



Water and Sewerage Corporation Act 2012

**SHAREHOLDERS' LETTER
OF EXPECTATIONS**

**Tasmanian Water and Sewerage Corporation Pty Ltd
ACN 162 220 653**

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PART 1 - PRELIMINARY	
1. Commencement and Term	
1.1	This Letter is issued by the Shareholders of the Tasmanian Water and Sewerage Corporation Pty Ltd under Section 12 of the <i>Water and Sewerage Corporation Act 2012</i> . This Letter operates until it is amended or replaced in accordance with the procedures outlined in this document and the Corporation's Constitution.
2. Purpose	
2.1	This Letter gives the Board of the Corporation guidance in relation to the Shareholders' high-level performance expectations and strategic priorities.
3. Interpretation	
3.1	Subject to Section 3.2, terms used in this Letter are defined in Schedule A.
3.2	<p>Except where the context makes it clear that a rule is not intended to apply: Terms defined in the <i>Water and Sewerage Corporation Act 2012</i> and <i>Water and Sewerage Industry Act 2008</i> (as amended from time to time) have the same meaning in this Letter.</p> <p>Whenever this Letter requires the Corporation to make something "available to the public", the Corporation shall:</p> <ul style="list-style-type: none"> • publish the matter on the Corporation's website; and • make a copy of the document available for inspection at each of the Corporation's offices; and • provide a copy on request for a charge that covers the fair and reasonable costs of making the copy available. <p>Whenever this Letter requires the Corporation to "develop" something, the Corporation shall be taken to have complied with that obligation if it has already developed the item before this Letter commenced.</p> <p>Where this Letter sets out expectations in relation to the provision of information, the Corporation shall forward such information to the Owners' Representatives, the Mayors (where the Owners' Representatives are not also the Mayors) and the General Managers (unless otherwise specified in this document). These expectations also apply to all subsidiaries of the Corporation.</p>
PART 2 - GENERAL	
4. Guiding Principles	
4.1	<p>The Guiding Principles for the Corporation are that it:</p> <ul style="list-style-type: none"> • Operates within relevant legislative and statutory obligations and has systems and processes to support and report on these obligations • Fulfils the principal objectives under the <i>Water and Sewerage Corporation Act 2012</i> • Maintains long-term financial sustainability and returns to Shareholders, while meeting the other Guiding Principles • Sustainably manages its water resources and provides efficient and cost-effective water and sewerage services for its customers • Supports the regional prosperity principles outlined in Section 10, including through local employment to support the Corporation's services around the state and engaging Tasmanian-based suppliers where this offers value for money

	<ul style="list-style-type: none"> • Prudently and efficiently invests in infrastructure to meet its regulatory obligations and to support economic development as outlined in the Corporation’s Corporate Plan and supporting strategic and planning documents • Engages authentically with its customers and the community, balancing their needs with the need to meet regulatory obligations and sound commercial principles • Collaborates with Shareholders to enhance outcomes for Shareholders and the Tasmanian community • Embeds continuous improvement and innovation within its operations, management and relationships with customers and the community • Operates within the cost and pricing regime established by the Tasmanian Economic Regulator, noting the intention to achieve cost reflective pricing at a future date • Adopts principles of Corporate Social Responsibility to achieve improvements across social, environmental and economic domains • Operates within the ASX Corporate Governance Principles and Recommendations (as amended from time to time) to the extent that they apply to the Corporation’s circumstances.
PART 3 – GOVERNANCE	
5. Shareholders’ Letter of Expectations	
5.1	The Shareholders expect that the Board will abide by this Letter unless to do so would create a risk of breaching the <i>Water and Sewerage Corporation Act 2012</i> , the <i>Corporations Act 2001</i> (Cth), the Corporation’s Constitution, directors’ duties, or any other statutory or regulatory obligation.
5.2	The Board will advise Owners’ Representatives when the provisions of this Letter cannot be met.
5.3	The Corporation shall make this Letter available to the public.
5.4	As required under Section 12(5) of the <i>Water and Sewerage Corporation Act 2012</i> , the Shareholders shall consult with the Board prior to amending or replacing this Letter.
5.5	The method of adopting, amending or repealing this Letter is determined in the Constitution.
6. Corporate Plan	
6.1	The preparation and provision of an annual Corporate Plan is required under Section 13 of the <i>Water and Sewerage Corporation Act 2012</i> .
6.2	<p>The Corporate Plan shall be for a 5-year period and identify and explain the strategic and operational plans of the Corporation. This may be supported by providing information in other forms, or in other strategic, financial and/or planning documents.</p> <p>As a minimum each Corporate Plan shall include for the plan period:</p> <ul style="list-style-type: none"> • An assessment of the operating environment including risks and opportunities • The Corporation’s strategic objectives and priority actions consistent with the Corporation’s Guiding Principles (as relevant) • Forecast operating and capital expenditure • Financial forecasts including Profit and Loss, Balance Sheet, Cash Flow and Owner Councils’ Dividends, and supporting assumptions including borrowings, revenue and expenses • Key performance measures and targets across the Corporation’s strategic and focus areas.
6.3	The Owners’ Representatives will ensure that the annual Corporate Plan is adopted by no later than 31 July each year.

6.4

The process for adopting or amending the Corporate Plan is as follows.

- The Corporation shall issue a draft Corporate Plan to Owner Councils and the Crown by no later than 30 April each year for review.
- Shareholders must provide any suggested amendments to the draft Corporate Plan to the Chair in writing within 28 days.
- The Board will consider all suggested amendments received from Shareholders as soon as practicable. The Board is not obliged to adopt the requested amendments if to do so would create a risk of breaching directors' duties or other formal regulatory obligations.
- Not less than 21 days prior to the Annual Planning Meeting, the Corporation shall provide the Board's response to each of the amendments proposed by the Shareholders, through:
 - an amended Corporate Plan (if amendments are accepted) or
 - the draft Corporate Plan and letter of explanation (if amendments are rejected),to Owners' Representatives for consideration at the Annual Planning Meeting.
- The Chair and CEO shall attend the Annual Planning Meeting to present and or answer questions.
- At the Annual Planning Meeting the Owners' Representatives may adopt the Corporate Plan.
- Approval of the Corporate Plan at the Annual Planning Meeting will require:
 - an Ordinary Majority of Owners' Representatives (excluding the Crown's Owner's Representative); and
 - an affirmative vote by the Crown's Owner's Representative.
- Should:
 - the Corporate Plan as presented by the Board, not be adopted at the Annual Planning Meeting, but
 - the Owners' Representatives, through an Ordinary Majority of Owners' Representatives (excluding the Crown's Owner's Representative) and an affirmative vote by the Crown's Owner's Representative agree amendments to the Corporate Plan,the Board (if it has not already done so) shall be obliged to accept and incorporate those amendments into the Corporate Plan unless this would result in directors of the Corporation being in breach of their fiduciary duties, the *Corporations Act 2001* (Cth) or constitute unlawful activity, in which case the Corporate Plan as recommended by the Board will be deemed to have been adopted by the Owners' Representatives, and the Chairman shall advise the Owners' Representatives accordingly.
- Should:
 - the Corporate Plan not be adopted at the Annual Planning Meeting and
 - agreement on amendments to the Corporate Plan cannot be reached by the Crown's Owner's Representative and an Ordinary Majority of Owners' Representatives (excluding the Crown's Owner's Representative)the Chair shall, within 7 days, consult with the Chief Owners' Representative and the Crown's Owner's Representative to determine a solution. If this group is unable to reach unanimous agreement as to a solution within a further 7 days, it will be determined by a two thirds majority of the group, unless this would result in directors of the Corporation being in breach of their fiduciary duties, the *Corporations Act 2001* (Cth) or constitute unlawful activity, in which case the Corporate Plan as recommended by the Board will be deemed to have been adopted by the Owners' Representatives.
- A summary of the approved Corporate Plan will be published on the Corporation's website within 7 days after the Corporate Plan is adopted.

7. Board Performance

7.1	The Corporation will review and report to the Board Selection Committee annually on the performance of the Board and its committees.
7.2	Each year, the Board Chair shall discuss with the Board Selection Committee Chair any concerns about the contribution of individual directors and/or the need to change the skills mix of the Board.
8. Shareholder Relationships	
8.1	It is the responsibility of the Board to act in the interests of the Corporation and, through it, the Shareholders' interests.
8.2	Consistent with ASX Principle 5, the Board shall maintain a policy for timely and balanced disclosure to Shareholders of all relevant matters, including those described in Section 8.3.
8.3	The disclosure policy will address information that: <ul style="list-style-type: none"> • Has or may have a material effect on Corporation's position • Materially affects or may materially affect the Corporation's ability to achieve the objectives set out in the Corporate Plan or other relevant strategic plans or documents • Will or may prevent the Corporation from achieving its financial targets • May influence the Shareholders' decisions; or • Relates to an issue on which the Shareholders may be required to comment, financial or otherwise.
8.4	The Corporation should collaborate with Shareholders to enable effective, timely sharing of property and asset data and to coordinate, where relevant, public works.
8.5	The Corporation should collaborate with Shareholders, local government regional bodies and relevant State Government agencies on matters of economic development and regional importance. The Corporation and Shareholders shall work co-operatively in order to progress major investment projects of special or environmental importance to Tasmania. This obligation includes using all reasonable endeavours to secure Federal Government funding for such projects. In determining appropriate levels of investment required to support economic development the Board will have a view balancing financial risks and benefits to the Corporation against the long-term risks and benefits to the Tasmanian community and Shareholders.
8.6	The Corporation will build and maintain constructive relationships with Shareholders and with its regulators. This will be supported by: <ul style="list-style-type: none"> • The provision of information and expertise to Shareholders on the Corporation's planning and activities. • The Chair (or Director delegate) and the CEO (or appropriate Executive delegate) shall make themselves available to meet with the Shareholders as and when requested. • The Chair and the CEO shall meet regularly with the Ministers by mutual agreement.
9. Customer and Community Engagement	
9.1	The Corporation shall: <ul style="list-style-type: none"> • Publish plain English information about its services (including pricing), its water and sewerage systems and its performance; and • Educate customers and the community about matters such as water conservation and the responsible use of water and sewerage systems.
10. Economic Development	
10.1	The Corporation will have regard to the principles set out in Section 10.2 when considering matters related to economic development.

10.2	<p>The principles that apply to the consideration of economic development matters are:</p> <p>Principle 1: That the Corporation makes a positive, measurable difference to the economic and social prosperity of Tasmania and reports on these activities.</p> <p>Principle 2: That the Corporation recognises local, regional and state development priorities and that its infrastructure decisions should be in alignment where possible.</p> <p>Principle 3: The Corporation will work with relevant authorities on their regional land use strategies and seek to integrate and align its capital planning with these where possible.</p> <p>Principle 4: That the Corporation will seek to recover a contribution to the costs of new or upgraded infrastructure to support development from the development proponent in line with any policies approved by Tasmanian Economic Regulator.</p> <p>Principle 5: That where the Corporation is providing new infrastructure to support a development it will be provided in an economically prudent and efficient way.</p>
PART 4 – PLANNING, SERVICE DELIVERY AND RISK MANAGEMENT	
11. Risk Management Planning	
11.1	The Corporation shall develop and implement plans, systems and processes to ensure an acceptable level of risk.
11.2	The Corporation shall adopt asset management practices that support the sustainable supply of its services, optimise the overall whole of life costs of any assets and minimise any detrimental social, economic or environmental effects.
12. Conserving Water, Recycling Water and Sewage	
12.1	The Corporation should maintain, develop and implement programs to support the principal objectives under the <i>Water and Sewerage Corporation Act 2012</i> and sustainable water resource management.
13. Responding to Drought and Climate Change	
13.1	<p>The Corporation shall:</p> <ul style="list-style-type: none"> • Develop and implement a climate change adaptation response that manages the risks to the Corporation arising from climate change; • Develop, implement and maintain an effective drought response plan for each water supply system operated by the Corporation; and • Make its approach to climate change and drought response plans available to the public.
14. Trade Waste	
14.1	The Corporation shall adopt trade waste management practices to manage risk, meet statutory and regulatory obligations and improve the quality of trade waste entering its sewerage systems.
15. Catchment, Regional and Local Government Planning	
15.1	<p>The principal objectives of the Corporation’s participation in such planning are to:</p> <ul style="list-style-type: none"> • Promote consistency of any strategy or any scheme with the Corporation’s planning and programs for sustainable water management; and • Ensure the alignment, integration and consistency of regional infrastructure development objectives.
15.2	The Corporation shall participate in periodic reviews, and provide input into the continuous improvement and implementation of land use planning, which may affect, or be affected by, the

	<p>Corporation's activities. To support this process, Shareholders will endeavor to invite the Corporation to participate. In particular, planning including:</p> <ul style="list-style-type: none"> • Local provision schedules; • State Planning Provisions; • Strategic plans of Councils; • Regional land use strategy development; • Regional infrastructure plans; and • State Water Management Plans initiated under the <i>Water Management Act 1999</i>.
PART 5 – FINANCIAL CONSIDERATIONS	
16. Dividends	
16.1	In accordance with the <i>Water and Sewerage Corporation Act 2012</i> the Board will maintain a Dividend Policy for the Corporation in consultation with Owners' Representatives.
16.2	Dividend entitlements will be in accordance with Schedule 3 of the Corporation's Constitution. The Corporate Plan is to nominate the target level of Dividends for each year of the plan period.
16.3	The Dividend Policy will include the expectation that dividends will be paid to eligible shareholders in the year in which the dividends are generated.
16.4	The Corporation should undertake a capital investment review to coincide with preparation of its Price and Service Plan proposals.
16.5	<p>Where the Board determines that, due to any circumstance or event beyond the Corporation's reasonable control (such as an act of God, natural disaster, pandemic or significant regulatory change), the Corporation cannot continue to:</p> <ul style="list-style-type: none"> • Maintain Owner Councils' dividends in line with the Corporate Plan and • Deliver an accelerated capital program (as envisaged under Section 24 of this Letter) and • limit annual price increases for regulated water and sewerage services to within the price cap set out in Section 22, <p>while maintaining the financial sustainability of the Corporation (an 'adverse development'), the Corporation must notify the Chief Owners' Representative and the Crown's Owner's Representative of the adverse development. The Corporation must meet with the Crown's Owner's Representative to consider the impact of maintaining the accelerated infrastructure investment and price caps on the financial sustainability of the business.</p> <p>Following notice from the Corporation of an adverse development, and consideration of that adverse development by the Crown's Owner's Representative, the Crown may, at its absolute discretion, provide additional funding support or comfort to the Corporation. If the Crown decides not to provide additional support or comfort to the Corporation, the Board may determine that the capital program should be amended and/or that price increases in excess of the cap (but within the prevailing price determination at the time) should be applied for regulated water and sewerage services.</p> <p>For the purposes of this Part, without limitation 'additional financial support or comfort' may include grant funding, a pre-payment of equity, a guarantee or letter of comfort.</p>
17. Investment Policy	
17.1	<p>In the event that the Corporation becomes an investor of cash for purposes other than short term liquidity, the Board will develop an investment policy which sets out:</p> <ul style="list-style-type: none"> • The Board's investment objectives; • The responsibility structure for managing investments; • The management of risks associated with investments; and • The investment management approach of the Board.

PART 6 – REPORTING	
18. Reporting Framework	
18.1	<p>The Board will arrange the following meetings each year, at a minimum:</p> <ul style="list-style-type: none"> • Annual Planning Meeting – to consider and approve the Corporate Plan and any potential changes to the Shareholders’ Letter of Expectations; • Annual Reporting Meeting – to review the annual financial reports and the Corporation’s performance against the Corporate Plan for the period; • Half-Year Update – to brief Owners’ Representatives on the half-year report.
18.2	Other general meetings can be convened in accordance with the provisions of the Constitution or as agreed between the Board and Owners’ Representatives.
18.3	Programs and plans developed by the Corporation in response to these Shareholders’ expectations shall specify objectives to be achieved and measures for monitoring performance.
18.4	Performance shall be reported to the Owners’ Representatives in a formal half-year report to be received within 45 days from the end of the 2nd quarter.
18.5	<p>The minimum content of the half-year report is to include:</p> <ul style="list-style-type: none"> • Financial statements for the period; • Results against key performance targets included in the Corporate Plan for the period; • Commentary on performance and explanations of material variances from budget; • Revisions to the expected full year forecast financial results; • Current estimates for Dividends to the Owner Councils and explanation for material variances from the Corporate Plan; • Capital expenditure for the period and material variance explanations; and • Any non-compliances with the current Shareholders’ Letter of Expectations.
18.6	In accordance with the requirements of the <i>Water and Sewerage Corporation Act 2012</i> , the Corporation shall provide its Annual Report to shareholders by 30 September each year.
18.7	The content of the Corporation’s Annual Report will conform to the requirements prescribed in the <i>Water and Sewerage Corporation Act 2012</i> .
18.8	The Corporation’s Annual Report will be included for discussion at the Annual Reporting Meeting of the Shareholders and subsequently published on the Corporation’s website.
18.9	Disclosures under the ‘no surprises’ continuous disclosure regime should be provided in the half-year report unless the Board considers that a more timely disclosure is appropriate.
19. Whole-of-Government Reporting	
19.1	The Board should comply with requests from the Treasurer for information relating to the collection of financial information for whole of government reporting and ensure that such information relating to the Corporation and its subsidiaries will be provided by the relevant dates and in the specified formats, where applicable.
19.2	The Chief Owners’ Representative, Chair and CEO will comply with a request to appear at GBE Scrutiny Committee hearings.

19.3	The Corporation will provide such financial and other information to the Department of Treasury and Finance as required to allow the Department of Treasury and Finance to provide advice to the Crown as it does for Government Business Enterprises.
20. Reporting under AEIFRS	
20.1	The Corporation shall report in accordance with the requirements of the <i>Water and Sewerage Corporation Act 2012</i> .
21. External Funding Assistance	
21.1	The Corporation and the Shareholders will work collaboratively with a view to obtaining external funding assistance to facilitate the timely delivery of the Corporation's capital program whilst ensuring that the prices imposed by the Corporation on its customers are affordable.
22. Pricing	
22.1	The Corporation commits to: <ul style="list-style-type: none"> • Subject always to Section 16.5 of this Letter, develop a future price profile for regulated water and sewerage services with annual price increases for target tariffs to be no greater than 3.5% commencing from 1 July 2020 until 30 June 2025 ("Capped Period") (or apply a lower price determination to such price increases as may be made by the Tasmanian Economic Regulator during the Capped Period); and • Transition customers who are currently significantly below target tariffs to ensure that those customers reach the target tariffs within the legislated timeframe without facing significant price shocks.
23. Shareholder-initiated investment projects	
23.1	A Shareholder may request that the Corporation undertakes a water or sewerage infrastructure investment project that is not in the Corporation's long-term investment plan or the then current Corporate Plan.
23.2	The Corporation will consider the proposed project and assess whether the project is likely to be prudent and efficient, so that the costs of the project are recoverable from customers under the economic regulatory framework in the <i>Water and Sewerage Industry Act 2008</i> . If the Corporation in good faith, considers that the project: <ul style="list-style-type: none"> • Meets this requirement – the project is a "commercial project"; or • Does not meet this requirement – the project is an "uncommercial project".
23.3	If the Corporation assesses the project as a commercial project, the Corporation may consider undertaking the project, after taking into account the impact of the project on the Corporation's key financial performance measures and any social, environmental or economic benefits of the project.
23.4	If the Corporation considers that the project has merit, the Corporation will consider the commercial project in the context of the Corporation's long term investment plan, discuss options for the timing of the delivery of the project with the Shareholder and consider the project in the context of preparing the Corporate Plan.
23.5	If the Corporation assesses a proposed project as an uncommercial project, it must notify the Shareholder of its decision.
23.6	If the Shareholder wishes to progress an uncommercial project, the Shareholder may offer to fund the project directly or seek third party funding for the project.
23.7	If the parties agree, the Corporation will consider the funded uncommercial project in the context of the Company's long term investment program, discuss options for the timing of the delivery of the project with the Shareholder and consider the project in the context of preparing the Corporate Plan.

23.8	<p>The Corporation is to:</p> <ul style="list-style-type: none"> • Include, in its annual report, all non-commercial projects it has undertaken, including the cost of the non-commercial project and the funds contributed by the Shareholder, if applicable; and • Publish on its website, details of non-commercial projects it has undertaken.
24. Infrastructure Investment Program	
24.1	The Corporation will maintain an accelerated infrastructure investment program as referred to in paragraph 3.2 of the MOU on a best endeavours basis.
24.2	Subject always to Section 16.5, the Corporation will use best endeavours to deliver sufficient investment during the remainder of its current 10-year investment program (i.e. until 30 June 2026) in order to achieve a target of \$1.8 billion of total infrastructure investment.

25. SCHEDULE A - Definitions

The following definitions apply:

'AEIRFS' means the Australian Equivalents to International Financial Reporting Standards.

'Annual Planning Meeting' means one of the two general meetings to be held each year under the terms of the Constitution, at which the Owners' Representatives will consider the annual accounts as mandated in the Constitution and any other relevant matters.

'Annual Reporting Meeting' means one of the two general meetings to be held each year under the terms of the Constitution, at which the Owners' Representatives will consider the annual accounts and any other relevant matters.

'Board' means the Board of Directors appointed to the Tasmanian Water and Sewerage Corporation Pty Ltd.

'CEO' means the Chief Executive Officer of the Corporation.

'Chair' means the chair of the Board.

'Corporation' means Tasmanian Water & Sewerage Corporation Pty Ltd (ACN 162 220 653).

'Council Owners' Representatives' means the representatives nominated by the Owner Councils.

'Crown' means the Crown in Right of Tasmania.

'Crown's Owner's Representative' means the person appointed by the Crown as its Owner's Representative.

'Department of Treasury and Finance' means the Department of Treasury and Finance in Tasmania.

'Dividends Policy' means the policy determined in accordance with Section 16 of this Letter.

'Letter' means this Shareholders' Letter of Expectations.

'MOU' means the memorandum of understanding dated 1 May 2018 between the Crown, the Corporation and the Chief Owners' Representative on behalf of the Owners' Representatives.

'Owners' Representatives' mean the representatives appointed by the Shareholders of the Corporation.

'Owner Councils' means the councils established under section 18 of the *Local Government Act 1993* who are shareholders of the Corporation.

'Owner Councils' dividends' means the dividend payments payable by the Corporation to the Owner Councils in accordance with the Dividends Policy.

'Regulator' means Tasmanian Economic Regulator.

'shall' means if the requirement is not met, the Corporation will notify the Shareholders of the failure in its routine reporting.

'Shareholders' means the Owner Councils and the Crown.

'should' means the Corporation will use its discretion in decision making and notify the Shareholders of the decision in the normal course of business.

'Treasurer' means the Treasurer of the Tasmanian Government.