

# Hunter Water



## 2025-26 Statement of Corporate Intent





# Acknowledgement of Country

Hunter Water acknowledges the Traditional Countries of the Awabakal, Darkinjung, Geawegal, Wonnarua and Worimi peoples and the Countries on which we operate and beyond where our water flows.

We recognise and respect the cultural heritage, beliefs and continuing connection to the lands and waters of our Traditional Custodians and pay respect to their Elders past, present and emerging.



Artwork by Tyson Jolly

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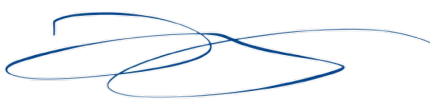
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# Shareholder agreement

The Statement of Corporate Intent (SCI) outlines the strategic direction and objectives from 2025-26 to 2027-28 for Hunter Water Corporation.

The SCI sets out Hunter Water's financial and non-financial performance objectives. The SCI is reviewed annually. Commencement date 1 July 2025.

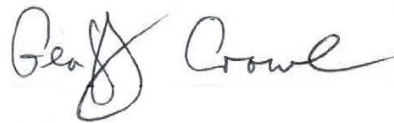
The Statement of Corporate Intent has been agreed between the Voting Shareholders and Hunter Water Corporation by



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The Hon Daniel Mookhey MLC

**Shareholder**  
**Treasurer**



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Geoff Crowe

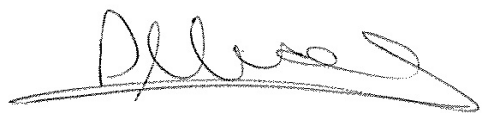
**Director**  
**On behalf of the Board of Hunter Water Corporation**



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The Hon Courtney Houssos MLC

**Shareholder**  
**Minister for Finance**  
**Minister for Natural Resources**



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Darren Cleary

**Managing Director**  
**Hunter Water Corporation**

# Objectives

Hunter Water Corporation is a commercial trading enterprise that is wholly owned by the NSW Government, and provides water, sewer and drainage services to the region within which it operates. Hunter Water is incorporated under the *Hunter Water Act 1991* and was the first government-owned enterprise to be proclaimed within Australia pursuant to the *State Owned Corporations Act 1989* (NSW) in 1992. Hunter Water has a Board of Directors appointed by the Governor of NSW on the recommendation of the Voting Shareholders in accordance with its Constitution. The Managing Director is appointed by the Governor of NSW upon the recommendation of the Portfolio Minister and is also appointed as a Director of the Corporation by the Voting Shareholders in accordance with Hunter Water's Constitution and the requirements of the *State Owned Corporations Act 1989*.

The principle objectives of Hunter Water, as described in the *State Owned Corporations Act 1989*, are:

- ♦ To be a successful business and, to this end:
  - ♦ to operate at least as efficiently as any comparable business, and
  - ♦ to maximise the net worth of the State's investment
- ♦ To exhibit a sense of social responsibility by having regard to the interests of the community in which it operates
- ♦ To conduct operations in compliance with the principles of ecologically sustainable development contained in section 6(2) of the *Protection of the Environment Administration Act 1991*
- ♦ To exhibit a sense of responsibility towards regional development and decentralisation in the way in which it operates

Hunter Water operates within a comprehensive regulatory framework.

Customer service obligations are governed by a Customer Contract set by the Independent Pricing and Regulatory Tribunal (IPART).

Customer service standards are specified within an Operating Licence set by IPART.

Wastewater system licences are set by the Environment Protection Authority (EPA).

Development Applications are administered in accordance with the *Hunter Water Act 1991* and the *Environmental Planning and Assessment Act 1979*.

Water access and management conditions are specified within licences issued by the Natural Resources Access Regulator.

Water quality is managed through a Memorandum of Understanding (MOU) with the Department of Health.

# Business overview

Hunter Water provides safe, reliable, high-quality drinking water to more than 640,000 people across the Lower Hunter. We also provide wastewater, stormwater, trade wastewater, recycled water and raw water services.

For more than 130 years we have worked with our communities to deliver trusted services, innovating to meet the changing needs of our growing region while protecting its health for future generations.

Our area of operations is 6,671km<sup>2</sup> and includes the local government areas of Cessnock, Dungog, Lake Macquarie, Maitland, Newcastle, Port Stephens, and a small part of Singleton. Across this region, we are responsible for drinking water management from catchment to tap, owning and managing two surface water dams (Chichester and Grahamstown), several aquifer water sources (the Tomago, Tomaree and Anna Bay Sandbeds), and drawing from the Paterson and Williams Rivers. In late 2024 we commenced construction on augmenting our region's drinking water supply with the new desalination plant at Belmont, which we expect to commission in 2028.

Our Corporate Strategy, Miromaliko Baato, provides an ambitious blueprint to create a sustainable water future for all. It frames the four strategic outcomes we aspire to deliver: customers and community at the heart of all we do; high quality, valued and affordable water services for all; a sustainable, resilient and prosperous future; and a trusted, innovative organisation with a values-driven culture.

The values of our customers and community guide our long-term decision-making as we continue to improve our service delivery to meet evolving customer expectations, while remaining committed to sustainability and corporate social responsibility. Being guided by what is valued by our customers and community continues to build trust and confidence in Hunter Water.

We are investing in long-term assets when appropriate while retaining the flexibility to adapt to a changing future. Our asset and service strategies utilise adaptive pathway planning and appropriate adoption of innovative technology to manage uncertainty, meet customer expectations and improve value. Our investment decision-making supports intergenerational equity, with future generations not unfairly burdened with the consequences of decisions we make in the short term.

We continue to make improvements in reducing leakage from our water network, in the performance of our wastewater network and in our customer response and satisfaction. We have a strong track record of compliance with all Operating Licence system performance standards.

We continue to create, nurture, and sponsor meaningful partnerships with our customers, industry, our community and our stakeholders; building on conservation messaging and behaviour change initiatives under the banner of 'Love Water' to help our community understand its role in conserving water and creating and sustaining our resilient water future.

Managing climate related risk is in the DNA of our business. We are investing to both mitigate climate change and adapt to a more variable climate. We are reducing our operational emissions by entering a renewable energy power purchase agreement, continuing to invest in an onsite renewable energy program and seeking to driving further value from recoverable resources such as biosolids and biogas generation. These initiatives, amongst others, will contribute towards our target of reaching net zero carbon emissions by 2035. We are actively assessing how a changing and more variable climate will affect our communities, our people and our assets and developing adaptive plans to respond to and mitigate the potential impacts of climate change.

Hunter Water's strength is its workforce, and we remain committed to achieving a diverse organisation with a culture centred on our values of Leading, Learning, Trust, Wellbeing, and Inclusion. Our commitment to diversity and inclusion includes boosting female participation in our workforce, including in leadership roles, and increasing Aboriginal and Torres Strait Islander participation to reflect the composition of the community we serve.

# Business overview

We are investing in the capability and culture of our people to ensure we can meet the challenges ahead. The safety, health and wellbeing of our people remains our highest priority, and we have implemented a new Safety Health and Wellbeing Strategy and Psychosocial Risk Roadmap to enhance outcomes for our people, delivery partners and community.

For our customers, community and our business, recent times have been challenging. From extreme drought to severe flooding events, cost of living pressures, as well as heightened risk around cyber and data security, our people have continued to deliver trusted essential services to our customers.

Financial pressures are being faced by many in our community. Hunter Water recognises that it is not a passive participant in cost-of-living pressures: our aim is to balance the need to address today's issues including meeting our operating and regulatory obligations; delivering important customer outcomes such as water security; while keeping our customer's bills affordable. Following submission of our Pricing Proposal to the Independent Pricing and Regulatory Tribunal (IPART) in September 2024, IPART have determined the maximum efficient prices for the five-year period from 1 July 2025 to 30 June 2030, with proposed increases in typical customer bills of 3.8% per annum plus inflation (water and wastewater services only). In recognition of the impact on our communities, we have enhanced our customer support and hardship assistance programs for customers facing difficulties paying their bills.

We remain agile and ready to take on the opportunities arising from regulatory reform, increasing customer expectations and technology-driven disruption. We are working with the future in mind, engaging the hearts and minds of our people, and adopting, improving, and creating innovative solutions to the challenges we face.

We are proud of our origins as New South Wales' first State Owned Corporation and the role our independent Board plays in driving strong commercial performance for a positive net contribution to the State Budget.

Through this Statement of Corporate Intent, we will continue to harness operational efficiencies, deliver trusted services that our customers expect, enable the region's growth, economic prosperity, and quality of life; as a valued partner in creating a sustainable water future for all.

**Miromaliko Baato. Water is life!**

# Operations at a glance June 2025

Measure	Actual June 2025
Population served	~640,000
Water connections	282,612
Wastewater connections	269,925
Water supplied	65,994 ML p.a.
Recycled water supplied	6,052 ML p.a.
Water network	5,330 km
Sewer network	5,590 km
Total storage	229,024 ML
Water pumping stations	95
Wastewater pumping stations	462
Water treatment plants	6
Wastewater treatment plants	19
Calls/online enquiries received by call centre	136,023 p.a.
Website visitors in last 12 months	488,598 p.a.



# Financial summary

Annual Financial Performance Targets (Nominal \$)	Units	2025-26 SCI	2026-27 Forecast	2027-28 Forecast
Total revenue	\$m	489.6	547.0	601.6
Operating expenses	\$m	208.5	207.1	213.0
Total expenses	\$m	433.0	466.8	492.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	\$m	277.4	336.2	384.7
Earnings before interest and taxes	\$m	161.4	210.3	251.9
Net profit before income tax expense	\$m	56.6	80.2	109.4
Net profit after income tax expense	\$m	39.9	56.3	76.7
Target dividend payout ratio	%	70	70	70
Dividend payable	\$m	27.8	39.3	53.6
Return on average assets	%	3.6	4.3	4.9
Return on average equity	%	2.4	3.3	4.3
Capital expenditure	\$m	457.1	307.1	267.8
Net Debt	\$m	2,511.0	2708.7	2,855.7
Credit rating	rating	BBB	BBB	BBB

## Financial performance targets

Revenue forecasts are based on IPART's Final Report on Hunter Water's maximum prices for the period 1 July 2025 to 30 June 2030 (published 17 June 2025).

The growth in Net Profit reflects the return on Hunter Water's increasing investment in the Lower Hunter Water Security Plan, including the Belmont Desalination Plant. Significant progress on the Desalination Plant is forecast across the 2025-26 financial year, including \$283.5m in capital expenditure.

The SCI Budget targets were approved by the Board.

## Dividend policy

Dividends for the 2025-26 financial year will be provided on the basis of a dividend payout ratio target of 70% of distributable net profit after tax (NPAT). The Shareholders' approval of the dividend to be declared is subject to the Voting Shareholders' consideration of the Board's recommended dividend for 2025-26, prior to 30 June 2026.

# Our Corporate Strategy

## Miromaliko Baato

### Water is Life. We are creating a sustainable water future for all.

Our Corporate Strategy builds on Hunter Water’s strong track record of delivering trusted water services that underpin the health, wellbeing and prosperity of our region; to provide an ambitious blueprint to create a sustainable water future for all.

In Gathung language, Miromaliko Baato means saving water. This is the closest way we can express the term ‘water is life’ using one of the languages of the traditional custodians on the land on which we operate.

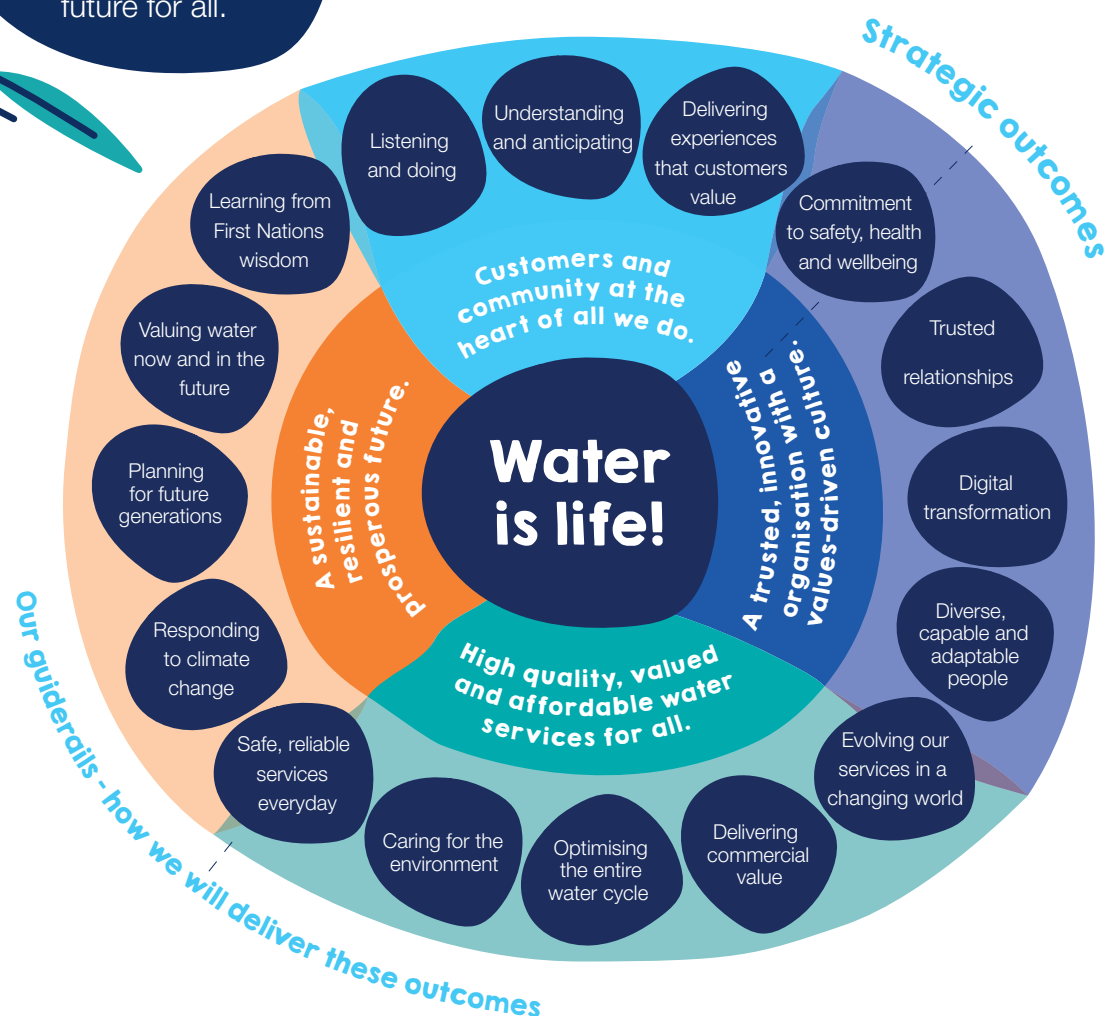
Our Corporate Strategy is framed around four strategic outcomes we aspire to deliver – customers and community at the heart of all we do; high quality, valued and affordable water services for all; a trusted, innovative organisation with a values-driven culture; and a sustainable, resilient and prosperous future. It is supported by a set of guiderails to help guide how we’ll get there.

### Our vision and purpose

**Water is life.**  
We are creating a sustainable water future for all.

### Who we are

- We are here for our **customers and community**
- We are **passionate about water**
- We **care about our people**
- We aspire to be **trusted partners**
- We are champions for a **sustainable future**



# Strategy driving change

Our Corporate Strategy is cascaded through the business to ensure our decision-making, across all levels, is consistent with our vision and purpose, and moves us towards the strategic outcomes we aspire to deliver.

Our **‘strategic architecture’** provides this line of sight to our Corporate Strategy.

## Our Corporate Strategy

Sets our vision and purpose and the four strategic outcomes that we aspire to deliver. Our Corporate Strategy is supported by a set of guiderails to help guide how we’ll get there.

## Business Plan

Our Corporate Strategy is complemented by a number of tangible and measurable strategic objectives that will help move us towards our desired strategic outcomes. These objectives are regularly monitored and reviewed through Hunter Water’s annual Business Plan.

## Supporting strategies

A suite of organisation-wide strategies that support and complement Our Corporate Strategy, providing additional guidance to the business across key areas.



Customer Experience



Our Values



Safety Health and Wellbeing



Sustainability



Digital



Community Engagement

## Planning and implementation

Putting Our Corporate Strategy into action through:

Investment Planning - where, when and how to invest to meet our strategic objectives and manage risk

Organisational planning - to drive important organisational outcomes such as safety, health and wellbeing, sustainability and community activities

Investment planning

Organisational planning

# Key Performance Indicators (KPIs)

## Corporate Scorecard 2025-26

The Corporate Scorecard specifies the key performance indicators used to measure and assess the performance of the business. The Scorecard includes a balance of both financial and non-financial metrics, set to drive short-term performance and also lay the foundation for long-term success.

Framed in the themes of our Corporate Strategy, the Corporate Scorecard is designed to reflect the organisation's strategic focus areas.

The inclusion of metrics from each perspective assists in ensuring the interplay of strategic cause and effect in performance, such as delivering shareholder values through to achieving great customer experience, being community-focused and ensuring our people are safe, live well and thrive. Targets are set to drive continuous performance improvement and provide a mechanism to foster our values of learning, leading, wellbeing, inclusion and trust.

The following principles have been used to inform the development of the Scorecard:

- ◆ Provide focus on what's important through alignment to the strategic outcomes of our Corporate Strategy and 2025-26 Strategic Objectives.
- ◆ Drive short-term performance as well as set the foundations for long-term success through meaningful measures that identify trends within a short time frame.
- ◆ Require cross-functional collaboration to be achieved.
- ◆ Reflective of Hunter Water's strong focus on ESG and sustainability outcomes and the Statement of Expectations.
- ◆ Meaningful and measurable KPIs that are intended to identify trends over time.

Performance against the Corporate Scorecard is reported to the Board on a monthly basis and to our Shareholders on a quarterly basis.

Strategic Outcome	Strategic Objective	Measures	Actual 2023-24	Actual YTD (Q3 2024-25)	Target 2025-26	Target 2026-27	Target 2027-28
Customers and community at the heart of all we do	Great customer experience	Customer satisfaction	N/A new methodology	70.9%	70%	70%	70%
	Community focused	Community trust	N/A new methodology	76%	75%	75%	75%
High quality, valued and affordable water services for all	High quality water services	Customer and environment service index	70%	95%	80%	80%	80%
	Water security	Leakage	76	73	≤65	≤55	≤45
A trusted and innovative organisation with a values-based culture	Be safe, live well, thrive	Total Reportable Injury Frequency Rate (TRIFR)	7.7	7.8	≤4.8	≤4.8	≤4.8
		Safety interactions and impact index	10	10	10	10	10
	Deliver shareholder value	Cost efficiency program - harvested cost reductions	N/A new measure	OPEX \$0.9m	OPEX \$4.0m	OPEX \$5.7m	OPEX \$7.1m

# Key Performance Indicators (KPIs)

The following section provides an overview of the key performance indicators.

## Great customer experience

Our Customers and Community at the heart of all we do. The customer satisfaction measure is designed to show the proportion of our customers that receive a great customer experience. This measure is based on surveys completed by customers following contact with Hunter Water – touchpoints include contact centre, development services, customer care (complaints), and vulnerable customer program. The survey asks customers, “Considering everything about your recent experience with Hunter Water, how satisfied or dissatisfied were you overall?” The measure uses “Top Box %” calculation for the target, that is, the % of those who rated their overall satisfaction 8, 9 or 10 out of 10 across all touchpoints.

## Community focused

Community trust in Hunter Water enables our social licence to operate: credibility and acceptance of our messaging is demonstrated by advocacy for our decisions and our work. Being efficient, well managed, having excellent customer service, being easy to deal with, and caring for customers having trouble paying their bills are drivers of this trust. The score is taken from a quarterly community survey which asks the question, “How strongly do you agree or disagree with the statement ‘I trust Hunter Water’?” Our target is that at least three quarters of our customers trust us – that is, 75% or more agree or strongly agree.

## High quality water services

The customer and environment service index reflects Hunter Water’s goal to get the basics right, always, through the delivery of efficient, resilient, sustainable and valued services. It is a layered measure that includes the highest priority operational, service and environmental measures where the organisation wants to drive change. The index combines the following:

- ♦ Compliance with four Operating Licence targets across water pressure, water continuity and dry weather wastewater overflows. For any score to be achieved for the customer and environment measure, all four Operating Licence targets must be achieved (“hurdle” criteria).
- ♦ Sustain and improve priority measures across water quality, environmental incidents, customer response and rectification and wastewater overflows. These measures will receive equal weighting (ie. 25% each) with minimum/superior/stretch/exceptional performance targets applied for each improvement criteria.

## Water security

Reducing water leakage is core to Hunter Water’s ability to improve our regional water security. Customers have consistently advised that they expect Hunter Water to reduce its own water leakage, whilst working with our community to conserve water, and delivering a new rainfall independent water source with the Belmont Desalination Plant. The leakage target measures the volume of water lost per service connection per day. Targets are aligned with the Lower Hunter Water Security Plan aspiration.

## Be safe, live well, thrive

Keeping our people safe remains our highest priority. We continue to improve our Safety, Health and Wellbeing performance and maturity in partnership with our people, our contractors and major project delivery partners. All leaders are required to undertake regular safety interactions. This aims to drive the importance and ‘presence’ of safety in everything we do and to embed a safety culture of interdependency, visible and felt leadership, positive worker engagement and live our organisational values in every-day behaviours and decision making. Well designed and implemented safety interaction programs contribute to mature safety culture and reduce safety incidents. Measuring the number and the value derived from safety interactions, such as safety improvement actions is a key lead safety indicator that contributes to improving safety performance. This supplements the Total Reportable Injury Frequency Rate (TRIFR) as a lag measure of safety performance.

## Deliver shareholder value

Delivering on Our Corporate Strategy reflects the long term interest of Hunter Water and its shareholders. Improving our future readiness incorporates a more strategic view of Hunter Water’s performance; in particular, progress against our Corporate Strategy, Miromaliko Baato. This composite measure will reflect the percentage of strategic objectives and risk actions on track in 2025-26, including progress of Sustainability initiatives and Financial indicators. Our Corporate Strategy is an ambitious strategy, both in scope and the stretch targets that we endeavour to deliver. Trade-offs between strategic objectives are likely to arise as we learn more.

Harnessing the savings identified in our Cost Efficiency Program will ensure we continue to deliver value for our customers and shareholders. The Cost Efficiency KPI measure provides focus on our commercial and financial performance as well as laying the foundation for longer term financial sustainability and customer affordability. It is about doing things smarter, more efficiently and ensuring value for money in the provision of our services. It provides strong alignment with our commitment to delivering customer value and that our customers only pay for expenditure that is efficient. It is not about not doing things. The target cost efficiency savings are as included in Hunter Water’s Pricing Determination 2025-30, equating to \$36.4m over 5-years (1% per annum compounding efficiency factor). We remain conscious that any cost savings need to be achieved in a sustainable way - that is, meaningful savings which do not cause detriment or unintended consequences to service provision and/or other customer outcomes.



# Sustainability performance indicators

Alongside our Sustainability Strategy, the Sustainability Scorecard aligns with Treasury Policy TPG24-27, which requires annual reporting on ESG and Sustainability Matters. The Scorecard incorporates Hunter Water's targets to reduce greenhouse gas emissions, reflects our targets on Aboriginal workforce participation and women's workforce participation, alongside core strategic focuses of water conservation (aligned with the Lower Hunter Water Security Plan) and leakage reduction.

Strategic Outcome	Strategic Objective	Measures	Baseline Actual 2023-24	Current YTD Q3 2024-25	Target 2025-26	Long term target
High quality, valued and affordable water services for all	Water security	Leakage	76	73	≤65	≤40 by 2030
		Water conservation	7.8%	11.2%	10%	17% by 2032
A sustainable, resilient and prosperous future	Environmentally sustainable	Greenhouse gas emissions reduction	14%	30%	≥40%	Net zero by 2035
A trusted and innovative organisation with a values-based culture	Values based culture	Female workforce participation	38%	39%	Progress towards 40% by 2030	40% by 2030
		Aboriginal and Torres Strait Islander workforce participation	2.9%	3.5%	4%	6.1% by 2030

Hunter Water currently holds 2,598 Australian Carbon Credit Units (ACCUs) generated through tree planting initiatives in the Lower Hunter. Both our interim and longer-term Greenhouse gas emissions reduction target are net targets, meaning they include the use of carbon offsets to compensate for hard-to-abate or unavoidable Scope 1 emissions, mostly associated with Hunter Water's wastewater treatment processes. While Hunter Water will continue to prioritise the exploration of existing and emerging opportunities to reduce direct emissions, to address any shortfall, we will rely on the surrender of Australian Carbon Credit Units (ACCUs), issued under the Australian ACCU Scheme, from sequestration projects (tree planting methods).

## CASE STUDY:

### Powered by renewable energy

We have made significant progress on our net zero carbon emissions journey, including signing an agreement with AGL to transition the electricity we use on our large sites to 100% renewable by 2030. Renewable energy investment remains a significant focus, both to reduce our carbon emissions and electricity costs.

In October 2024, we commissioned our largest renewable energy project by completing the 3.1-megawatt solar farm at the Balickera Water Pump Station. The renewable energy project increases Hunter Water's total renewable energy generation capacity to more than 6 megawatts.

In addition to reducing greenhouse gas emissions, the project is expected to generate substantial savings and benefits, estimated at approximately \$700,000 per annum.

In 2023-24 we:

- Commissioned an additional 400kW of solar across three Hunter Water sites.
- Increased total onsite electricity generation to 4.05GWh, a 25% increase year on year. Eighty percent of total generation was self-consumed onsite, with the remainder exported to the grid.
- Expanded our total renewable energy generation capacity to 2.96MW and generated 4,054MWh of renewable energy.



# Statement of Expectations

The Statement of Expectations for Hunter Water helps to clarify the Government's key priorities relevant to the work of Hunter Water and supports a coordinated approach to achieving sector-wide outcomes. A signed copy of the current Statement of Expectations for Hunter Water, issued in April 2022, can be found on our website. [Click here](#)

The Statement of Expectations formally and transparently communicates the Government's expectations of Hunter Water. The Statement of Expectations is designed to provide clarity to both Hunter Water and its stakeholders (including regulators and other industry/sector participants) and support a coordinated approach to achieving outcomes. It is principally a communication mechanism, not a directional power, with Hunter Water's Board of Directors continuing to maintain independence over the strategic, operational and commercial decisions of the business.

The Statement of Expectations sits alongside existing frameworks and governance arrangements that balance ownership and portfolio expectations under the State-owned Corporations model. The Statement does not replace any aspect of the relationship between Hunter Water, its Shareholding Ministers, and the Portfolio Minister as set out in applicable legislation.

TPG22-02 *Ownership and Portfolio Expectations Policy* requires Hunter Water to respond to the Statement of Expectations in the annual Statement of Corporate Intent (SCI) and Business Plan.

Consistent with the advice from NSW Treasury, Hunter Water anticipates that an updated Statement of Expectations will be issued later in 2025, following the conclusion of the IPART Price Determination process, to reflect the priorities of the new government.

Once the new Statement of Expectations is issued, this section of the SCI will be updated to reflect Hunter Water's commitment in response to the Statement of Expectations, including a summary of the key activities and initiatives to meet the Statement of Expectations, relevant indicators of performance, and progress towards meeting these expectations.

# Risk management

Hunter Water recognises that effective management of risk is essential to good corporate governance. As such, we have adopted a consolidated approach to risk management which incorporates governance, compliance, risk appetite and business continuity management.

## Governance Framework

Pursuant to its Board Charter, the Hunter Water Board is responsible for:

- ♦ ensuring that Hunter Water has in place an appropriate risk management framework
- ♦ setting the risk appetite within which the Board expects management to operate
- ♦ ensuring Hunter Water's risk management and internal control frameworks are fully and effectively developed, implemented and managed.

The *Internal Audit and Risk Management Policy for the General Government Sector* (TPP20-08) guides Hunter Water to ensure we fulfil our legislative obligations under the *Government Sector Finance Act 2018* (GSF Act). Pursuant to the requirements of TPP20-08, the Board has implemented a risk management framework, an internal audit function and an Audit and Risk Committee.

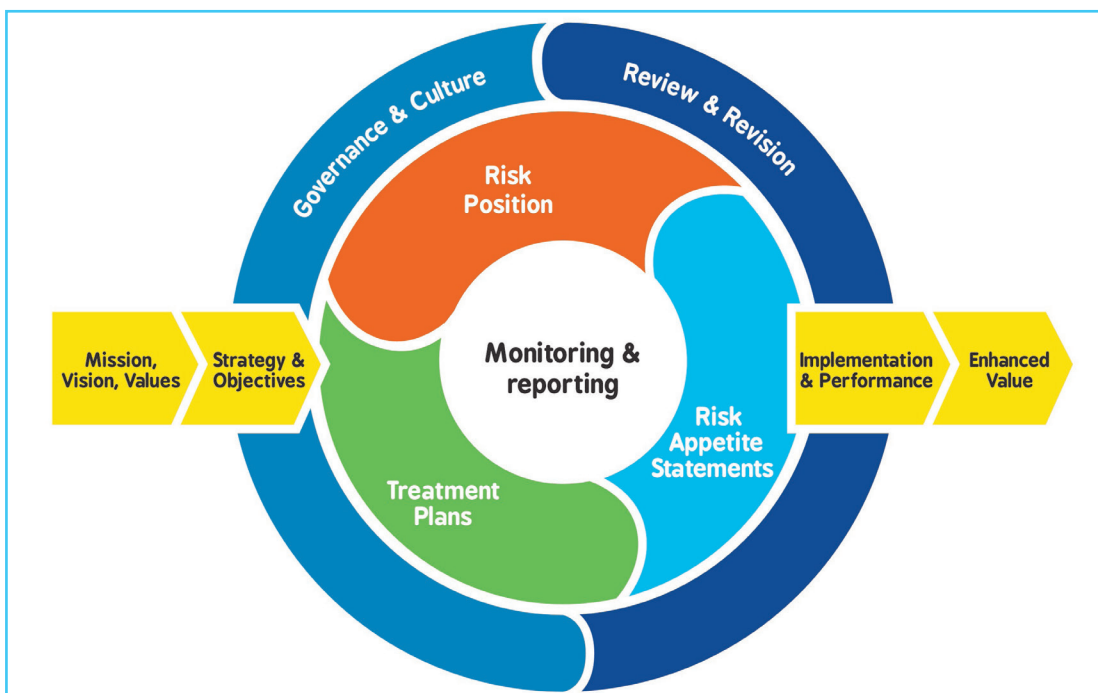
The Audit and Risk Committee has various responsibilities in relation to risk management, including to:

- ♦ assess and advise on the maturity of Hunter Water's risk management framework and risk culture
- ♦ seek assurance that Hunter Water has processes in place to identify and address emerging risks including but not limited to those of climate related and cybersecurity risks.

## Risk Management

Hunter Water extends beyond simple compliance and promotes the use of best practice standards and frameworks, tailored identify and manage risk. Hunter Water has implemented an Enterprise Risk Management Framework across the business.

The core requirements of this framework are founded on *Australian Standard AS ISO 31000:2018 Risk management – Guidelines*, and provide a consistent approach to risk management as well as standardised documentation and terminology. The Risk Management Framework is reviewed annually.



# Risk management

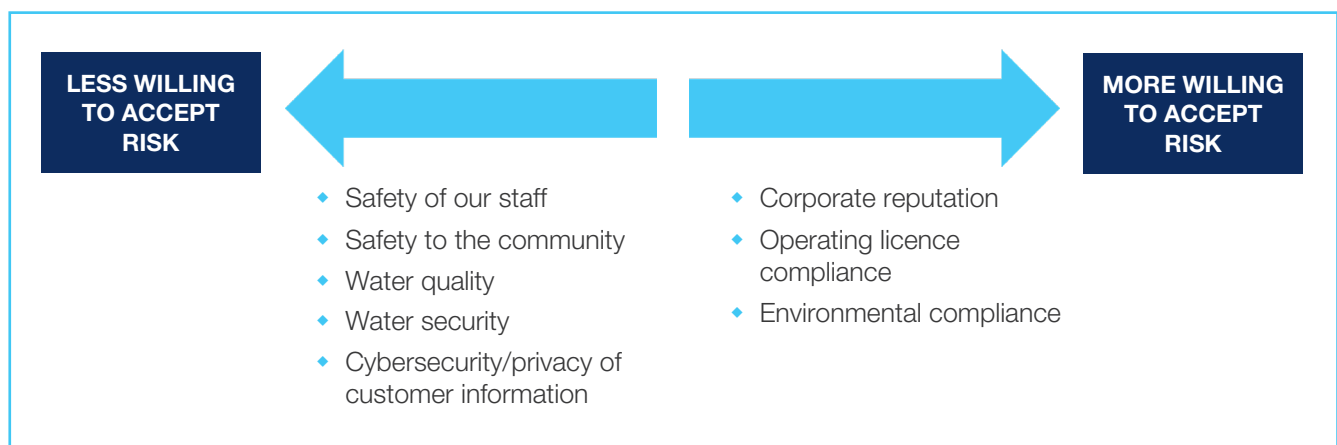
Responsibility for risk management follows the ‘three lines of defence’ model:

- ♦ Line 1 - Ownership: owning and managing risk through management controls and internal control measures such as internal policies and procedures.
- ♦ Line 2 - Oversight: monitoring of risk through our risk management, compliance and safety functions.
- ♦ Line 3 - Assurance: independent assurance through an internal audit function.

## Risk Appetite Statements

Hunter Water has developed Risk Appetite Statements which set out the level of acceptable risk, the Board’s tolerance within which risks are managed and controlled, and activities or consequences that the Board will not accept. This frames the decision making of our Executive Management Team and Board.

**We are less willing to accept risk where there is potential for critical impacts to our staff and the community,** as presented below.



For each risk, we need to strike the right balance between keeping bills affordable and managing timing to ensure we comply or meet expectations. Judgement is required.

The Risk Appetite Statements are aligned with each key risk event in the enterprise risk profile, including target risk rating levels. Detailed treatment plans have been developed for all enterprise risks outside of risk appetite. The Risk Appetite Statements are reviewed by the Board annually.

# Representation and commitment statement

The Board of Hunter Water Corporation confirms that:

- a. Key performance indicators within the 2025-26 SCI are based on and supported by Hunter Water Corporation's Business Plan.
- b. The Voting Shareholders will be provided with financial and other information to assess the performance against commitments in this SCI and to assess the value of the Shareholders' investment in the business.
- c. Asset maintenance policies and processes are adequate and appropriate to manage, and control risks associated with physical assets.
- d. All known key risks and major emerging contingent liabilities, including climate-related and cybersecurity, which could materially impact the current and future results of Hunter Water Corporation for the coming year have been disclosed.
- e. Internal audit and risk management practices are consistent with the Australian Standard AS ISO 31000:2018 and standards recommended for Australian Securities Exchange (ASX) listed companies where relevant. Where appropriate and relevant, the corporation has referred to Treasury's Internal Audit and Risk Management Policy for the General Government Sector (TPP20-08), and the *Risk Management Toolkit* to support development of risk management systems.
- f. The Managing Director has an employment contract and performance agreement. The employment contract is appraised annually, with the next appraisal scheduled for August 2025. The contract expires on 27 April 2029.

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

Hunter Water Corporation agrees it will pay charges fixed by the Treasurer in respect of government guarantee fees for borrowings from TCorp, in accordance with section 20U of *State Owned Corporations Act 1989*.

Hunter Water Corporation complies with NSW Treasury accounting circulars and policies applicable for SOC's.

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

Consistent with Premier's Memorandum M2025-04, Hunter Water Corporation has agreed to comply with the current NSW Government Fair Pay and Bargaining Policy.



# Glossary

<b>\$m</b>	Millions of Dollars
<b>COVID-19</b>	Corona Virus
<b>CSO</b>	Community Service Obligation
<b>DPE</b>	Department of Planning and Environment
<b>DPIE</b>	Department Of Planning, Industry and Environment
<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Amortisation
<b>Ellipse</b>	Hunter Water's Enterprise Resource Planning Software
<b>EPA</b>	Environment Protection Authority of NSW and is the regulatory body for protection of the environment licence issues for Hunter Water's wastewater pipe network and treatment plants. EPA licences can be accessed on the EPA website.
<b>FFO</b>	Funds From Operations
<b>GGF</b>	Government Guarantee Fee
<b>GIS</b>	Geographic Information System
<b>GL</b>	Gigalitres, One Billion Litres
<b>ICT</b>	Information Communication Technology
<b>IPART</b>	Independent Pricing and Regulatory Tribunal of NSW, the independent body that oversees regulation in the water, gas, electricity and public transport industries in NSW
<b>ISO</b>	International Organisation for Standardisation
<b>ISO31000</b>	A family of standards relating to risk management codified by the International Organisation for Standardisation
<b>KM</b>	Kilometres
<b>KPIs</b>	Key Performance Indicators
<b>LGA</b>	Local Government Area
<b>LHWSP</b>	Lower Hunter Water Security Plan
<b>ML</b>	Megalitres, One Million Litres
<b>No.</b>	Number
<b>NPAT</b>	Net Profit After Tax
<b>Operating Licence</b>	A licence issued under the <i>Hunter Water Act 1991</i> defining many of Hunter Water's performance standards
<b>OPEX</b>	Operating Expenditure
<b>P50</b>	Equal likelihood of under or over performance
<b>PA</b>	Per Annum
<b>RAB</b>	Regulatory Asset Base - The value of Hunter Water's assets used to provide regulated services, determined by IPART and used in estimating the rate of return on investment as an input to assessing Hunter Water's annual revenue requirement
<b>RUA</b>	Right Of Use Asset
<b>s50</b>	Section 50
<b>SDG's</b>	Sustainable Development Goals
<b>TRIFR</b>	Total Reportable Injury Frequency Rate
<b>UV</b>	Ultraviolet
<b>WACC</b>	Weighted Average Cost of Capital
<b>Wastewater</b>	Term used interchangeably with Sewage
<b>WHS</b>	Workplace Health and Safety
<b>WTP</b>	Water Treatment Plant
<b>WWPS</b>	Wastewater Pump Station
<b>WWT</b>	Wastewater Treatment
<b>WWTW</b>	Wastewater Treatment Works

Call

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