2019

THE LEGISLATIVE ASSEMBLY FOR THE

AUSTRALIAN CAPITAL TERRITORY

TABLING DOCUMENT

2019-20 to 2022-23 STATEMENT OF CORPORATE INTENT FOR ICON WATER LIMITED

Presented by
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Treasurer

2019–20 to 2022–23

BUSINESS STRATEGY

Our statement of corporate intent

icon WATER

CONTENTS

Our core purpose **3**

Managing Director's message **4**

Our business **6**

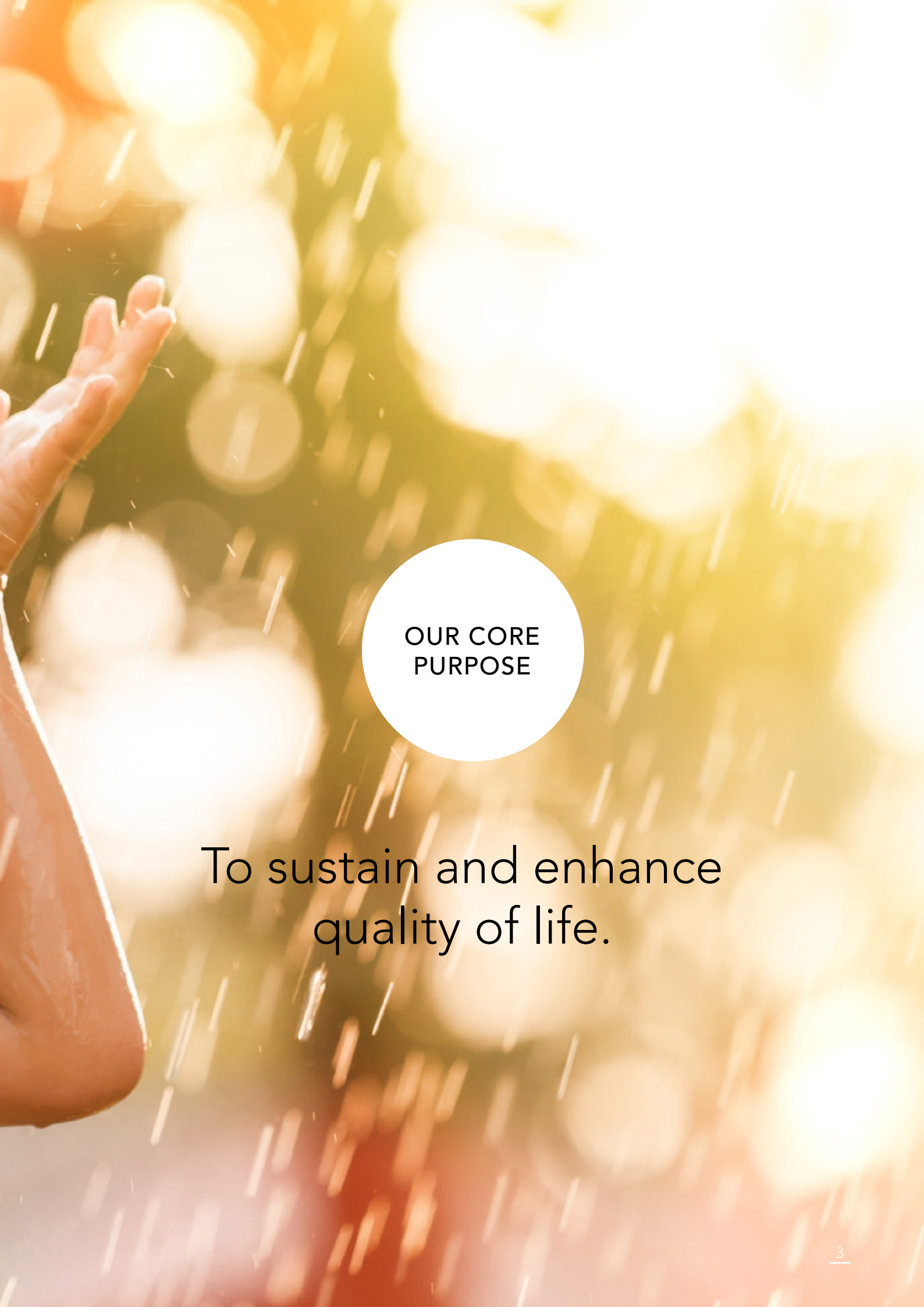
Objectives **12**

Strategies **15**

- Workplace strategies **16**
- Sustainable value strategies **18**
- Customer strategies **20**
- Performance indicators and targets **22**

Supporting information **25**

Financials **35**



OUR CORE PURPOSE

To sustain and enhance quality of life.

A MESSAGE FROM OUR MANAGING DIRECTOR

> *We play a pivotal role in ensuring the health of our community and enabling the prosperity of the beautiful region we live in.*

Icon Water prides itself on being an integral member of the community and region it serves. Because of this role, a sense of great responsibility pervades how we operate, the high standards we maintain and our absolute determination to continue improving the services we provide.

We play a pivotal role in ensuring the health of our community and enabling the prosperity of the beautiful region we live in. This is also an exciting time, as our region's population grows our long term planning and targeted investment has ensured we can continue meeting the challenges of increased demand in the context of an increasingly variable climate.

With this in mind, our business strategy for the period 2019–20 to 2022–23 is underpinned by our core values of safety, excellence and openness, which provide a lens through which our initiatives have been carefully developed. This is important, as we must evolve with our customers' expectations whilst delivering on our obligation to continue providing high quality drinking water and environmentally sustainable and affordable water and sewerage services.

Our commitment to our business objectives remains. We will build a safe, innovative and inclusive workplace, deliver sustainable value for our community and shareholders, and enhance the customer experience. We are shifting to a period of consolidation and refinement of these objectives. To achieve this, we will continue to invest in the capability of our most valued resource – our people, seek to leverage technology, and understand in more detail our customers' expectations of us.

We will do this with the absolute commitment of Icon Water's Board, Executive and broader team, and through continued collaboration with our valued partners and community.

RAY HEZKIAL
Managing Director
Icon Water

OUR BUSINESS STRATEGY

Our vision

A valued partner in our community

Our objectives and strategies

Workplace

Build a safe, innovative and inclusive workplace

- Enhance leadership safety capability
- Improve the safety capability of key partners
- Build a high-performing organisation
- Supporting activities

Sustainable value

Deliver sustainable value for our community and shareholders

- Build resilience to climate change
- Enhance resource recovery
- Build a smarter network
- Review the corporate services delivery model
- Leverage our new technology
- Enhance alignment with regulators
- Supporting activities

Customer

Enhance the customer experience

- Improve the billing experience
- Enhance the developer journey
- Improve complaints management
- Develop a customer insights roadmap
- Develop and implement a customer capability and systems plan
- Supporting activities

Our core values

Safety

Accepting personal responsibility to ensure a safe workplace and contribute to a safe community.

Openness

Involving the right people at the right time to get a result we can be proud of.

Excellence

Building strong relationships by acting with integrity and being receptive to the views of others.

OUR BUSINESS

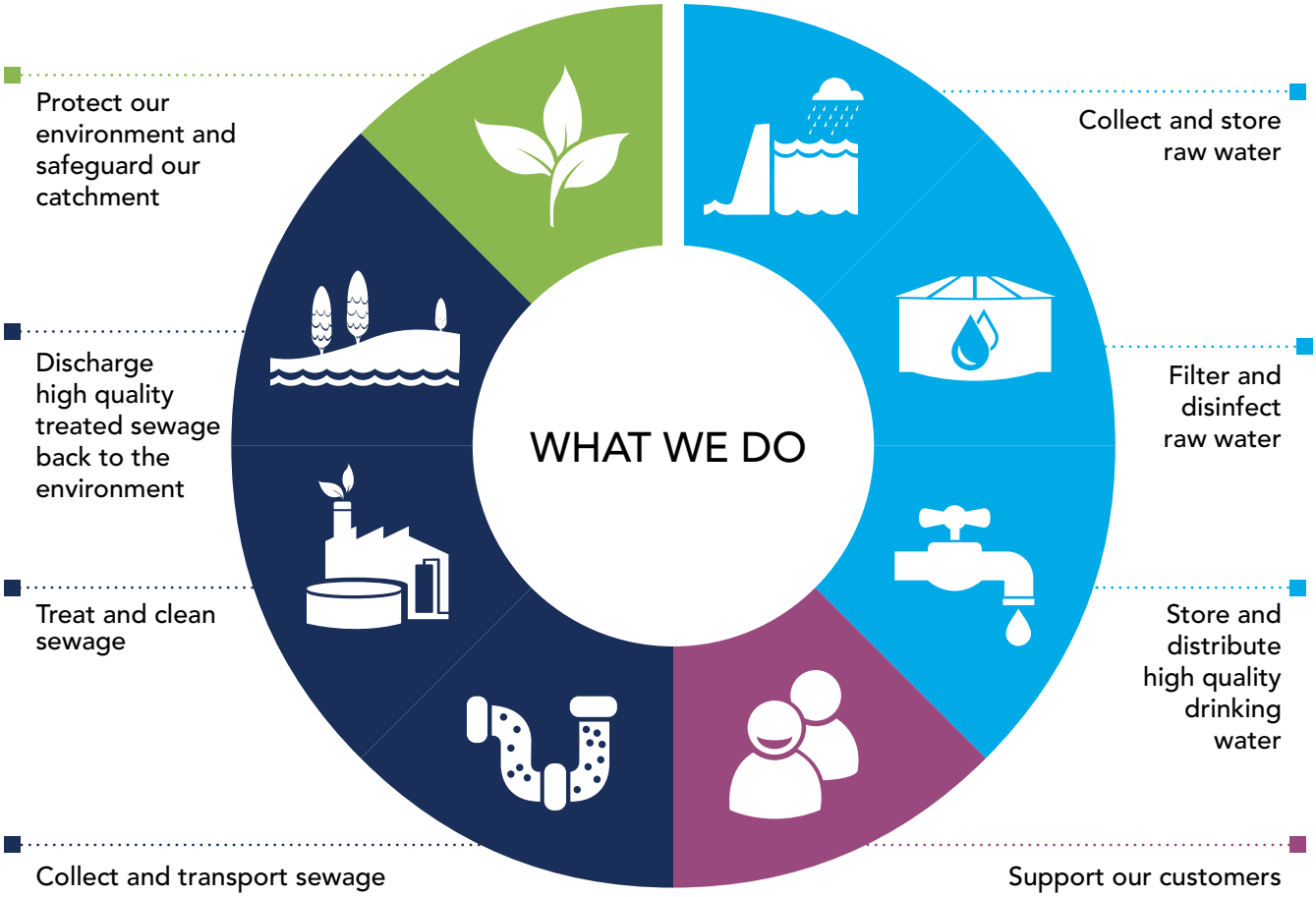
ABOUT US

We are committed to providing a safe, secure and sustainable water supply for the people of the ACT and the region, for generations to come.

We are the ACT's supplier of essential water and sewerage services. We have been part of the community for over 100 years; sourcing, treating and supplying water, and managing Canberra's sewerage services. Our services are an integral part of maintaining public health.

Our assets are valued at around $2.4 billion and include the region's network of dams, water treatment plants, sewage treatment plants, reservoirs, water and sewage pumping stations, pipes and other related infrastructure. We also actively manage an investment, valued at around $1 billion, in the ActewAGL Joint Venture Partnership, which operates in the energy sector.

A major part of our role is protecting the environment. We operate one of Australia's largest inland sewage treatment plants, returning around 80 per cent of the water Canberra uses as high quality environmental flows to the Murrumbidgee River system. Our reliability, expertise and community focus means we are perfectly placed to provide these essential services.



OUR CUSTOMERS

~460,000
Population reach

164,387
Residential customers

9,508
Non-residential customers

52.2
Gigalitres of water supplied in 2017–18

OUR TEAM

~400
Employees

97%
Employed full-time

21%
15+ years loyal

44
Average age

OUR ASSETS

$2.4 billion

of water and sewerage related assets

278 GL
Combined dam capacity

3,300km
Network of water pipes

24
Water pumping stations

2
Water treatment plants

48
Reservoirs

3,300km
Network of sewer pipes

26
Sewage pumping stations

6
Sewage treatment plants

OUR WATER SUPPLY IS SECURE

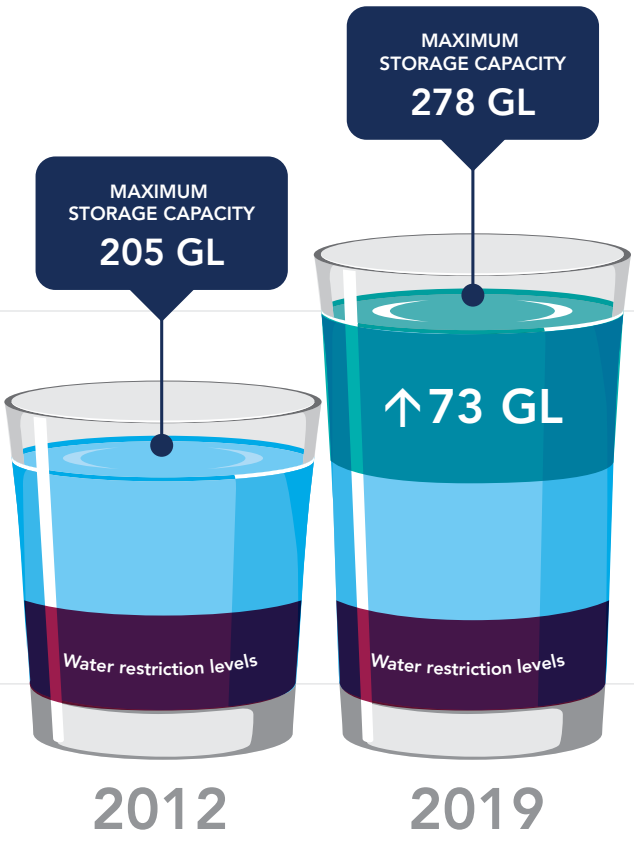
Today we can store more water than ever before - 278 GL of water across our four water supply reservoirs.

As a result of a number of water security measures taken during the millennium drought - our water supply is secure. These measures included a significant contribution from the Canberra community by reducing individual and collective water consumption by 40 per cent on pre-drought levels.

We are continually assessing our water storage capacity to support a growing population and cope with the impact of drought and climate change. Our water modelling forecasts storage levels for different climate futures to evaluate both impacts on operating costs and the likelihood of requiring water restrictions.

Our target level of service is to ensure the probability of water restrictions is not more than five per cent in any given year. Our current source water system is expected to satisfy that level of service for at least several decades.

Our modelling indicates our customers are very unlikely to experience water restrictions at any time during the four years of this Strategy.



Increased storage capacity

Provided by the enlargement of the Cotter Dam

GL = Gigalitres

OUR NETWORK
(WATER & SEWERAGE)

OBJECTIVES

OUR OBJECTIVES

Our objectives represent medium–term outcomes to be achieved through specific initiatives.

Build a safe, innovative and inclusive workplace.

Deliver sustainable value for our community and shareholders.

Enhance the customer experience.

These objectives are underpinned by the four obligations defined under the *Territory-owned Corporations Act 1990*.

1. To operate at least as efficiently as any comparable business.
2. To maximise the sustainable return to the Territory on its investment in Icon Water and ActewAGL, in accordance with the performance targets in the Statement of Corporate Intent.
3. To show a sense of social responsibility by having regard to the interests of the community in which we operate, and by trying to accommodate and encourage those interests.
4. Where our activities affect the environment, to effectively integrate environmental and economic considerations in decision-making processes.

STRATEGIES

Workplace strategies

Our objective to build a safe, innovative and inclusive workplace represents the foundation of our business strategy. Our people, and the environment in which they operate, are critical for enabling us to provide essential services to the Canberra community and region.

A number of business units support our workplace aspirations. These include specialist teams working on health and safety, injury management, organisational capability and people management. In addition, we rely on all our leaders to contribute to the kind of workplace we aspire to develop; and on all staff to behave in a manner that aligns with our core values of safety, excellence and openness.

In order to achieve our workplace objective, we will implement strategies to enhance the safety capability of our leaders, improve the safety capability of key partners and build a high performing organisation.

Enhance leadership safety capability

Through this strategy we will build on the concepts and learnings from the Switch On safety engagement program, which commenced in 2016–17. Specifically, to enable the necessary step change in safety outcomes, we will improve the safety capability of our leaders with a focus on operational teams.

During 2019–20, we will implement two streams of activities: a safety leadership program for executives and senior management and targeted safety coaching for selected line leaders.

Improve the safety capability of key partners

This strategy aligns with our vision to be a valued partner in our community. The capability of our key partners to manage safety can impact on Icon Water and the community in which we operate. This strategy will improve the safety capability of our key partners through improved awareness and networking.

During 2019–20, we will design and deliver health and safety awareness and networking events with key stakeholders.

Build a high-performing organisation

We have been providing water and sewage services to the Canberra community for over 100 years. In that time a strong culture has emerged, reflecting our pride in the importance of our work – from constructing the original Cotter Dam in 1914 to supporting the nation's capital today. This strategy aims to improve understanding and awareness of our culture, and implement actions to achieve desired outcomes for engagement, productivity and performance.

During 2019–20, we will define and understand our current culture, embed our core values across the business and undertake a range of short-term activities that will visibly demonstrate the behaviours of our desired culture. In addition, we will focus on improving gender diversity in non-traditional roles and developing stronger alignment between our organisation and our strategy.

Supporting activities

Our specialist business units undertake a range of activities that will support our workplace aspiration. These include activities to re-engineer inherently hazardous manual tasks, support the health and fitness of staff, empower workers to make good safety choices, simplify risk management for operational tasks, enable innovative thinking, and identify safety goals in employee's performance and development plans.

Sustainable value strategies

Our objective to deliver sustainable value for our community and shareholders recognises the important role we play in Canberra and the region. In undertaking our core purpose to sustain and enhance quality of life, we support the community to grow and prosper through the provision of high quality drinking water and environmentally sustainable water and sewerage services.

A number of business units provide specific support to our aspiration to deliver sustainable value. These include a range of teams working on capital expenditure projects to renew and grow our networks, operation of our plants, risk and emergency management, environmental management, and financial and commercial management. This work helps to ensure that we operate in a sustainable, prudent and efficient manner across all areas of our business.

In order to achieve our sustainable value objective, we will implement strategies to build resilience to climate change, enhance resource recovery, build a smarter network, review the corporate services delivery model, leverage new technology and enhance alignment with our regulators and their objectives.

Build resilience to climate change

Through this strategy we will understand our exposure and build our resilience to a variety of climate change uncertainties that can have financial, operational and compliance impacts on the provision of water and sewage services to the ACT and region. The strategy will define our transition to a lower-carbon economy and position our business to take advantage of opportunities to contribute to community resilience to climate change.

During 2019–20 we will develop a consolidated climate change adaptation plan in consultation with key stakeholders, consistent with the Water Services Association of Australia's Climate Change Adaptation Guidelines.

Enhance resource recovery

Operating and maintaining the water and sewer network produces a range of by-products which were historically treated as 'waste'. This strategy reflects a national paradigm shift, to manage waste as a resource. Resources which can be recovered from our operations include energy, heat, materials and water from our alum sludge, effluent, sewage sludge and excavated soil. This strategy aims to build our resource recovery capacity in order to make the most of the available resources we manage as part of our operations.

During 2019–20, we will conduct an industry scan and research to determine and prioritise resource recovery opportunities and develop a resource recovery roadmap.

Build a smarter network

To enable the ongoing management of a reliable water and sewer network requires decision-making which is informed by robust and reliable data. This strategy aims to deliver a set of tools and frameworks that facilitates the expansion of field data collection in real time, processing data, provision of additional analytical tools and improved visualisation and reporting capabilities. By capturing and storing the appropriate data, we can make well-informed decisions in a timely manner for our operations and for future investment needs.

During 2019–20, we will focus on upgrading our Supervisory control and data acquisition (SCADA) network which will allow our staff to have access to the right information at any time and in any location so they can efficiently and effectively get the job done.

Review the corporate services delivery model

It is important that we ensure our corporate services delivery model continues to deliver value for money services to support our evolving business operations. This strategy aims to deliver and implement a sourcing strategy for corporate and customer services post-2023 (when current arrangements expire).

During 2019–20, we will undertake an assessment of our current service delivery model and develop a sourcing strategy.

Leverage our new technology

This strategy aims to embed our new information technology systems, realise the benefits and ensure that we have the appropriate skills and culture to effectively use systems to deliver sustainable value to customers.

During 2019–20, we will continue to embed our new systems and tools across the organisation and deliver training programs to empower staff to work more efficiently and productively.

Enhance alignment with regulators

We operate in a highly regulated and multi-jurisdictional environment, balancing multiple compliance objectives to deliver our services and meet the expectations of our community and customers. This strategy aims to enhance alignment with and between our regulators for the benefit of our customers and community. This strategy will deliver a process for building trust and open communications so that we can continue to drive prudent and efficient decision-making that supports sustainable pricing while ensuring our service standards meet community expectations.

During 2019–20 multi-regulator forums will commence and we will have the opportunity to drive discussion on key areas.

Supporting activities

Our specialist business units will undertake a range of activities in support of our sustainable value aspiration. These include activities to finalise a detailed project prioritisation tool, drive productivity improvements, implement capital works, manage our energy consumption and resilience, manage the energy investment and update our digital architecture.

Customer strategies

Our objective to enhance the customer experience reflects our commitment to delivering quality products and services that our customers and community value. Community expectations of service and value are evolving and we need to make it easier for our customers to interact with us.

All of our staff are involved in supporting our customer aspirations, whether they serve internal customers, or directly or indirectly serve our valued external customers. In particular, our external customers are served by a number of specialist teams responsible for maintaining our water and sewerage networks, working with developers to grow the networks, ensuring efficient and effective account management, and working with our community partners.

In order to achieve our customer objective, we will implement strategies to improve the billing experience, enhance the developer journey, improve complaints management, develop a customer insights roadmap, and develop and implement a customer capability and systems plan.

Improve the billing experience

Through this strategy we will understand and benchmark the current billing experience, identify opportunities for enhancement including interactions with our customers. We aim to minimise the customer effort required to interact with us through reviewing end to end customer journeys and defining streamlined processes and technologies.

During 2019–20, we will work withour customers to understand the key customer journeys related to the billing process from their perspective, and will implement, test and trial priority initiatives aimed at improving the billing experience.

Enhance the developer journey

As Canberra continues to expand through urban infill and new developments, we need to ensure that we have the capability and resources to continue to meet the demands that result from this growth. Through this strategy we will strive to provide the right information, at the right time and in a manner that makes it easy for developers to do business with us.

During 2019–20, we will finalise end-to-end process mapping of the developer journey and associated internal processes, introduce the accreditation of design consultants and update standards and guidelines impacting developers.

Improve complaints management

This strategy aims to define the current complaints experience and identify the leading drivers of complaints. This will inform activities focused on preventing complaints that could be avoided, improving the management of those that remain and addressing priority issues where the complaint or its escalation could have been prevented.

During 2019–20, we will develop a shared organisational definition of complaints and introduce an updated complaints management framework that improves the prevention, management and resolution of complaints.

Develop a customer insights roadmap

The aim of this strategy is to create clear direction for the business to enhance the customer experience. Our current customer insight program – Talking Icon Water - provides a platform for customers and community to be involved and have their views considered in strategic decisions relating to future service design and investment planning. A program review is required in order to identify areas for improvement and create a prioritised customer insights action plan.

During 2019–20, we will implement a number of foundational projects including developing an insights framework and the delivery plan for Talking Icon Water.

Develop and implement a customer capability and systems plan

We recognise that in order to deliver easier processes and customer-focused services we need to have the right information technology in place to enable our customers to connect with us. The aim of this strategy is to design the future state for our key customer journeys and interaction platforms and the technology required to support our services into the future.

During 2019–20, we will advance the solution for updating our water meter database technology which is a critical component of our billing process. We will also define the roadmap to deliver the systems capability to streamline services, improve customer management and increase information flow, both internally and externally.

Supporting activities

Our specialist business units undertake a range of activities that will support our customer aspirations. These include activities to provide enhanced options for customers to interact with us via a channel of their choice, increase community information and education around water efficiency, drain care and their role in the water cycle, review trade waste customer guidelines and installation rules and provide online tools for teachers to deliver water-education related programs aligned to the ACT school curriculum and education levels.

PERFORMANCE INDICATORS AND TARGETS

For each of our objectives, we have established performance indicators and targets to monitor and report on achievements.

These are supported by a range of internal performance management arrangements and related monitoring and reporting activities.

We also have regulatory, compliance and performance reporting obligations via the following mechanisms:

- reporting annually on various service delivery targets (relating to water quality, reliable supply, sewerage services and customer satisfaction (including industry comparisons) in the National Performance Report: urban water utilities (published by the Bureau of Meteorology)
- reporting on compliance and performance to the Independent Competition and Regulatory Commission (ICRC) and Utilities Technical Regulator
- providing water and sewerage information under part 7 of the Water Regulation 2008 (collected by the Bureau of Meteorology)
- providing water and sewerage information for the National Water Account (published by Bureau of Meteorology).

The following performance indicators and targets were selected to reflect key stakeholder and customer needs and expectations of our business.

Performance indicators and targets

Objective	Performance indicators	Targets (30 June 2020)
Build a safe, innovative and inclusive workplace	High Potential Incidents (HPI)	0 incidents
	Total Recordable Injury Frequency Rate (TRIFR)	15% improvement[1]
	Safety culture	Improved[1] employee perceptions of organisational and manager commitment to safety
	Gender diversity	≥50% females in the leadership group
		Improved[1] proportion of females in non-traditional roles
	Employee engagement	Improved[1] employee engagement

Performance indicators and targets

Objective	Performance indicators	Targets (30 June 2020)
Deliver sustainable value for our community and shareholders	Water quality	Nil non-compliances with the Public Health (Drinking Water) Code of Practice 2007 (ACT)
	Reliable water supply	Average duration of an unplanned interruption – water (minutes): 111–150
		Frequency of unplanned interruption – water (per 1000 properties): 63–127
	Sewerage system reliability[2]	Sewer surcharges inside customer dwellings ≤15
		>95% of sewerage chokes restored within 6 hours
	Sustainability embedded in capital works	Infrastructure sustainability assessment incorporated into 100% of capital projects over $50,000
	Waste to landfill	Reduction in operational waste disposal to landfill (in tonnes)
	Environmental compliance	100% compliance with environmental flow requirements, environmental authorisations and agreements
	Greenhouse gas emissions	Reduction in net CO2-e greenhouse gas emissions from activities[3]
	Shareholder return	$64.9m (profits available for dividends)
	Earnings Before Interest and Tax (Water and Energy)	$181.4m
	Capital expenditure	+/-10% of $105.8m
	Gearing	≤57.0%
	Energy costs	Overall energy costs maintain 2016–17 energy expenses[4]
Enhance the customer experience	Customer satisfaction	90% of annual survey participants are satisfied with our overall service
		< 5.0 total water and sewerage complaints per 1000 properties
	Ease of doing business[5]	≥14
	Effective complaints management	A meaningful response to 100% of complaints within 20 business days
	Community perception of Icon Water	5% improvement[1]

1) Denotes an improvement in performance on previous year. 2) These performance indicators and targets have been selected with a customer focus and have been informed by our market research survey outcomes that show reliability and quality as priorities and customer views on the importance of avoiding sewer surcharges. 3) Scope 2 emissions from the generation of purchased energy. 4) With an allowance for growth in our services, under a climate neutral scenario. 5) A measure of customer's perception of ease of doing business with Icon Water.

SUPPORTING
INFORMATION

CAPITAL WORKS

During this Strategy reporting period, we will invest a large proportion of our capital works program in upgrading existing infrastructure.

We undertake regular assessments of the condition of critical assets and ensure that deteriorating and ageing assets are replaced before they fail. A significant proportion of the ACT's water and sewerage infrastructure was constructed in the 1960s and upgrades to these important assets are integral to maintaining service levels for our customers.

Projects are also underway to meet the growth of the ACT, ensure we continue to comply with regulatory requirements and to deliver efficiencies in our operations.

Our significant capital works projects are detailed below.

Water and Sewer Mains Renewal Programs

There are around 3,300km of water pipes and 3,300km of sewer pipes (mains) across Canberra. We invest in the maintenance and rehabilitation of our water and sewer mains to ensure the continued reliability of our services. As pipes age there can be some deterioration caused by a range of factors including a build-up of corrosion inside the pipes, the type of pipe, soil and air characteristics.

Rehabilitation of identified water and sewer mains will ensure we minimise the potential for bursts, blockages, overflows and collapses and therefore minimise impacts to customers.

This program will also improve the capacity of our water mains, by addressing corrosion impacts, to ensure continued pressure and flow standards are met across our network.

These works will be delivered as a program through to 2023.

$11.2m
Cost to June 2019

$16.8m
2019–20 forecast

$68.8m
Estimated total cost

$16.8m
Cost to June 2019

$10.7m
2019–20 forecast

$41.5m
Estimated total cost

Lower Molonglo Water Quality Control Centre Tertiary Filters and Disinfection System Upgrade

The tertiary filters and disinfection system at the Lower Molonglo Water Quality Control Centre are essential to ensure proper treatment of wastewater and that environmental flows discharged to the Molonglo River meet stringent environmental standards.

This project will refurbish the four tertiary filters, including the original mechanical and electrical items installed at commissioning of the plant in 1978.

The works will improve the reliability and capacity of the tertiary filters to support increased flows through the plant as Canberra's population grows.

The project is anticipated to be completed during 2020–21.

$3.1m
Cost to June 2019

$12.5m
2019–20 forecast

$28.8m
Estimated total cost

Lower Molonglo Water Quality Control Centre High Voltage Asset Renewal

The Lower Molonglo Water Quality Control Centre is the main sewage treatment plant for the ACT. Most of the high voltage electricity supply assets that provide essential power to the treatment plant have been in service since it was first commissioned in the late 1970s.

These electrical assets are approaching the end of their service life and will be upgraded to ensure we can continue to operate critical equipment safely and without supply interruptions.

$2.3m
Cost to June 2019

$1.2m
2019–20 forecast

$24.1m
Estimated total cost

Belconnen Trunk Sewer Augmentation

Sewage from the Belconnen, Gungahlin and Hall townships is collected and conveyed via the Belconnen Trunk Sewer which then drains into the Ginninderra Sewer Tunnel and then to Lower Molonglo Water Quality Control Centre for treatment.

The Belconnen Trunk Sewer was constructed in the 1960s and its capacity needs to be increased to meet the current and future population growth, given the significant development that has occurred in the Belconnen and Gungahlin areas. In addition to improving capacity, the network will also be upgraded to include extra ventilation and odour control units to protect new and existing infrastructure.

Water Network Electrical, Instrumentation, Monitoring and Controls Renewal Program

Our water and sewerage network comprises Electrical, Instrumentation, Monitoring and Control (EIM&C) assets which allow us to monitor, control and access communications at sites such as water reservoirs, water pumping stations, sewer pumping stations and flow control stations.

This program involves the upgrade of EIM&C assets at over 90 sites across the network to reduce the need for future maintenance and improve the timeliness, effectiveness and safety of operations.

The program is being delivered in stages and is anticipated to be completed during 2020–21.

$7.7m
Cost to June 2019

$5.6m
2019–20 forecast

$21.8m
Estimated total cost

Water Meter Renewal Program

We issue and install meters for all new residential and commercial properties and have a program to maintain existing water meters across the network. This ensures meters record water usage within defined meter accuracy parameters.

Installation of new water meters and the maintenance of existing meters is necessary to maintain the accurate measurement of water use to reduce water losses, and collect revenue from our customers.

These works will be delivered as a program to 2023, and include planned and reactive meter replacements and meter installations.

$3.5m
Cost to June 2019

$3.2m
2019–20 forecast

$20.7m
Estimated total cost

Googong Water Treatment Plant Clarifier System Renewals

Googong Water Treatment plant was constructed in 1978 and is a critical alternative water treatment plant for the ACT and Queanbeyan drinking water supply. It provides standby water treatment for Stromlo Water Treatment Plant during normal demand periods, primary water treatments during Stromlo Water Treatment Plant shutdowns or when Googong Dam is the preferred water source, and supplementary water treatment during peak demand periods.

The four clarifiers at Googong Water Treatment Plant have been in service since 1978 and will be upgraded to ensure they continue to perform the important function of removing solids and other contaminants from raw water in the treatment process.

This project is anticipated to be completed during 2021–22.

$1.7m
Cost to June 2019

$9.4m
2019–20 forecast

$16.1m
Estimated total cost

$11.8m
Cost to June 2019

$4.9m
2019–20 forecast

$15.6m
Estimated total cost

Lower Molonglo Water Quality Control Centre Furnace and Exhaust System Upgrade

The Lower Molonglo Water Quality Control Centre (LMWQCC) is the main sewage treatment plant for the ACT. The furnace and exhaust system are essential to the process of treating the solid waste generated from wastewater. This project will enable increased solids load to the furnace, and improve the safety and stability of furnace operations.

This project will also upgrade the furnace and exhaust systems to improve the reliability and capacity of the LMWQCC to maintain compliance with environmental air quality standards and to lower our operating costs.

This project is anticipated to be completed during 2019–20.

$570k
Cost to June 2019

$8.4m
2019–20 forecast

$11.2m
Estimated total cost

Mugga Reservoir Roof Replacement and Floor Sealing

The Mugga reservoir is approximately 60 years old and requires replacement of its roof structure, purlins and joint sealing in the floor. This project will ensure that this reservoir continues to provide drinking water to our community safely and to the high water quality standard required.

Mugga reservoir is located in the suburb of Symonston ACT. It supplies water to homes, schools and businesses in the surrounding suburbs and acts as a balancing tank for the Woden area when water is being supplied from the Googong Water Treatment Plant.

Construction works on the Mugga reservoir will commence in 2019–20.

RISK MANAGEMENT

We have a well-established approach to risk management which helps us to make consistent, considered business decisions.

Our Risk Management Framework aligns with AS/NZS ISO 31000:2019 *Risk management – principles and guidelines*. The framework includes risk management policy and procedure, risk assessment criteria and processes for the conduct of risk assessments, escalation and reporting of risks. The Icon Water Board has established a Risk and Assurance Committee (RAC) to provide independent assurance and advice to the Board on the management of risk and the treatment of key risks.

Risk assessments identify risks in seven categories: strategic, safety, operational, financial, environmental, reputation and legal/compliance. Risk reports are provided at multiple levels within the organisation, and the RAC reviews key risks and their treatment on a regular basis. A description of our key risks in each risk category for 2019–20 and related mitigation strategies follows.

Key risks for 2019–20

Category	Overview of key risks	Mitigation strategies
Strategic	Icon Water faces a number of risks that impact on the achievement of business objectives. Key risk events relate to our ability to meet growth initiatives and requirements, asset management capability, meet our customer needs and attract and retain key staff.	Mitigation strategies include effective change management along with a number of initiatives to consider growth opportunities, optimisation of customer management, recruitment and retention approaches and core technology replacement activities. Icon Water also maintains a rigorous asset maintenance program, regular asset inspections and condition assessments.
Safety	Icon Water is managing a range of safety related risks to protect the health and safety of employees, contractors and the public. Key risk events include those affecting worker and public safety for asset work in urban areas and security of the drinking water system.	Mitigation strategies include provision of a range of training to support health and safety, and people management to ensure worker competence. This is supported by a Safety Management System that is certified to the relevant Australian standard. Other mitigation strategies include security upgrade projects and ongoing reviews of water network performance.
Operational	Icon Water has a number of key operational risks relating to the continuity of supply of water and sewerage services, damage to assets and availability of ICT systems.	Mitigation strategies include network monitoring, investment in capital works, alternate suppliers for critical goods and services, and efficient management of assets. Icon Water also has business interruption and emergency response plans to manage incidents as they arise.
Financial	Icon Water's key financial risks relate to ensuring operating and capital expenditure is prudent and efficient, certainty of revenue streams and managing our gearing.	Mitigation strategies include a sound governance structure to ensure prudent expenditure, oversight of projects by a dedicated committee and management oversight by the Executive team.
Environmental	Icon Water manages a number of environmental related risks, the most significant being uncontrolled release of raw sewage and/or gaseous contaminants.	Mitigation strategies include network performance monitoring, planned and reactive maintenance work, site building and drainage and compliance with design and operating standards.
Reputation	Icon Water takes pride in its reputation and manages a number of reputation related risks as part of its business operations.	Aside from Icon Water's customer facing website and faults call centre, mitigation strategies include the implementation of strategies related to customer experience, customer service training, ICT security measures, engagement of community groups and development of an improved customer communication system.
Legal/compliance	Icon Water operates in a dynamic legal and regulatory environment. Key legal/ compliance risks reflect the organisation's ability to keep pace with these changes.	Mitigation strategies include software to manage legal obligations, employee training, disaster/ emergency plans, real time monitoring of the network and use of internal and external legal advisors.

OWNERSHIP STRUCTURE

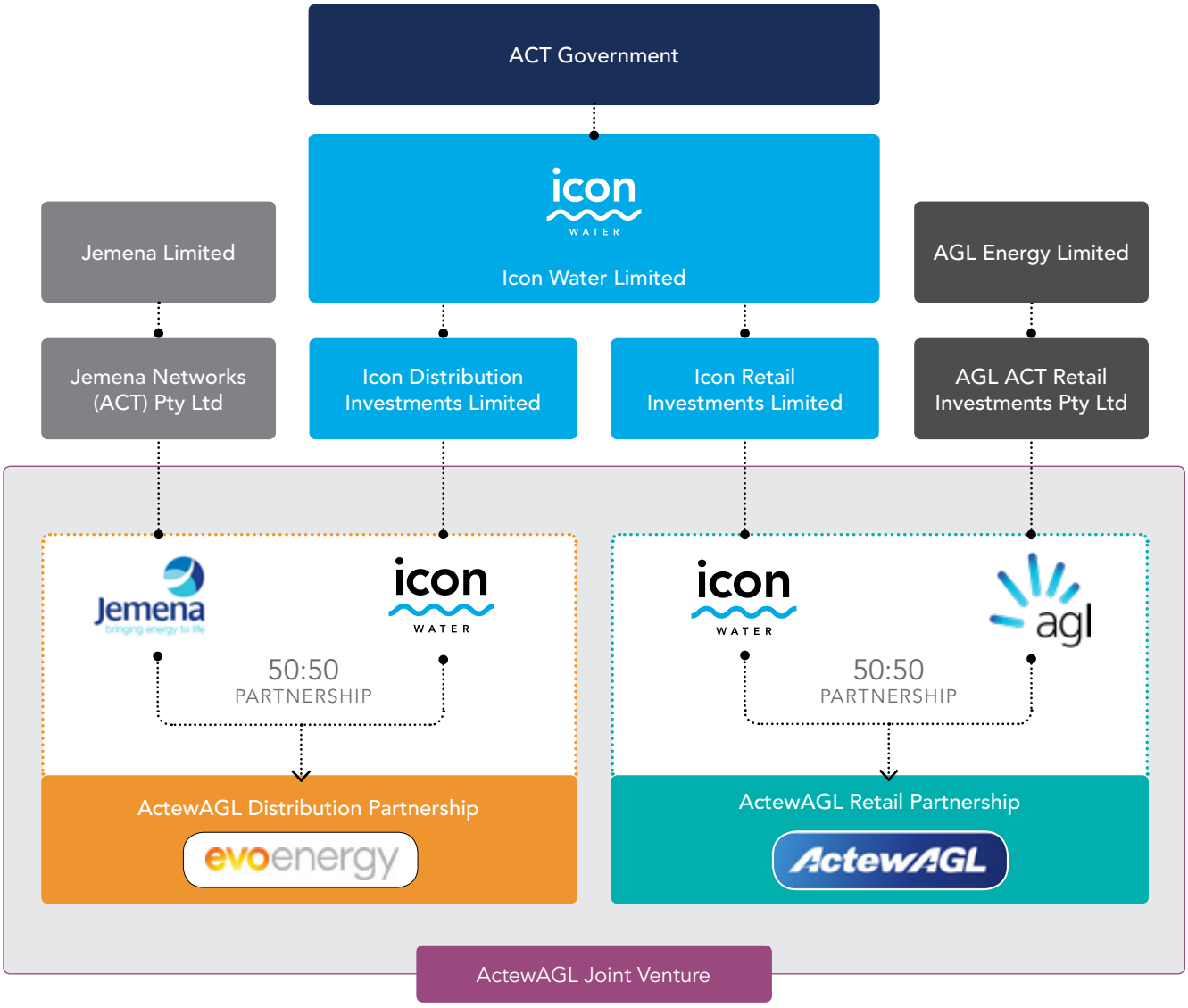
Icon Water is an unlisted public company owned by the ACT Government.

We are unique in Australia as we are a water and sewerage business that also manages an investment in the local energy businesses, Evoenergy and ActewAGL Retail, through our participation in the ActewAGL joint venture. Our share of the investment is worth $1 billion. The ActewAGL joint venture consists of two partnerships:

- ActewAGL Distribution which owns and operates the electricity network in the ACT and the gas network in the ACT and in certain adjacent regional centres.
- ActewAGL Retail which sells electricity and gas to its residential, commercial and government customers in the ACT and surrounding region.

ActewAGL's Joint Venture Partnerships Board consists of six members, three of whom are Icon Water appointees. We are an active and informed investor in ActewAGL and manage this through a range of investment performance metrics and a gated investment framework which helps us to consider ongoing performance and future investment decisions.

Our two key objectives are to maximise return for our shareholders and have regard to the ACT Government's commitment to corporate social responsibility and smart/sustainable cities initiative.



Notes: 1) Each of Jemena Networks (ACT) Pty Ltd, Icon Distributions Investments Limited, Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd are wholly owned subsidiaries of Jemena Limited, Icon Water Limited and AGL Energy Limited respectively. 2) Jemena Networks (ACT) Pty Ltd and Icon Distribution Investments Limited are equal partners in the ActewAGL Distribution partnership (AAD). AAD includes energy networks (evoenergy) and corporate services. 3) Icon Retail Investments Limited and AGL ACT Retail Investments Pty Ltd are equal partners in the ActewAGL Retail Partnership (AAR).

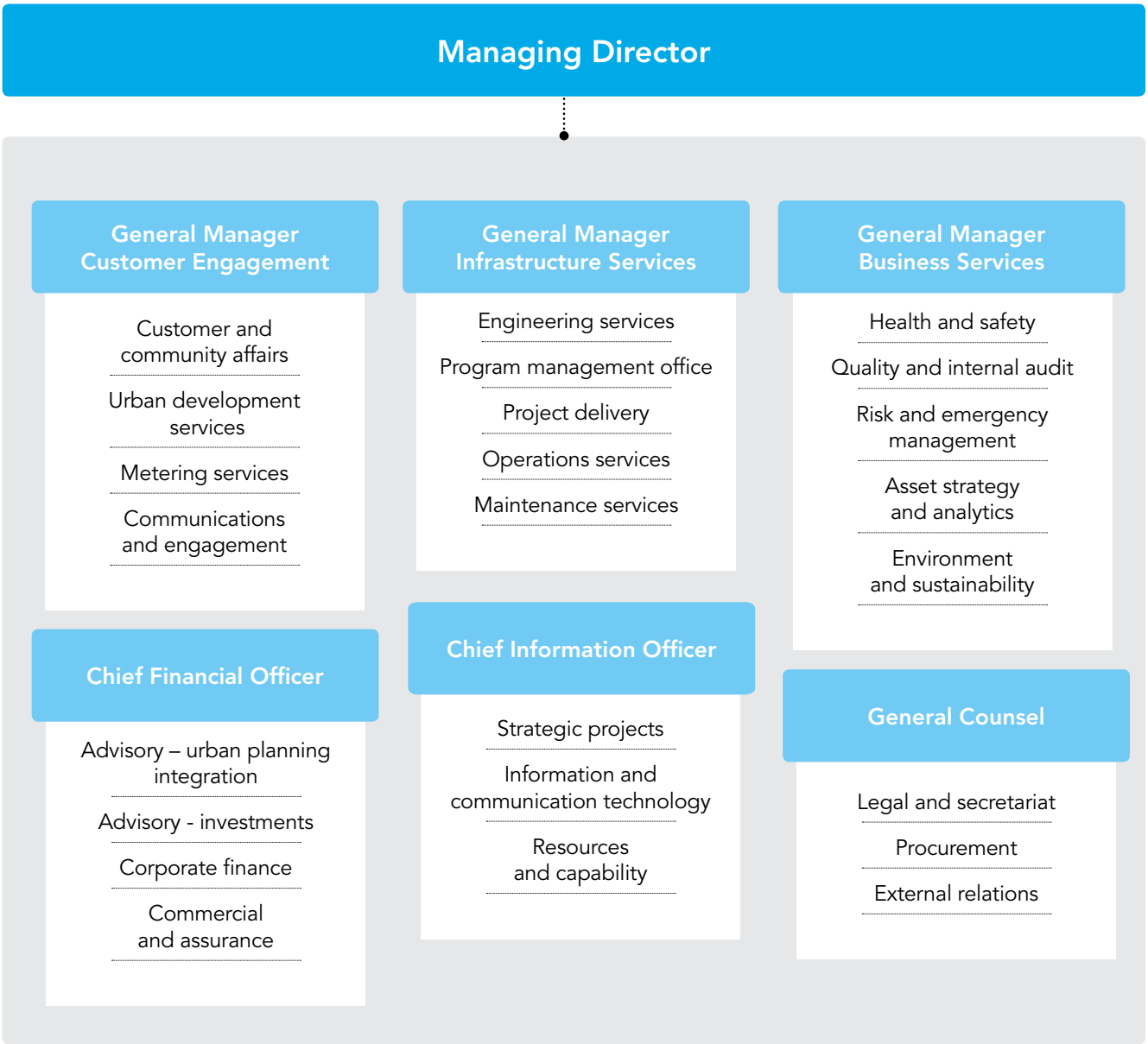
Governance and accountability

The Icon Water Limited Board is responsible for the governance of Icon Water and its controlled entities. The Board is supported by Board committees and controlled entity boards which actively manage our investment in ActewAGL.
Our Directors bring valuable skills and diversity to the governance and strategic oversight of Icon Water, and challenge management to strengthen Icon Water's organisational culture and safety leadership. We are proud that five of the eight directors are women, including the Chair and Deputy Chair.

Icon Water's Integrated Management System (IMS) is a set of interrelated elements which operate to develop organisational strategy, translate it into operational actions, and to monitor and improve the effectiveness of both. The IMS incorporates our governance framework (how our organisation is directed and controlled) and our management operating system (how those directions are carried out in practice).

Organisational structure

Our organisational structure comprises of six groups, each led by an executive. As at May 2019, we have 408 employees. We review our organisational profile and staffing requirements as part of our budget planning and to ensure our operations remain prudent and efficient.



FINANCIALS

SUPPORTING INFORMATION

Forecast financial statements and key financial performance measures

Income statement year ended 30 June

Icon Water Limited Income Statement Year Ended 30 June	Notes	2017–18 Actual $000	2018–19 Estimated Outcome $000	2019–20 Budget $000	2020–21 Estimate $000	2021–22 Estimate $000	2022–23 Estimate $000
Revenue							
Water Business		196,724	181,314	186,293	190,772	197,871	205,347
Sewerage Business		129,180	130,090	131,504	133,714	136,060	138,446
Interest Income		2,590	1,270	1,139	1,167	1,196	1,226
Commonwealth Subvention		11,979	12,279	12,586	12,900	13,223	13,553
Energy Investment		93,374	94,613	71,033	68,346	84,171	84,807
Other Revenue		5,250	4,925	4,840	4,850	4,792	4,883
Total Revenue		**439,096**	**424,491**	**407,394**	**411,749**	**437,313**	**448,262**
Expenditure							
ACT Government Charges		39,977	40,677	42,672	44,706	46,927	49,287
Depreciation		49,490	57,331	60,910	64,226	68,865	69,796
Employment Costs		53,946	58,091	55,193	55,757	57,151	58,411
Water and Sewerage Operating Costs		80,717	89,155	83,705	80,993	81,835	82,814
Impairment		-	-	-	-	-	-
Other Expenses		3,888	(483)	1,581	1,608	3,635	2,914
Total Expenditure		**228,018**	**244,771**	**244,061**	**247,290**	**258,413**	**263,222**
Earnings before Interest Tax and Gifted Assets		**(211,018)**	**179,720**	**163,333**	**164,459**	**178,900**	**185,040**
Interest Expense		72,133	65,406	71,494	70,489	72,113	73,589
Earnings Before Tax and Gifted Assets		**(138,945)**	**114,314**	**91,839**	**93,970**	**106,787**	**111,451**
Contributed Assets		15,850	10,000	12,998	15,151	19,005	14,251
Earnings Before Tax		**(154,795)**	**124,314**	**104,837**	**109,121**	**125,792**	**125,702**
Tax Expense		47,106	37,294	31,451	32,737	37,738	37,711
Net Profit After Tax		**(107,689)**	**87,020**	**73,386**	**76,384**	**88,054**	**87,991**
Transfer to/(from) Retained Profits	a	**18,108**	**17,500**	**12,998**	**15,151**	**19,005**	**14,251**
Profits available for Dividends		**(89,581)**	**69,520**	**60,388**	**61,233**	**69,049**	**73,740**

a) The 2016–17 and forward years dividend to the ACT Government is based on Icon Water's Profit available for dividends, excluding contributed assets and capital contribution revenue

Balance Sheet as at 30 June

Icon Water Limited Balance Sheet as at 30 June	Notes	2017–18 Actual $000	2018–19 Estimated Outcome $000	2019–20 Budget $000	2020–21 Estimate $000	2021–22 Estimate $000	2022–23 Estimate $000
Current Assets							
Cash & Cash Equivalents		32,596	40,215	40,858	40,615	40,251	40,165
Held to Maturity Investments		33,000	-	-	-	-	-
Receivables		66,614	68,613	70,671	72,792	74,975	77,224
Other		4,337	4,337	4,467	4,601	4,739	4,881
Total Current Assets		**136,547**	**113,165**	**115,996**	**118,008**	**119,965**	**122,270**
Non Current Assets							
Investments in Other Entities		1,002,313	1,047,926	1,054,959	1,057,305	1,069,976	1,080,283
FITB – Non Current		22,225	22,225	22,225	22,225	22,225	22,225
Intangible Assets		25,143	45,344	46,886	49,594	45,358	38,926
Property Plant and Equipment		2,468,923	2,512,195	2,568,571	2,601,981	2,636,382	2,663,746
Investment Properties		6,841	6,841	6,841	6,841	6,841	6,841
Other		12,950	10,350	7,750	5,150	2,550	-
Total Non Current Assets		**3,538,395**	**3,644,881**	**3,707,232**	**3,743,096**	**3,783,332**	**3,812,021**
Total Assets		**3,674,942**	**3,758,046**	**3,823,228**	**3,861,104**	**3,903,297**	**3,934,291**
Current Liabilities							
Accounts Payable		58,197	57,670	58,675	57,142	58,181	59,373
Dividends Payable		14,873	13,904	12,078	12,247	13,810	14,748
Tax Payable		3,045	5,609	1,778	1,626	3,229	2,734
Borrowings	a	26,825	234,719	-	-	-	91,148
Provisions		19,440	19,440	19,440	19,440	19,440	19,440
Other		5,422	6,387	8,578	9,322	5,070	5,070
Total Current Liabilities		**127,802**	**337,729**	**100,549**	**99,777**	**99,730**	**192,513**
Non Current Liabilities							
Borrowings		1,641,652	1,501,259	1,790,623	1,814,122	1,837,122	1,765,975
Deferred Tax Liability	a	451,085	448,040	448,040	448,040	448,040	448,040
Provisions		11,004	10,116	10,116	10,116	10,352	5,460
Total Non Current Liabilities		**2,103,741**	**1,959,415**	**2,248,779**	**2,272,278**	**2,295,514**	**2,219,475**
Total Liabilities		**2,231,543**	**2,297,144**	**2,349,328**	**2,372,055**	**2,395,244**	**2,411,988**
Net Assets		**1,443,399**	**1,460,902**	**1,473,900**	**1,489,049**	**1,508,053**	**1,522,303**
Equity							
Capital		758,871	758,871	758,871	758,871	758,871	758,871
Retained Profits		173,265	190,768	203,766	218,915	237,919	252,169
Reserves		511,263	511,263	511,263	511,263	511,263	511,263
Net Equity		**1,443,399**	**1,460,902**	**1,473,900**	**1,489,049**	**1,508,053**	**1,522,303**

a) As existing debt instruments mature they are reclassified to Current Borrowings.

Cashflow year ended 30 June

Icon Water Limited Cashflow Year Ended 30 June	Notes	2017–18 Actual $000	2018–19 Estimated Outcome $000	2019–20 Budget $000	2020–21 Estimate $000	2021–22 Estimate $000	2022—–23 Estimate $000
Cash Flow from Operations							
Receipts from customers		345,566	326,610	335,355	340,860	345,748	355,090
Payments to suppliers and employees		(173,452)	(183,586)	(179,391)	(179,267)	(185,716)	(189,606)
Tax paid		(42,218)	(37,776)	(35,282)	(32,889)	(36,136)	(38,207)
Interest received		2,455	1,270	1,139	1,167	1,196	1,226
Interest paid		(73,876)	(71,492)	(75,865)	(75,895)	(75,681)	(76,781)
Net Cash In/(out)flow from operating activities		**58,475**	**35,026**	**45,956**	**53,976**	**49,411**	**51,722**
Cash Flow from Investing Activities							
JV Distribution Received		66,500	49,000	64,000	66,000	71,500	74,500
Payments for Property, Plant and Equipment		(89,750)	(84,846)	(96,749)	(75,123)	(73,925)	(72,141)
Proceeds from disposal of PPE		9	-	-	-	-	-
Payments for Intangibles		(15,025)	(21,649)	(4,995)	(7,530)	(2,863)	(1,364)
Proceeds from disposal of Intangibles		-	-	-	-	-	-
Proceeds from cash investments		(23,000)	33,000	-	-	-	-
Net cash In(out)flow from investing activities		**(61,266)**	**(24,495)**	**(37,744)**	**(16,653)**	**(5,288)**	**995**
Cash Flow from Financing Activities							
Repayment of Borrowings		(465,440)	(17,922)	(237,355)	-	-	-
New Borrowing		546,430	85,500	292,000	23,500	23,000	20,000
Finance Lease Payments		(101)	-	-	-	-	-
Dividends paid		(93,859)	(70,490)	(62,215)	(61,066)	(67,487)	(72,803)
Net cash In/(out) flow from financing activities		**(12,970)**	**(2,912)**	**(7,570)**	**(37,566)**	**(44,487)**	**(52,803)**
Net cash movement		**(15,761)**	**7,619**	**642**	**(243)**	**(364)**	**(86)**
Opening cash balance		**48,357**	**32,596**	**40,215**	**40,858**	**40,615**	**40,251**
Closing cash balance		**32,596**	**40,215**	**40,858**	**40,615**	**40,251**	**40,165**

Financial ratios year ended 30 June

Icon Water Limited Financial Ratios Year Ended 30 June	Notes	2017–18 Actual $000	2018–19 Estimated Outcome $000	2019–20 Budget $000	2020–21 Estimate $000	2021–22 Estimate $000	2022–23 Estimate $000
Profitability							
Return on Total Assets	a	5.7%	4.7%	4.2%	4.2%	4.6%	4.7%
Return on Equity	b	6.2%	4.8%	4.1%	4.1%	4.6%	4.8%
Profit Margin	c	47.8%	42.2%	39.9%	39.8%	40.7%	41.1%
Liquidity							
Current Ratio	d	106.8%	33.5%	115.4%	118.3%	120.3%	63.5%
Cash Position	e	1.8%	1.1%	1.1%	1.1%	1.0%	1.0%
Receivables Turnover	f	8.9	7.8	7.7	7.7	7.6	7.6
Financial Stability							
Debt Ratio	g	60.7%	61.1%	61.4%	61.4%	61.4%	61.3%
Gearing Ratio	h	53.6%	54.3%	54.9%	54.9%	54.9%	55.0%
Capital Ratio	i	115.6%	118.8%	121.5%	121.8%	121.8%	122.0%
Debt							
Interest Cover Ratio	j	2.9	2.7	2.3	2.3	2.5	2.5

Formula:

Profitability

Return on Total Assets (a) = EBIT (minus Interest Revenue) / Total assets

Return on Equity (b) = NPAT / Total equity

Profit Margin (c) = EBIT (minus Interest Revenue) / Revenue (minus interest revenue)

Liquidity

Current Ratio (d) = Current assets / Current liabilities

Cash Position (e) = Cash + investments / Total assets

Receivables Turnover^ (f) = Total revenue excludes subvention, interest income and energy investment / Average receivables for period (relating to credit sales)

Financial Stability

Debt Ratio (g) = Total liabilities / Total assets

Gearing Ratio (h) = Total long term debt / Long term debt + equity

Capital Ratio (i) = Total long term debt / Equity

Debt

Interest Cover Ratio (j) = EBIT (before gross interest expense & excl abn items / Annual interest payments

^ Receivables Turnover was historically at an average of 5. This is because current receivables include second employee entitlements receivable, which have now been excluded in calculating Receivables Turnover.

FINANCIAL ASSUMPTIONS AND NOTES

The forecasts contained in this document are subject to potentially significant variation arising from factors outside Icon Water's control.

Regulatory

The revenue targets in the 2019–20 budget and forward estimates are based on the Independent Competition and Regulatory Commission (ICRC) final pricing decision. This has resulted in a $6m revenue reduction annually compared to the prior Business Strategy which was based on the draft ICRC pricing determination.

Climatic conditions

Average weather patterns have been assumed in determining the budget estimates. Variability in climatic conditions may result in material variations to our profits through water consumption forecasts and pumping and treatment costs. Extreme weather events may result in financial losses and delays in our operations.

ActewAGL's operations

ActewAGL Distribution income is based on the Australian Energy Regulator's (AER) final decision for Energy Networks and the Final Gas Network (GN) Access Arrangement.

There is an assumption that electricity and gas customers and consumption will be in alignment with current trends.

ActewAGL Retail electricity prices in the ACT are covered by a current pricing determination set by the ICRC until 30 June 2020.

Contributed assets

The estimate for contributed assets from developers is based on an historical ten year average. The annual value of contributed assets can vary significantly. The contributed assets revenue is dependent upon the timing of land releases, construction timeframes and the completion period for acceptance into our hydraulic network.

The Capital contributions code was approved by the ICRC in December 2017. A commencement date of 1 January was set, with a transition period of 18 months and a full go-live date of 1 July 2019.

The value of recognised revenue will vary from year to year in line with when the infrastructure is constructed. Contribution revenue and associated costs in 2019–20 is budgeted to be $3.0m.

Contributed assets and Capital Contributions are excluded from the 100% Dividend Policy.

Financial markets and capital structure

We will need to source new debt and/or refinance existing debt, which will be subject to market interest rates. We borrow at the ACT Government's AAA credit rating.

Dividend to shareholders

This business stategy is based on the current Dividend Policy of 100% of Net Profit (excluding contributed assets and capital contributions).

MAIN COMMUNITY SERVICE OBLIGATIONS

We are committed to supporting our community through open and meaningful engagement.

We fulfil a range of community service obligations (CSOs) on behalf of the ACT Government. These CSOs are social, rather than commercial, in nature and are explicitly funded by the ACT Government. The majority of CSOs by value relate to pensioner concessions in connection with water and sewerage charges.

Water and sewerage services are also provided at a 50 per cent price discount to community organisations such as schools and places of worship. The table below shows the estimated revenue for each category.

Community Services Obligations	Estimated Revenue 2019–20 $000
Water services for schools and places of worship	3,600
Water services rebates to home haemodialysis customers	18
Sewerage services for schools, hospitals, charities and places of worship	3,600
ACT Civil and Administrative (ACAT) discharges	60

COMMUNITY SUPPORT PROGRAM

Our Community Support Program is designed to maximise returns to the community and benefits to the organisation.

The Community Support Program provides financial and in-kind assistance to organisations that provide valuable community support services and programs, and various community activities which provide and encourage community access and participation.

Community Support Program has two primary objectives:

- To meet the objective under the *Territory-owned Corporation Act 1990*, 'to show a sense of social responsibility by having regard to the interests of our community in which we operate and by trying to accommodate and encourage those interests'.
- To complement and progress the organisation's objectives as described in this Strategy by providing a focused and efficient Community Support Program that promotes our brand and meets our commitment to our community.

In 2019–20, we have assigned a budget of around $500,000 for our Community Support Program, which enables us to continue to sponsor organisations such as Lifeline, Menslink and Karinya House. We report on our sponsorships and donations in our Annual Report, which is tabled in the ACT Legislative Assembly in October each year and available on our website iconwater.com.au.

We are proud to be able to provide several Canberra charities and organisations with ongoing funding certainty. This helps these valuable organisations continue to provide much-needed and highly-valued services to the Canberra community.

Our three-year partnerships include:

Lifeline Canberra

Lifeline Canberra is a leading charity in the ACT, regularly setting the benchmark for leadership in suicide prevention, community-wide awareness and mental health advocacy.

Domestic Violence Crisis Service (DVCS)

DVCS offer a range of services and programs such as 24/7 crisis intervention, legal support and advocacy, staying at home program, program for young people, support groups, safety plan and assistance when supporting someone. They also offer a men's program called Room4Change. The program is for men who want to stop their use of violence and controlling behaviours, building healthy and respectful relationships.

YWCA

YWCA offer affordable housing for older women in the Canberra community and transitional housing, which provides accommodation for women and their families who are at risk of homelessness. The YWCA Hidden Women Program specifically assists women over 50 years old.

St John Ambulance

St John Ambulance trainers deliver education programs to schools and early childhood centres across Canberra and the surrounding region – reaching children of all ages. St John's goal is to make first aid a part of everybody's life. Their core aim and purpose in the ACT community is to train and educate as many people as possible in first aid. They also manage their Public Access Defibrillator Program which encourages community and businesses to purchase, upgrade or donate defibrillators to underprivileged communities and first responders, to increase the survival rates from cardiac arrests.

Principal Registered Office

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TTY for Hearing Impaired

133 677

Language assistance

13 14 50, 24 hours

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