-held information in NSW.

K

Kilolitre (kL)

One thousand litres of water or approximately one tonne of water.

L

Litre (L)

A measure of liquid volume.

Lost time injury (LTI)

A work-related injury or illness that results in an individual being unable to work on a subsequent scheduled workday or shift.

Lost Time Injury Frequency Rate (LTIFR)

The main measure of safety performance in many companies in Australia. It is the number of lost-time injuries multiplied by one million divided by the number of hours worked in the reporting period.

M

Mass

A measure of weight.

Megalitre (ML)

One million litres of water or approximately one thousand tonnes of water.

Minimum

The lowest recorded reading.

Monitoring

An ongoing testing program to assess potential changes in circumstances.

N

NAIDOC

National Aboriginal and Islanders Day Observance Committee

NPAT

Net profit after tax

NSW Civil and Administrative Tribunal (NCAT)

The specialist tribunal service in NSW dealing with a broad and diverse range of matters, including the administrative review of government decisions.

O

Operating Licence

A licence issued under the Sydney Water Act 1994 (NSW) that sets many of our performance standards. IPART administers our Operating Licence.

P

Payment Assistance Scheme (PAS)

The PAS assists customers experiencing difficulties with paying their Sydney Water bill.

PlumbAssist®

A service that helps customers in financial hardship make emergency or essential plumbing repairs.

PSSE

Public Sector Senior Executive

R

R&I

The sum of scores divided by the total number of results.

Recycled water

Highly treated wastewater used in industrial processes, in irrigation for agriculture, in urban parks and landscapes, and in households for flushing toilets, car washing and watering gardens. It is not for drinking or personal use.

Recycling

Collecting and processing a resource so that it can be re-used.

Regulators

Organisations that set regulations and standards. Sydney Water's regulators include IPART, the EPA and NSW Health.

Rehabilitate

To restore to good condition.

Renew

To make new, to restore or to make effective for an additional period.

Reservoir

A man-made water storage area. Water is transferred from dams and treatment plants by gravity or pumping stations to reservoirs, which are usually on high land. The water then flows through a system of mains and smaller pipes to our customers.

Risk assessment

The process of gathering data and making assessments to estimate short- and long-term harmful effects on human health or the environment from exposure to hazards from a particular product or activity.

S

SCADA

Supervisory control and data acquisition

SDP

Sydney Desalination Plant

Sewage

See *Wastewater*.

Sewage overflow

See *Wastewater overflow*.

Staff engagement

The extent to which staff speak positively about Sydney Water to others, their intent to remain with the organisation and their willingness to go above and beyond what is required. We measure this through eNPS, turnover data and our Behaviour Index.

STEM

Science, technology, engineering and mathematics

Stormwater

Rainwater that runs off the land, frequently carrying various forms of pollution such as litter, debris, animal droppings and dissolved chemicals. This untreated water is carried in stormwater channels and discharged directly into creeks, rivers, the harbour and the ocean.

Stormwater system

The system of pipes, canals and other channels used to carry stormwater to bodies of water, such as rivers or oceans. The system does not usually involve treatment.

T

Total Recordable Injury Frequency Rate (TRIFR)

TRIFR is the sum of all lost time injuries plus the number of work-related injuries or illnesses requiring medical treatment per million hours worked.

Trade waste

Industrial or commercial wastewater with significant potential contaminants, with limits usually set by agreements.

Treatment (water)

The filtration and disinfection process.

V

Volume

The size, measure or amount of anything in three dimensions.

W

Waste

Discarded, rejected, unwanted, surplus or abandoned substances. Does not include gas, water, wastewater, beneficially used biosolids and re-used water.

Wastewater

The dirty water that goes down the drains of homes and businesses and into the wastewater system.

Wastewater overflow

A wastewater overflow occurs when wastewater escapes from the wastewater system due to insufficient capacity or a blockage in the pipe.

Wastewater system

The system of pipes and pumping stations for collecting and transporting wastewater from each property to the wastewater treatment plant.

Wastewater treatment plant

The place where we put wastewater through filtration and other treatment processes. Once the waste is treated, we then either discharge it to the environment or recycle it.

Water demand

Total amount of water needed for drinking, agriculture, industry, recreation and gardening. This is seasonal and highly influenced by the weather.

Water filtration plant

A treatment plant that improves water quality by removing impurities through filtration.

Water pumping stations

Stations that house mechanical pumping equipment used to transport water from lower ground to higher ground through pipes.

Water quality

The physical, chemical and biological measures of water.

Water Services Association of Australia (WSAA)

The peak industry body that brings together and supports the Australian urban water industry. Members provide water and wastewater services to more than 16 million Australians and provide services to many of the country's largest industries and commercial enterprises.

Waterways

All streams, creeks, rivers, estuaries, inlets and harbours.

Wetlands

Low-lying areas often covered by shallow water, such as marshes, mangroves, swamps, bogs or billabongs. Rich in biodiversity, they store and filter water and replenish underground water supplies.



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About this report

This is Sydney Water's full Annual Report for 1 July 2021 to 30 June 2022. It covers our:

- statutory information
- financial statements
- other regulatory information.

Visit sydneywater.com.au/annualreport to read the *Annual Report 2021-22* and previous reports.

If you have any comments or questions about this report, please email annualreport@sydneywater.com.au or write to:

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