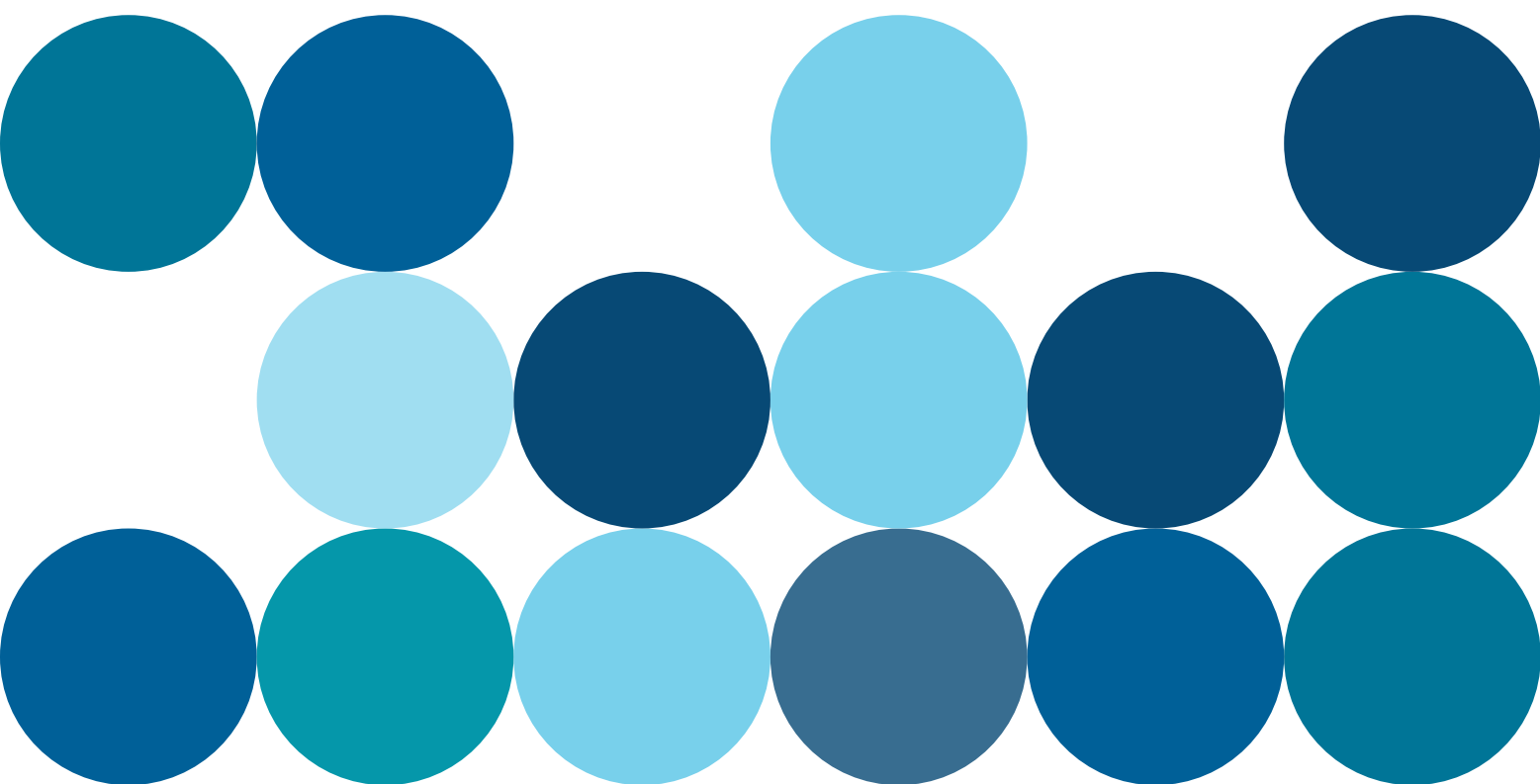


Corporate governance report





Corporate governance report



Our approach to corporate governance is based on a set of values and behaviours that underpin our culture and business practices. This approach includes a commitment to robust governance standards that is fundamental to the sustainability of our operations and our performance.

This section includes a description of our main corporate governance practices, which form a framework to ensure we act with high standards of corporate behaviour and in the best interests of our owner.

The Board of Directors

The structure of the Board is subject to the following parameters:

- The Board must comprise of at least six and not more than seven directors (the Chief Executive Officer is the only Executive Director).
- The Directors are appointed for terms of up to three years and are eligible for re-appointment.
- The Board should comprise Directors with a broad range of skills and experience.
- Board meetings are generally held once a month at our head office in Perth.

Key activities

The Board, in consultation with management, develops our strategic direction for the immediate and long-term horizons. We have a Statement of Corporate Intent (SCI) covering 12 months, and a five-year Strategic Development Plan (SDP), which are updated every year.

Both documents were developed for the 2016-17 year and agreed with the Minister.

At its regular meetings, the Board considerations include:

- Safety performance
- Strategy and risk issues
- The capital program
- The award of contracts for major projects
- Financial matters
- Key operational matters

Appointment of Directors

The Western Australian Governor appoints non-executive Directors on the nomination of the Minister for Water. This is after consultation with, or on the recommendation of, the Board.

Appointments are typically staggered to ensure that one third of the Directors retire each year. Subject to reappointment, there is no limit on the time a Director may serve on the Board. Their duties are not full-time.

Chief Executive Officer appointments are made by the Board, subject to the Minister's agreement. The Board can appoint a person to act in place of the Chief Executive Officer during a vacancy in that office.

Changes to the Board

Ms Eva Skira completed her term as Chairman on 31 December 2016.

Mr Michael Hollett was appointed Chairman for a term expiring on 31 December 2019.

Mr David Lock was appointed Deputy Chairman for a term expiring on 31 December 2019.

There was no other change to the composition of the Board during the year.

Board committees

Committees of the Board that operated during the year ended 30 June 2017 were:

- Audit and Compliance
- Safety
- Remuneration
- RCR

From time to time the Board convenes working committees to deal with specific strategic issues.

Audit and Compliance Committee

The Audit and Compliance Committee is chaired by Mr David Lock and included Directors Ms Eva Skira (to 31 December 2016) and Ms Nicole Lockwood. Each member has substantial corporate and/or financial experience in private enterprise and the necessary skills to undertake the Committee's responsibilities.

The Audit and Compliance Committee invites management, auditors or others to attend meetings and provide information, as necessary.

External attendees at various meetings during the year can include staff of the Office of the Auditor General (OAG) and the external auditors appointed by the OAG to undertake our annual audit, which is presently KPMG.

Principal activities and duties

The Audit and Compliance Committee assists the Board with its oversight of the financial reporting process, the system of internal control, risk management, the audit process, and our process for monitoring compliance with applicable laws and regulations.

The Committee oversees the internal audit function and liaises with the external auditor.

Safety Committee

The Safety Committee is chaired by Mr Michael Hollett and includes Directors Mr David Rowe and Mr Ross Holt. Each member has extensive experience in the corporate sector at a senior level and brings the skills necessary for the Committee to undertake its role.

The Committee supports and assists the Board to review and oversee Occupational Safety and Health policies and performance, including impacts on the public, employees and contractors.

Remuneration Committee

The Remuneration Committee was chaired by Ms Eva Skira (to 31 December 2016) and is now chaired by Mr Michael Hollett (from 1 January 2017) and includes Director Mr David Lock (from 1 January 2017).

The Committee supports and assists the Board to ensure remuneration and benefit arrangements support the strategic aims of the business while complying with regulatory requirements and satisfying the requirements of our owner.

RCR Committee

The RCR Committee was chaired by Mr David Lock and included Director Mr Michael Hollett.

In August 2015, we sold our internal Engineering and Construction Services (ECS) to RCR Water Pty Ltd (RCR) and entered into the Business Sale Agreement (BSA) and the Ongoing Service Agreement (OSA).

The RCR Sub Committee was formed to oversee the responsibilities of Water Corporation and RCR under the OSA, all contracts awarded by the Corporation to RCR, and RCR's performance under these awarded contracts.

At its 19 December 2016 meeting, the Board approved the termination of the Sub Committee Charter with effect from 1 January 2017 and noted that the Audit and Compliance Committee will monitor the contracts awarded under the Ongoing Service Agreement.

Directors' meetings

The number of Board meetings and committees of the Board held, and the number of meetings attended by each Director during the 12 months ending 30 June 2017, are shown in the following table below.

Accountability and independence

As prescribed in the *Water Corporations Act 1995*, Directors are to act honestly, exercise due care and diligence, and disclose all material personal interest in matters involving the Corporation that are raised in Board meetings. The Board has complete independence to determine the policies and control the affairs of the business subject to restrictions imposed by the *Water Corporations Act 1995*.

Ministerial approval is required for transactions that are above a prescribed amount (currently \$25 million) that will result in a major initiative, or are likely to be of significant public interest.

	Board		Audit & Compliance		Safety		Remuneration		RCR	
Number of meetings held	12		4		4		3		4	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend
Ms Eva Skira (Chairman) ¹	6	6	2	2	0	0	2	2	0	0
Mr Michael Hollett ²	12	12	0	0	4	4	3	3	4	4
Mr David Lock ³	11	12	4	4	0	0	1	1	4	4
Mr David Rowe	12	12	0	0	4	4	0	0	0	0
Ms Nicole Lockwood	11	12	3	4	0	0	0	0	0	0
Mr Ross Holt	10	12	0	0	3	4	0	0	0	0
Ms Sue Murphy (Chief Executive Officer)	12	12	4	4	4	4	3	3	3	4

1. Ms Eva Skira tenure with the Board was completed on 31 December 2016

2. Mr Michael Hollett was appointed Chairman on 1 January 2017

3. Mr Lock was appointed Deputy Chairman on 1 January 2017

Ministerial directions

Under section 64 (1) of the *Water Corporations Act 1995* the Minister may give us directions in writing, generally with respect to the performance of our functions and, subject to section 65, we are to give effect to any such direction. If the Minister gives a direction, it must be tabled in Parliament. During the period under review, no directions were received from the Minister.

Directors' and Senior Executives' remuneration

For further disclosure of Directors' and Senior Executives' remuneration please refer to the Remuneration report on page 45.

Governance framework

The Board has legislative authority under the *Water Corporations Act 1995*, to perform the functions and determine the policies that control our activities.

The Board is responsible for our overall corporate governance and approves strategic direction and budgets, ensuring legal compliance, ethical behaviour and proper risk management processes are in place and operate effectively. Comprehensive monthly reports are provided to the Board to allow it to monitor performance.

Internal control

The Board, through the Audit and Compliance Committee, has oversight of the financial reporting process, the system of internal control, risk management, the audit process, and our process for monitoring compliance with applicable laws and regulations. These responsibilities assist in maintaining an effective internal control structure.

It consists, in part, of organisational arrangements with clearly defined lines of responsibility and delegation of authority, and comprehensive systems and control procedures.

Management has the responsibility for establishing and maintaining the system of internal control that supports the achievement of our business objectives.

This system of internal control is designed to manage and mitigate rather than eliminate the risks of failure to achieve business objectives. The system of internal control can only provide reasonable and not absolute assurance of the effectiveness of the systems of internal control implemented by management. An important element of the control environment is an ongoing internal audit program, delivered by Management Review and Audit.

Management review and audit

Our internal audit function is managed by the Risk and Assurance Branch's Management Review and Audit section, which has the authority to examine any matters referred to it by the Audit and Compliance Committee, the Board of Directors or the Chief Executive Officer. The internal audit function supports the Audit and Compliance Committee and senior executives by independently and objectively reviewing the effectiveness of our internal control system.

External auditors

In accordance with the *Water Corporations Act 1995*, we must have the financial report for a financial year audited by the Auditor General. The Auditor General has outsourced the audit to KPMG for a three-year period. Total auditor remuneration is shown in Note 19 to the Financial Statements on page 73.

Risk management

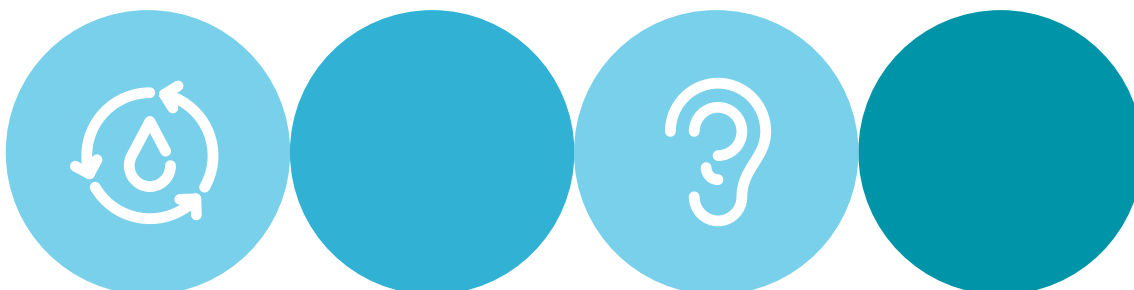
Risk management is a key element of our governance framework. We have an established Risk Management Framework that provides a common understanding of risk and a set of processes for managing risk aligned with the *International Standard on Risk Management AS/NZS ISO 31000:2009*. The Framework ensures a formalised, structured and corporation wide approach to the identification, evaluation and control of risks, which have the potential to threaten the achievement of our objectives and our ability to provide services.

All managers are responsible for the identification and management of risks that will impact on their business processes and subsequent objectives. The management of risk within the business is embedded at all levels, with appropriate support and systems in place to ensure risks are managed to an acceptable level.

A comprehensive commercial insurance program is maintained covering insurable risks, which may have a significant impact on our assets, construction activities and legal liability.

Performance monitoring and reporting

We provide written quarterly reports and this Annual Report to the Minister for Water detailing our performance and progress made in fulfilling the Statement of Corporate Intent. A written annual report on compliance with performance standards specified in the Water Services Licence is also provided to the Economic Regulation Authority. In addition, the Board and Corporate Executive receive monthly performance reports covering a diverse range of financial and non-financial matters.



Ethical standards

We require all Directors, employees and contractors to exercise high standards of ethical behaviour in carrying out their duties.

Our Code of Conduct is available on both the Corporation's external and internal websites. A report on compliance is forwarded to the Public Sector Commission.

There is a Board Charter, available on our website, that sets out the roles and responsibilities of the Board and management. Under the guidance of the Audit and Compliance Committee the Charter was drafted using the *Water Corporations Act 1995*, Australian Standards and other corporate governance resources.

Managing financial exposures

We have a central Treasury function to manage financial exposures in accordance with our Treasury Risk Management Policy. Regular reporting ensures the Board can monitor financial risk management.

Information security management system

We maintain an enterprise information security management framework that is based on the Australian Standard for *Information Technology – Security Techniques – Code of Practice for Information Security Management AS/ NZS ISO/IEC 27001:2013*.

State Records Act 2000

In accordance with Section 61 of the *State Records Act 2000* and the *State Records Commission Standards (Standard 2 – Principle 6)*, we have an approved Recordkeeping Plan. In accordance with s.28 (5) of the Act, an updated Plan was submitted to the Minister and endorsed in September 2014. The Plan describes how records are created, maintained, managed and disposed of in accordance with our Standards and Principles. We regularly conduct audits of recordkeeping practices and system use by our staff and alliance partners. Regular in-house records and document management training is conducted and feedback and evaluation is sought from all attendees. The course is also available online for regional officers.

We have an online induction process for all new staff, which includes information on employees' roles and responsibilities and how they comply with the approved Recordkeeping Plan. It also includes 'Information on Record Keeping and Information Management Compliance for Water Corporation' and 'Information Security Awareness'.

Information management, including records management, is acknowledged as critical to the effectiveness and success of the business and we are committed to continuously improving its management.

Public Interest Disclosure Statement

The *Public Interest Disclosures Act 2003* has been enacted to protect the privacy and confidentiality of both the individual making a public interest disclosure and the subject of that disclosure. Public Interest Disclosure Officers have been appointed. Internal procedures relating to our obligations under the Act have been developed and implemented in accordance with the guidelines provided by the Public Sector Commission. There were no public interest disclosures in the period under review.

Conflicts of interest

We have established procedures to identify, prevent, or resolve conflicts of interest, which are outlined in our procurement standards and code of conduct.

All our personnel with duties related to the negotiation of contracts must disclose current or prospective interests to their immediate supervisor, if known, they must also disclose the interests of members of their immediate family.

In such cases, we will assess the appropriateness of the situation and determine if the basis of that interest should be discontinued, or if the person should cease the duties involved, or if it is proper and ethical to continue the transaction.

Competition and Consumer Act Compliance Program

In accordance with the standards and guidelines recommended by the Australian Competition and Consumer Commission (ACCC), we conduct a Competition and Consumer Act Compliance Program to manage the risk of breaching the Act. To ensure that all employees are aware of their obligations, a State-wide program is conducted that includes mandatory training.

Freedom of information

We met our obligations under the *Freedom of Information Act 1992*.

During 2016-17 we received 41 access applications, of which one was transferred in full to another agency, three were provided full access, 33 were provided edited access, none were withdrawn, two had access refused, none had access deferred, documents were not found or do not exist for four of the applications and one was on hand at the end of the year.

Five internal reviews were requested. Fees and charges totalling \$1,020 were received for processing these applications with 21 days being the average processing time.

Under Section 96 of the *Freedom of Information Act 1992*, we are required to produce an Information Statement. Its purpose is to provide a description of our procedures to give members of the public access to our documents, as well as the types of documents we hold. This statement can be found at watercorporation.com.au

Advertising codes

We comply with the Communications Council's Code of Ethics. In addition, our advertising agencies have full compliance policies with the ACCC. There were no breaches or complaints recorded in the reporting year.

Reportable expenditure

The *Electoral Act 1907* (S. 175 ZE) requires the disclosure of certain categories of expenditure. Details of the organisations contracted and the amounts paid for the financial year are as follows:

Advertising agency	Amount paid
303MullenLowe	\$1,785,716 *
The Brand Agency	\$1,793,270 ^
AdCorp	\$225,886 >

* This amount includes costs associated with Paperless billing, Pressure management, Pipe Monsters (logged wastewater pipes), Fresh Water Thinking branded items and Tap In (community engagement research program).

^ This amount includes costs associated with the Stay Waterwise WA demand management campaign, Paperless billing campaign, Farm Flow app, education eDM communications, Waterwise Garden Rewards campaign, Seek a Leak promotions, Winter Sprinkler Switch-off campaign, Pipes for Perth campaign and Winter campaign.

> This amount includes costs associated with non-campaign advertising such as public notices, tenders and recruitment.

Media advertising	Amount paid
OMD	\$2,458,071

Market research	Amount paid
Metrix	\$155,440 +
IPSOS	\$49,000 ‡
Painted Dog	\$139,449 #

+ This amount includes costs associated with Customer Performance Index, Waterwise Schools research, Partnerships evaluation, Customer Performance Index for Dunsborough/Busselton booster sample.

‡ This amount relates to costs for Questback customer feedback program.

This amount includes costs associated with customer segmentation refresh, My water usability research and website redesign.

Painted Dog was also paid \$865,000 to undertake community consultation as part of the Tap In program.

Directors' report



The Directors of Water Corporation present their report for the 12 months ended 30 June 2017.

Directors

The following persons were Directors of Water Corporation at the date of this report:

Mr Michael Hollett (Chairman)

Director since 1 January 2012
Chairman since 1 January 2017

Ms Sue Murphy

Chief Executive Officer since 6 November 2008

Mr David Lock (Deputy Chairman)

Director since 1 January 2014
Deputy Chairman since 1 January 2017

Mr David Rowe

Director since 1 March 2016

Ms Nicole Lockwood

Director since 1 March 2016

Mr Ross Holt

Director since 8 June 2016

Directors' biographies are shown on pages 12 and 13.
Directors' meetings and attendance are shown on page 41.
Directors' compensation details are shown on page 47.

Principal activities

Water Corporation was established as a body corporate under the provisions of the *Water Corporations Act 1995* and is the principal water utility in Western Australia. Water, wastewater, drainage and irrigation services are provided under this Act and other legislation and subsidiary legislation, which control the water industry.

Our principal functions are:

- Acquire, store, treat, distribute, market and otherwise supply water for any purpose.
- Collect, store, treat, market and dispose of wastewater and surplus water.
- Undertake, maintain and operate any works, system, facilities, apparatus or equipment required for any of these purposes.

There has been no significant change in the nature of our activities during 2016-17.

Dividends

Dividends paid or declared by Water Corporation since the end of the previous financial year were:

	Total amount \$M	Date of payment
Final 2015-16	4	30/11/2016
Interim 2016-17	479	30/6/2017
Total	483	

Dividend declared after end of year

After the balance sheet date, the Directors have proposed a final dividend of \$15 million for the 2016-17 year, payable on or before 31 December 2017.

The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

Review of operations

We operate in a regulatory framework comprising the Economic Regulation Authority, and departments of Water, Health, Environment Regulation, and Parks and Wildlife.

Clear commercial objectives and strict environmental targets and accountabilities have been established through the Statement of Corporate Intent and a system of licences through the various regulators.

During the year, we supplied 361 billion litres of water and treated 164 billion litres of wastewater.

Risk management

Our Risk Management Framework aims to improve the quality of information considered in delivering better informed assessments for the purpose of resource allocation, increasing transparency in decision making and clearly articulated accountability.

Remuneration report

Remuneration of key management personnel is referred to as compensation throughout this report. Key management personnel comprise the Directors of the Board and Executives who are responsible for planning, directing and controlling the activities of the Corporation.

Compensation levels for key management personnel are set at a level sufficient to attract and retain appropriately qualified and experienced Directors and Executives.

The compensation of the non-executive Directors of the Board is determined following independent advice from management remuneration consultants and the State Government's

Salaries and Allowances Tribunal (SAT) on an ad-hoc basis and is agreed by the Minister. The compensation is in the form of salary and superannuation contributions. Other than compulsory superannuation contributions and superannuation via salary sacrifice, Water Corporation does not pay any other post-employment benefits to non-executive Directors.

The compensation packages for the Chief Executive Officer (CEO) and Executives consist of a total reward that is a mix of fixed compensation, in the form of salary, non-monetary benefits and superannuation contributions, and variable compensation in the form of an 'at risk' amount payable as a lump sum under the Target Based Rewards (TBR) scheme. Non-monetary benefits may include access to a fully maintained motor vehicle and fringe benefits tax. Other long-term benefits refer to long service leave. A payment occurs under the TBR scheme if predetermined key indicators of corporate and individual performance are met. The compensation of all staff is reviewed annually.

In December 2016 the *Salaries and Allowances Act 1975* was amended so that SAT can set the remuneration of a CEO of a Government Trading Enterprise (GTE). The Tribunal is in the initial stages of an enquiry process, which will establish a "band structure" to categorise GTE's, with a corresponding range of remuneration that may be paid to its CEO.

The CEO, with the concurrence of the Remuneration Committee and the Board, sets Executive compensation based on annual salary survey data and advice from independent remuneration sources regarding compensation practices. Specifically, fixed compensation is benchmarked against comparative industry groups in order to remain competitive in the labour market.

Employees in management roles, including Executives, are employed on individual employment contracts under common law and are referred to as Common Law Contract (CLC) employees. The compensation structure of CLC employees is centered on the market median for the fixed compensation for each of the identified levels.

The primary sources of remuneration data are Korn Ferry Hay Group Australia and Mercer Consulting Australia. We use the Hay Group job evaluation methodology to provide assurance that remuneration is similar to that for comparable positions in other organisations.

The corporate performance component of the TBR is determined by a scorecard, which is set annually and approved by the Board. The scorecard is based on five key performance indicators (KPIs) defined across the following key areas. Each KPI is identified in italics below:

Safety – based on the *Safety Index*, which includes the Significant Injury Frequency Rate, hazards addressed and incidents investigated on time.

Customer service – based on the *Customer Performance Index*, a survey-based measure of our customers' perceptions of the effectiveness of the Water Corporation.

Operations – based on the *Operating Performance Index*, a basket of indicators measuring performance in the areas of operating license, regulatory, and environmental compliance, together with asset management effectiveness.

Finance – based on *Operating Expenditure* performance and the *Capital Index*, which measures the extent to which major projects are delivered on time and on budget.

These KPIs were chosen to align performance with our vision and purpose, and measure an appropriate mix of financial and non-financial outcomes across the Corporation. Targets are set for each KPI and are reported monthly throughout the performance year. It is a requirement of the TBR scheme that the target level is achieved on at least four of the five KPIs in order for any TBR payment to be recommended. TBR measures and targets are reviewed annually and adjusted where appropriate to drive increasing levels of performance. Such changes are approved by the Board.

In years where targets are reached in at least four out of five measures, the Board reserves the right to withhold the TBR payments, where an exceptional adverse event or significant series of events occur.

For 2015-16 financial year, the TBR scorecard reached target in three out of five measures only. This resulted in non-payment of the TBR in October 2016.

The 2016-17 TBR scorecard results for the corporate KPIs are as follows:

Target Based Rewards

2016-17

Measure	Target	June 2017 Results
Safety Index (%)	90.0	100.0
Customer Performance Index	6.85	7.09
Operating Performance Index (%)	90.0	100
Operating Expenditure (\$m)	886.3	851.4
Capital Index (%)	94.9	100.3

As the table above shows, we reached our targets on all five KPIs during 2016-17. The Board in its discretion will confirm by September 2017 whether incentive payments will be made for the 2016-17 performance year. We do not provide any long-term incentives, loans, grant options, rights or shares to key management personnel. No termination benefits were paid to key management personnel during the year.

In April 2017, Water Corporation was requested by the new State Government to adopt its Machinery of Government budget repair strategies comprising:

- Freezing Chief Executive Officer salaries for four years.
- Capping non-executive annual salary increases to \$1,000 per employee.
- Reviewing all attraction and retention incentives and report outcomes to the Public Sector Commission by 31 August 2017.

As we approach our annual remuneration review deadline(s), we will look to adopt these strategies as requested.

As part of our commitment to the State Government's budget repair strategies, the CEO has elected to forego the Target Based Reward payment for 2016-17.

Details of compensation provided to key management personnel

The directors during the financial year were:

Directors	
E Skira	Chairman (non-executive). Appointed Director 4 October 2011 and Chairman 1 January 2012 Term expired 31 December 2016
M Hollett	Chairman (non-executive). Appointed Director 1 January 2012, Deputy Chairman 1 January 2016 and Chairman 1 January 2017
D Lock	Director (non-executive). Appointed 1 January 2014 and Deputy Chairman 1 January 2017
R Holt	Director (non-executive). Appointed 8 June 2016.
N Lockwood	Director (non-executive). Appointed 1 March 2016.
D Rowe	Director (non-executive). Appointed 1 March 2016.
S Murphy	Chief Executive Officer

During the reporting period, the composition of the Board changed. The number of directors whose total remuneration was within the following bands is:

Total Remuneration Band (\$)	Number of directors *		Short-Term						Post-employment		Other Long-Term Benefits		Total	
			Salary & Fees		Non-monetary Benefits **		TBR		Super-annuation					
			\$'000		\$'000		\$'000		\$'000		\$'000		\$'000	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
0-24,999	2	-	19	-	-	-	-	-	2	-	-	-	21	-
25,000-49,999	3	-	33	-	-	-	-	-	3	-	-	-	36	-
50,000-74,999	2	5	54	52	-	-	-	-	5	8	-	-	59	60
75,000-99,999	-	1	-	82	-	-	-	-	-	8	-	-	-	90
100,000-124,999	1	-	83	-	-	-	-	-	36	-	-	-	119	-
500,000-524,999	1	1	468	477	5	8	-	-	35	35	-	-	508	520

* Where there is more than one director in a remuneration band the average remuneration is shown.

** Private use of motor vehicle.

The names and positions of the five executives receiving the highest emoluments were:

Five highest paid Executives*		Year ended 30 June 2016	Year ended 30 June 2017
M Andrews	General Manager, Operations		✓
S Capewell	General Manager, Operations Services	✓	✓
R Hughes	Chief Financial Officer	✓	✓
D Johnston	General Manager, Strategy & Stakeholders		✓
M Leathersich	General Manager, Assets Delivery	✓	✓
P Moore	General Manager, Operations	✓	
A Vincent	General Manager, Assets Planning	✓	

* CEO's remuneration is included in the table of Directors.

The remuneration of the executives receiving the highest emoluments was within the following bands:

Total Remuneration Band (\$)	Number of staff *		Short-Term						Post-employment		Other Long-Term Benefits		Total	
			Salary & Fees		Non-monetary Benefits **		TBR		Super-annuation					
			\$'000		\$'000		\$'000		\$'000		\$'000		\$'000	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
300,000-324,999	2	-	282	-	-	-	-	-	33	-	6	-	321	-
325,000-349,999	-	3	-	285	-	-	-	10	-	31	-	10	-	336
350,000-374,999	1	1	310	323	-	-	-	11	30	31	21	-	361	365
425,000-449,999	1	-	409	-	-	-	-	-	35	-	-	-	444	-
450,000-474,999	-	1	-	401	-	-	-	13	-	35	-	9	-	458
525,000-549,999	1	-	3	-	17	-	-	-	513	-	-	-	533	-

* Where there is more than one executive in a remuneration band the average remuneration is shown.

** Private use of motor vehicle.

Variations in salary can be caused by a wide variety of factors such as the key management personnel's leave arrangements, the TBR, and other smaller adjustments.

Environmental performance

The Corporation is subject to particular and significant environmental legislation under both Commonwealth and State laws; in particular:

- *Environment Protection and Biodiversity Conservation Act 1999* (Cth)
- *Environmental Protection Act 1986* (WA)
- *Contaminated Sites Act 2003* (WA)

Additionally, we comply with more than 40 other pieces of environment-related legislation and we also track our compliance with various non-statutory commitments.

With the significant volume of wastewater conveyed across the State it is possible that unplanned discharges will occasionally occur and that some of these may affect the environment, public health and public amenity. Our incident management process provides a fast and effective response to these and other incidents. Consistent with the *Environmental Protection Act 1986*, we report any unplanned discharges of waste that have the potential to harm the environment.

Our environmental performance is underpinned by our Corporate Environment Policy and Carbon and Energy Policy. We also maintain an Environmental Management System, certified under the internal standard ISO 14001 that provides for the systematic identification of environmental risks, setting of performance targets and development of environmental improvement plans to reduce risks and ensure our activities are sustainable.

State of affairs

There were no significant changes during the year ended 30 June 2017 in the state of our affairs not otherwise disclosed in this report, or the financial statements.

Events subsequent to balance date

Since the end of the financial year on 30 June 2017 and the date of the release of this report, the Directors are not aware of any matter or circumstance not otherwise dealt with in

the report or financial statements that has significantly, or may significantly, affect our operations, the results of those operations, or our state of affairs in subsequent financial periods.

Directors' interests and benefits

In the 12 months to 30 June 2017, no Director received, or became entitled to receive, any benefit (other than a benefit included in the total amount of remuneration received or due and receivable by Directors) by reason of a contract made by the Corporation with the Director, or with a firm, of which the Director is a member, or with an entity in which the Director has a substantial interest.

Indemnification of Directors

The Corporation provides a general indemnification for Directors, via a deed of indemnity, and we purchase Directors and Officers insurance. In the 12 months ending 30 June 2017, we have not made any payments in respect to this indemnity.

This statement is made in accordance with a resolution of the Board.



Michael Hollett
Chairman



Sue Murphy
Chief Executive Officer

Perth, 30 June 2017

Performance summary

Performance against key indicators

	Units	2017		2016	2015	2014	2013
		Target	Actual				
Social Performance							
Employment and Workforce							
Employee initiated turnover	No.	7.00	5.50	6.2	5.8	6.4	6.4
Women in senior management - tier 2	%	25.00	22.20	22.2	20.0	12.5	10.0
Women in senior management - tier 3	%	25.00	32.20	27.5	20.0	23.8	15.0
People from culturally diverse backgrounds	%	14.00	13.67	13.6	13.6	14.8	13.5
Indigenous Australians	%	2.68	3.12	3.01	2.35	1.90	1.35
People with disabilities	%	2.80	0.91	1.05	1.20	1.20	1.30
Youth (15-24)	%	6.70	2.90	3.62	3.20	5.00	4.40
Significant Injury Frequency Rate	No.	3.80	2.60	4.9	4.2	6.0	7.3
Public Health - Safe Drinking Water							
Metropolitan localities meeting requirements for E.coli	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for amoebae (Thermophilic Naegleria)	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for health-related chemical quality	%	100	100	100	100	100	100
Metropolitan localities meeting requirements for radiological performance	%	100	100	100	100	100	100
Country localities meeting requirements for E.coli	%	100	100	100	100	100	100
Country localities meeting requirements for amoebae (Thermophilic Naegleria)	%	100	100	100	100	100	100
Country localities meeting requirements for health-related chemical quality	%	100	100	100	100	100	100
Country localities meeting requirements for radiological performance	%	100	100	100	100	100	100
Essential Service Provision							
Continuity – properties not affected by interruption > 1 hr	%	75.0	77.7	77.5	79.4	75.9	80.8
Water pressure and flow standards	%	99.80	100.00	100.00	99.95	100.00	100.00
Water quality faults responsiveness	%	95.0	97.3	98.3	98.2	96.8	95.3
Installation of new water connections	%	90.0	97.2	98.6	97.4	97.0	96.2
Properties without wastewater overflow	%	99.8	99.9	99.9	99.9	99.9	99.9
Demand-Supply Balance							
Number of waterwise schools ¹	No.	na	523	503	503	526	516
Drought response (number of schemes on temporary restrictions)	No.	na	0	1	1	1	1
Environmental Performance							
Ecosystem Protection							
Overflows to Swan-Canning - conveyance system	No.	0	4	3	2	3	1
Overflows to Swan-Canning - pump stations only	No.	0	1	0	1	0	0
Energy and Greenhouse Gases							
Electricity consumption per unit of output for water	MWh/ML	na	2.41	2.17	1.93	1.84	1.70
Electricity consumption per unit of output for wastewater	MWh/ML	na	0.87	0.81	0.80	0.79	0.80
Total energy consumption	TJ	na	3,863	3,633	3,346	3,294	3,000
Reported greenhouse gas emissions (CO ₂ equivalent)	kT	na	806	784	717	718	692
Materials Use Efficiency							
Biosolids re-use (Perth metro)	%	100	100	100	100	100	100

	Units	2017		2016	2015	2014	2013
		Target	Actual				
Demand-Supply Balance							
Water supplied per capita (Perth metro)	kL	129	122	127	126	131	132
Economic Performance							
Financial Efficiency							
Operating cost per property	\$	801	769	796	819	800	805
Total cost per property	\$	1,965	1,941	2,004	1,982	1,989	1,949
Surplus before income tax equivalent	\$m	1,008	920	1,053	1,118	947	722
Return on assets	%	6.0	5.8	5.8	5.8	5.5	4.4
Return on equity	%	6.8	6.2	7.2	7.9	7.0	5.4
Interest cover	Times	3.9	4.0	3.8	3.6	3.3	2.9
Debt to Total Assets	%	35.0	34.3	34.0	33.8	33.8	33.0
Asset Performance							
Blockages per 100km of sewer	No.	40.0	16.7	18.3	17.4	16.9	16.8
Leaks and bursts per 100km of main	No.	20.0	17.9	17.8	17.8	17.5	17.2
Drainage systems operating in accordance with guidelines	%	100	100	100	100	100	100
Stakeholder Performance							
Customer Service							
Customer complaints – total	No.	na	1,526	1,340	1,269	1,390	1,040
Written customer complaints (responsiveness) < 15 business days	%	90.0	98.9	98.4	100.0	98.8	100.0
Telephone calls to '13' numbers answered within 30 seconds	%	70.0	70.6	71.1	72.8	72.6	73.1
Telephone calls to '13' numbers abandoned after 30 seconds	%	2.5	1.7	1.7	1.6		
Telephone calls to '13' numbers first call resolution	%	90.0	92.6	92.0	97.5	96.9	97.3
Shareholder Accountability							
Responsiveness to priority one enquiries	%	85.0	98.4	96.2	96.7	98.2	99.5
Ethical & Governance Performance							
Compliance							
Number of legal sanctions for environmental breaches	No.	0	0	0	0	0	0
% Environment Non-Compliances Addressed	%	95.0	99.0	94.9	98.7	98.6	95.4

1. Note from 2016 we are now including early childhood centres, primary schools, high schools, education support centres and secondary colleges.



Five-year statistical summary

Financial Data	Units	2017	2016	2015	2014	2013
Total Revenue	\$'000	2,549,288	2,714,630	2,736,154	2,522,814	2,180,721
Operating Subsidy	\$'000	464,225	546,813	573,232	565,924	436,702
Direct Operating Expenses	\$'000	875,113	897,217	880,452	851,032	805,931
Depreciation / Amortisation	\$'000	486,275	459,727	459,732	444,081	414,764
Net Interest Expense	\$'000	253,592	256,263	274,032	256,013	233,706
Income Tax Expense	\$'000	275,048	315,589	334,305	266,773	215,626
Operating Surplus After Tax	\$'000	645,383	736,885	784,146	677,765	506,596
Transfer to / (from) Reserves	\$'000	0	(939,388)	130,699	79,486	53,753
Long-Term Debt	\$'000	5,831,433	5,679,437	5,592,772	5,444,502	5,105,000
New Works Investment (excluding developers take-over works)	\$'000	805,594	579,365	765,927	984,226	967,348
Short-Term Liquidity Facility	\$'000	46,000	7,000	20,000	1,150	0
New Borrowings	\$'000	199,000	82,000	175,000	85,000	449,225

Operating Data

Water Supply Services

Annual Volume of Water Supplied	ML	360,930	370,001	366,495	371,384	357,390
Number of Properties Served	No.	1,274,089	1,251,490	1,226,248	1,195,682	1,166,366
Number of Properties Connected		1,095,943	1,078,639	1,057,388	1,032,186	1,001,362
Length of Mains	km	34,799	34,680	34,424	34,156	33,823

Wastewater Services

Average Volume of Wastewater Treated Daily	ML	449	446	449	458	428
Number of Properties Served	No.	1,035,809	1,017,699	994,344	967,892	945,944
Number of Properties Connected		958,064	937,220	910,167	885,920	865,612
Length of Sewers	km	16,903	16,693	16,416	16,080	15,782

Drainage Services

Number of Properties Served (Metropolitan)	No.	406,724	398,844	391,408	382,833	377,962
Length of Drains	km	2,549	2,546	2,546	2,545	2,544

Irrigation Services

Volume of Water Delivered	ML	5,731 ²	139,268	150,147	135,481	154,042
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Employees

Total number of employees	No.	2,758	2,654	2,852	3,098	3,113
Total number of full-time equivalents (FTEs)	No.	2,622	2,533	2,703	2,934	2,967
Total number of FTEs (year-end average)	No.	2,576	2,520	2,845	2,971	2,952

Principal statistics

Water Supply

Region	Properties Served	Properties Connected	Water Supply Services	Length of Mains (Kilometres)	Water Supplied ² (Megalitres)
Perth Metro	975,635	841,045	722,846	14,136	245,578
Mandurah-Murray	60,784	51,006	45,509	1,166	13,548
Perth Region ¹	1,036,419	892,051	768,355	15,302	259,126
Goldfields & Agricultural	43,251	38,597	42,242	9,599	24,011
Great Southern	47,478	41,112	40,443	4,038	12,346
Mid-West	50,147	40,475	36,188	2,519	17,056
North-West	43,017	35,362	29,040	1,529	34,156
South-West	53,777	48,346	44,039	1,812	14,235
Total	1,274,089	1,095,943	960,307	34,799	360,930

1. Perth Region includes Mandurah-Murray District.

2. Water supplied is the quantity recorded by master meters from 1 July to 30 June.

Wastewater

Region	Properties Served	Properties Connected	Total Length of Sewers (Kilometres)	Number of Pumping Stations	Number of Treatment Plants	Average Quantity of Wastewater Treated Daily (Megalitres)
Perth Metro	821,181	771,659	12,214	651	12	367
Mandurah-Murray	48,431	42,272	875	85	4	16
Perth Region ¹	869,612	813,931	13,089	736	16	383
Goldfields & Agricultural	11,255	9,576	316	30	19	4
Great Southern	29,501	25,214	732	83	21	12
Mid-West	25,817	20,527	596	70	19	8
North-West	34,294	30,968	678	78	18	17
South-West	65,330	57,848	1,492	164	20	26
Total	1,035,809	958,064	16,903	1,161	113	449

1. Perth Region includes Mandurah-Murray District.

Metropolitan sources of supply

Source	Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/06/2017 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/06/2017 (Megalitres)
Dams					
Stirling	252	57,404	13,966	24.3	0
Samson WTP	192	8,003	2,234	27.9	4,256
South Dandalup	313	138,345	13,206	9.5	2,970
North Dandalup	151	60,791	16,113	26.5	17,400
Serpentine and Serpentine Pipehead	693	140,292	34,110	24.3	47,145
Canning	728	90,353	49,183	54.4	7,696
Wungong	128	59,796	37,464	62.7	8,909
Churchman	18	2,241	640	28.6	722
Victoria	37	9,463	4,474	47.3	2,228
Total Hills Sources Output Gross		566,688	171,390	30.2	91,326
Total Hills Transfers Input					99,858
Total Hills Sources Output Nett					(8,531)
Groundwater					
Artesian Bores					31,896
Mirrabooka					16,584
Gwelup					14,751
Wanneroo					30,118
Jandakot					16,627
Neerabup					25,471
Lexia					2,727
Yanchep/Two Rocks					1,424
Total Groundwater Output					139,598
Desalination					
Perth Seawater Desalination Plant					47,338
Southern Seawater Desalination Plant					102,484
Total Desalination Output					149,823
Water Received from Bulk Supplier					
GAWS supply to Perth					1,832
Total					1,832

Source	Area of Catchment (Square km)	Storage Capacity (Megalitres)	Storage at 30/06/2017 (Megalitres)	Percentage of Maximum Storage (%)	Output to 30/06/2017 (Megalitres)
Bulk Water Exported					
to Mundaring Dam for GAWS					19,662
Mandurah Murray					13,548
South-West Region					1,221
Total					34,431
Total Water Sourced					
Net Output from Surface Water					(8,531)
Groundwater					139,598
Desalination					149,823
Received from Bulk Supplier					1,832
Total Sources					282,722
Riparians (from Distribution System)					
Riparians from Distribution System					2,071
Total Potable Water Supplied					
Total Water Sourced					282,722
Bulk Water Exported					(34,431)
Riparians (from Distribution System)					(2,071)
Operational Use & Service Reservoir Vol Change					(642)
Total Water Supplied					245,578

Drainage

Region	Properties Served	Length of Drains Controlled (Kilometres)
Perth	406,724	1,128
Great Southern	n/a	129
South-West	n/a	1,291
Total	406,724	2,549

Irrigation

Region	Water Supplied (Megalitres)
Mid-West ¹	5,032
North-West ²	699
South-West ³	n/a
Total	5,731

1. Mid-West irrigation district was transferred to the Gascoyne Water Co-operative on 1 July 2003.

2. North-West irrigation water supplied from the Ord dam to Water Corporation customers only. Previously reported amount included Ord Irrigation Cooperative customers.

3. Water Corporation owns and maintains the dams that supply Harvey Water and PrestonValley Irrigation but they have the water allocation directly with the Department of Water.