



**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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<b>PART 1 - PRELIMINARY</b>	
<b>1. Commencement and Term</b>	
1.1	This Letter of Expectations 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 of Expectations commenced on 1 July 2013 and operates until it is replaced in accordance with the procedures outlined in this document and the Corporation's Constitution.
<b>2. Purpose</b>	
2.1	The purpose of this Letter of Expectations is to communicate and give guidance in relation to the Shareholders' high-level performance expectations and strategic priorities to the Board of the Corporation.
<b>3. Interpretation</b>	
3.1	The definitions of the terms are contained in Schedule A to this Letter of Expectations.
3.2	<p>The following rules also apply in interpreting this Letter of Expectations, except where the context makes it clear that a rule is not intended to apply.</p> <p>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 of Expectations.</p> <p>Whenever this Letter of Expectations requires the Corporation to make something "available to the public", the Corporation shall:</p> <ul style="list-style-type: none"> <li>• publish the matter on the Corporation's website; and</li> <li>• make a copy of the document available for inspection at each of the Corporation's offices; and</li> <li>• provide a copy on request for a charge that covers the fair and reasonable costs of making the copy available.</li> </ul> <p>Whenever this Letter of Expectations 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 of Expectations commenced.</p> <p>Where this document 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>
<b>PART 2 - GENERAL</b>	
<b>4. Guiding Principles</b>	
4.1.	<p>The Corporation shall operate in a manner consistent with the principal objectives under the <i>Water and Sewerage Corporation Act 2012</i>:</p> <ul style="list-style-type: none"> <li>(a) to efficiently provide water and sewerage functions in Tasmania;</li> <li>(b) to encourage water conservation, the demand management of water and the reuse of water on an economic and commercial basis;</li> <li>(c) to be a successful business, and to this end – <ul style="list-style-type: none"> <li>(i) to operate its activities in accordance with good commercial practice;</li> <li>(ii) to deliver sustainable returns to its members; and</li> <li>(iii) to deliver water and sewerage services to customers in the most cost efficient manner.</li> </ul> </li> </ul>

4.2.	In addition to these principal objectives, the Shareholders expect that the Corporation will uphold the original principles of 2008 structural reform by maintaining a capability and governance structure to manage the water resource, water supply and sewerage services in a sustainable manner, taking account of economic and environmental factors including the improvement of drinking water quality across Tasmania.
4.3.	<p>In performing its functions and providing its services, the Corporation shall therefore:</p> <ul style="list-style-type: none"> <li>• have an appropriate and formalised dividends policy that provides for an appropriate balance sheet, profit and loss and cash-flow strength to enable access to debt funding to the level required to support required investment and to fund all business activities on a sustainable basis;</li> <li>• as far as is practical, maintain employment levels in each region equivalent to the proportion of full-time equivalents transferred from each regional Corporation to the statewide Corporation;</li> <li>• share the ‘intellectual capacity’ of the Corporation across each region wherever practical to do so;</li> <li>• balance the needs of each region over time when developing discretionary long term capital expenditure programs with the aim of sharing economic benefits across the state;</li> <li>• establish and maintain compliance with the ASX Corporate Governance Principles and Recommendations (as amended from time to time) to the extent that they apply to the Corporation’s circumstances;</li> <li>• develop clear and unambiguous guidelines which allow the Shareholders to provide advice and guidance to the Board on matters that fall beyond the scope of the Board;</li> <li>• maintain the organisational and managerial capability to deliver a continuous improvement approach to operations and business processes; and</li> <li>• ensure that the Corporation collaborates with the various agencies to take account of state-wide and regional needs and endeavour to identify other opportunities to enhance outcomes for the Councils and the Tasmanian community.</li> </ul>
<b>5. Preservation of Employee Benefits</b>	
5.1.	In addition to the general preservation of employment conditions specified in Part 3 of the <i>Water and Sewerage Corporation Act 2012</i> , the Corporation shall recognise as continuous service the length of uninterrupted employment in local government, bulk water authorities, Regional Water Corporations and the Common Service Corporation in determining employee entitlements including any future redundancy calculation.
<b>PART 3 – GOVERNANCE</b>	
<b>6. Shareholders’ Letter of Expectations</b>	
6.1.	In issuing this Letter of Expectations, the Shareholders intend that the Board will abide by its provisions 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.
6.2.	The Board will advise Owners’ Representatives when the provisions of the Shareholder’s Letter of Expectations cannot be met.
6.3.	The Corporation shall make this Letter of Expectations available to the public.

6.4.	As required under Section 12(5) of the <i>Water and Sewerage Corporation Act 2012</i> , the Shareholders shall consult with the Board before or while preparing or amending a Shareholders' Letter of Expectations.
6.5.	The method of adopting, amending or repealing the Shareholders' Letter of Expectations is determined in the Constitution.
<b>7. Legislative Compliance</b>	
7.1.	The Shareholders expect the Corporation to comply with all applicable statutory and regulatory obligations and to develop appropriate management systems to ensure reliable and continuous compliance is maintained.
7.2.	The Corporation shall ensure that it has a general compliance and audit scheme in place that focuses on systems and processes and monitors compliance with licence conditions and instruction from relevant industry regulators.
<b>8. Corporate Plan</b>	
8.1.	The preparation and provision of an annual Corporate Plan is required under Section 13 of the <i>Water and Sewerage Corporation Act 2012</i> .
8.2.	<p>The Corporate Plan shall be for a 5 year period and identify and explain the strategic and operational plans of the Corporation.</p> <p>Each Corporate Plan shall include:</p> <ul style="list-style-type: none"> <li>• The main undertakings of the Corporation,</li> <li>• An assessment of the operating environment including a strategic risk assessment and mitigation plan,</li> <li>• An outline of the Corporation's Strategic Plan including objectives, actions and timelines,</li> <li>• Operating and Capital Works budgets for the forecast year and two forward years including: <ul style="list-style-type: none"> <li>○ forecast growth of connections and demand for water and sewerage services,</li> <li>○ assumptions regarding revenue and expenses,</li> <li>○ details of total borrowings and assumed interest rates,</li> <li>○ assumptions regarding timing and total Owner Councils' dividends,</li> <li>○ 10 Year Capital Works Program and cost estimate.</li> </ul> </li> <li>• Forecast Profit and Loss, Balance Sheet, Cash Flow and Owner Councils' Dividends statements for a 10 year period.</li> <li>• Key Performance Measures and Targets including: <ul style="list-style-type: none"> <li>• Financial,</li> <li>• Licence Condition Compliance,</li> <li>• Water Quality,</li> <li>• Wastewater Quality,</li> <li>• Customer Service Standards</li> <li>• Safety.</li> </ul> </li> </ul>
8.3.	<p>The Corporation shall provide a draft of the annual Corporate Plan to the Owners' Representatives at least six weeks prior to the Annual Planning Meeting.</p> <p>The Owners' Representatives will ensure that the annual Corporate Plan is adopted by no later than 31 July each year.</p>
8.4.	<p>Process for adopting or amending the Corporate Plan is as follows.</p> <ul style="list-style-type: none"> <li>• The Corporation shall issue a draft Corporate Plan to Owner Councils and the Crown by no</li> </ul>

later than 30 April each year for review.

- Owner Councils and the Crown must provide any suggested amendments to the draft Corporate Plan to the Chairman in writing within 28 days.
- The Board will consider all suggested amendments received from Owner Councils and the Crown 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 General Meeting, the Corporation shall provide the Board's response to each of the amendments proposed by the Owner Councils and/or the Crown, 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 General Meeting.
- The Chairman and CEO shall attend the meeting to present and or answer questions.
- At the Annual Planning General Meeting the Owners' Representatives may adopt the Corporate Plan.
- Approval of the Corporate Plan at the Annual Planning General 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 General 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 General Meeting and
- no agreed position on amendments to the Corporate Plan can be reached by the Crown's Owner's Representative and an Ordinary Majority of Owners' Representatives (excluding the Crown's Owner's Representative)

the Chairman 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.

<b>9. Board Performance</b>	
9.1.	The Shareholders expect the Corporation to annually review and report to the Selection Committee on the performance of the Board and its committees.
9.2.	Each year, the Board Chairman 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.
<b>10. Shareholder Relationships</b>	
10.1.	The Corporation shall act for the ultimate benefit of the Shareholders. It is the responsibility of the Board to act in the interests of the Corporation and, through it, the Shareholders' interests.
10.2.	The Board shall develop a policy or protocol for continuous disclosure with shareholders, following a no surprises approach based on that described in ASX Principle 5.
10.3.	The continuous disclosure protocol will address information that: <ul style="list-style-type: none"> <li>• may have a material effect on financial Corporate Plan expectations;</li> <li>• may influence the Shareholders' decisions; or</li> <li>• relates to an issue on which the Shareholders may be required to comment, financial or otherwise.</li> </ul>
10.4.	In collaboration with the Councils and the Crown, the Corporation should seek to develop systems to enable effective and timely property and asset data sharing and coordination mechanisms that benefit both entities.
10.5.	The Corporation should collaborate with Councils, the Crown and regional agencies on matters of economic development and regional importance.  The Corporation, the Crown and the Owner Councils shall work co-operatively in order to progress major investment projects of special or environmental importance to Tasmania and which obligation shall include using all reasonable endeavours to secure Federal Government funding for such projects. Specific projects included in this obligation include (but are not limited to): <ul style="list-style-type: none"> <li>• the Launceston sewerage/stormwater separate project; and</li> <li>• the works at Macquarie Point waste water treatment plant necessary for the development of the Macquarie Point site.</li> </ul> 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, the Councils and the Crown.
10.6.	The Chairman and the CEO shall make themselves available to meet with the Shareholders as and when requested. The Chairman and the CEO shall meet regularly with the Ministers by mutual agreement.
<b>11. Customer and Community Engagement</b>	
11.1.	The Corporation shall develop and implement open and transparent processes to engage its customers and the community in its planning processes to ensure, amongst other matters, that the standards of services it provides meet regulatory requirements and the needs and expectations of customers and the requirements of the Industry's regulators.
11.2.	The Corporation shall make: <ul style="list-style-type: none"> <li>• information about the services it provides available to the public;</li> <li>• information about water conservation and the responsible use of water and waste water available to the public;</li> <li>• educational material about the water industry available to schools and communities.</li> </ul>

11.3.	While recognising that this may have a cost, the Shareholders expect the Corporation to adopt principles of Corporate Social Responsibility.
<b>12. Economic Development</b>	
12.1.	At its general meeting on 16 May 2013, Owner Councils resolved to endorse five principles that the Corporation is to apply when considering matters related to economic development.
12.2.	<p>The five principles that apply to the consideration of economic development matters are:</p> <p>Principle 1: That the Corporation develops strategic customer alliances aimed at growing the businesses of customers and the Corporation and provide regular reports to Shareholders on economic development activities.</p> <p>Principle 2: That the Corporation recognises residential development as a key driver of economic growth and that infrastructure decisions be made in accordance with settlement strategies.</p> <p>Principle 3: That the capital program of the Corporation should have regard for regional land use strategies and the priorities and opportunities that they present.</p> <p>Principle 4: That the Corporation seeks to ensure that its pricing and costing regime is transparent and understood by Shareholders and customers and that charges reflect the relative cost of the service or solution being provided.</p> <p>Principle 5: That infrastructure solutions proposed for economic development projects be set at a reasonable standard so as to allow their progress without compromising the overall standards of the Corporation’s infrastructure system.</p>
<b>PART 4 – PLANNING, SERVICE DELIVERY AND RISK MANAGEMENT</b>	
<b>13. Risk Management Planning</b>	
13.1.	The Corporation shall develop and implement plans, systems and processes to ensure an acceptable level of risk. In developing risk management plans, systems and processes the Corporation shall consider the requirement to balance risk and appropriate opportunities; its obligation to provide continuous services to its customers; its statutory and regulatory obligations and the relevant ASX Principles.
13.2.	The Corporation shall develop and maintain asset management planning that allows it to supply its services sustainably, minimise the overall whole of life costs of any assets as well as minimise any detrimental social, economic or environmental effects of managing its assets.
<b>14. Conserving Water, Recycling Water and Sewage</b>	
14.1.	<p>To demonstrate its commitment to the principal objectives under the <i>Water and Sewerage Corporation Act 2012</i> and sustainable water resource management, the Corporation should maintain, develop and implement programs for:</p> <ul style="list-style-type: none"> <li>• assessing and monitoring water supplies including groundwater;</li> <li>• assessing and monitoring future demands on water supplies;</li> <li>• efficient and effective management of demand for water;</li> <li>• minimising leakage and other losses of water from its network as far as is practicable; and</li> <li>• investigating and implementing treated sewage reuse schemes for beneficial agricultural/horticultural irrigation, energy generation and other non-potable purposes where it is both commercially and environmentally viable.</li> </ul>
<b>15. Responding to Drought</b>	
15.1	<p>The Corporation shall:</p> <ul style="list-style-type: none"> <li>• develop, implement and maintain an effective drought response plan for each water supply</li> </ul>

	<p>system operated by the Corporation; and</p> <ul style="list-style-type: none"> <li>• make its drought response plans available to the public.</li> </ul>
15.2	Drought response plans should wherever possible be compatible with Council plans and should promote resource sharing opportunities.
<b>16. Service Standards</b>	
16.1	In complying with customer service standards issued by the Regulator the Shareholders' expect that, the Corporation should, as a minimum, develop water supply, sewerage services and wastewater management plans in conjunction with the relevant Council and State Government agencies and the local community.
<b>17. Stormwater Management Plans</b>	
17.1	The Corporation should participate in any development or review by the Councils of stormwater management plans and the re-use of stormwater where commercially feasible.
<b>18. Trade Waste</b>	
18.1	The Corporation shall develop policies and practices to manage trade waste to manage the associated risks, meet statutory and regulatory obligations and an improved quality of trade waste entering its sewerage systems.
18.2	The Corporation, the Crown and the Owner Councils commit to work collaboratively to identify and implement any improvements (if required) to the Corporation's policies and practices relating to trade waste, including the Corporation's management of trade waste generally.
<b>19. Catchment, Regional and Local Government Planning</b>	
19.1	<p>The principal objectives of the Corporation's participation in such planning are to:</p> <ul style="list-style-type: none"> <li>• promote consistency of any strategy or any scheme with the Corporation's planning and programs for sustainable water management; and</li> <li>• ensure the alignment, integration and consistency of regional infrastructure development objectives.</li> </ul>
19.2	<p>The Corporation shall participate in periodic reviews, and provide input into the continuous improvement and implementation of any regional or municipal planning schemes or strategies which may affect, or be affected by, the Corporation's area or activities. In particular, this includes:</p> <ul style="list-style-type: none"> <li>• any local planning policy framework;</li> <li>• strategic plans of Councils;</li> <li>• any regional land use strategy development;</li> <li>• any regional infrastructure plans;</li> <li>• any State Water Management Plans initiated under the <i>Water Management Act 2000</i>.</li> </ul>
<b>20. Environmental Management</b>	
20.1	The Corporation should seek to work cooperatively with other agencies and stakeholders to protect and improve natural resources and catchment management.
20.2	Following the principal objectives in Section 4 of this Letter, the Corporation shall participate in the development and implementation of any regional or statewide catchment management strategy or catchment sub-strategy that may affect, or be affected by, the Corporation's area or activities.
<b>PART 5 – FINANCIAL CONSIDERATIONS</b>	
<b>21. Dividends</b>	
21.1	In accordance with the <i>Water and Sewerage Corporation Act 2012</i> the Board is to determine a

	Dividends Policy for the Corporation in consultation with the Council Owners' Representatives with a view to establishing the target level of total Dividends.
21.2	Dividends will be in accordance with Schedule 3 of the Corporation's Constitution.
21.3	The Dividends Policy will include the expectation that dividends will be paid to shareholders in the year in which the dividends are generated.
21.4	The Corporation should undertake a capital structure review to coincide with preparation of Price and Service Plan submissions.
21.5	<p>Where the Board determines that, due to any circumstance or event beyond the Corporation's reasonable control, the Corporation cannot continue to:</p> <ul style="list-style-type: none"> <li>• maintain Owner Councils' dividends in line with the Corporate Plan and</li> <li>• deliver an accelerated capital program (as envisaged under Part 29 of this Letter) and</li> <li>• limit annual price increases for regulated water and sewerage services to within the 3.5% cap (as envisaged under Part 27 of this Letter),</li> </ul> <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 and 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, in 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>
<b>22. Investment Policy</b>	
22.1	<p>In the event that the Corporation becomes an investor of cash for other than short term liquidity purposes, the Board will develop an investment policy which sets out:</p> <ul style="list-style-type: none"> <li>• the Board's investment objectives;</li> <li>• the responsibility structure for managing investments;</li> <li>• the management of risks associated with investments; and</li> <li>• the investment management approach of the Board.</li> </ul>
<b>PART 6 – REPORTING</b>	
<b>23. Reporting Framework</b>	
23.1	<p>The Board will arrange the following meetings each year, at a minimum,:</p> <ul style="list-style-type: none"> <li>• Annual Planning Meeting – to consider and approve the Corporate Plan and any potential changes to the Shareholders' Letter of Expectations</li> <li>• Annual Reporting Meeting – to review the annual financial reports;</li> <li>• Quarterly Reporting meeting with Owners' Representatives – to occur in each region each quarter unless a region requests fewer meetings or elects to joins with another region.</li> </ul>
23.2	Other general meetings can be convened in accordance with the provisions of the Constitution or the protocol agreed between the Board and Owners' Representatives.

23.3	Programs and plans developed by the Corporation in response to these Shareholders' expectations shall specify objectives to be achieved and measures for monitoring performance.
23.4	Performance shall be reported to the Owners' Representatives in a formal quarterly report to be received within 45 days from the end of the September, December and March quarters each financial year.
23.5	Performance reporting for the quarter ended June each year shall be incorporated into the Annual Report and presented at the Annual Reporting Meeting each year.
23.6	The minimum content of the quarterly report is to include: <ul style="list-style-type: none"> <li>• financial statements for the period and year to date,</li> <li>• results against key performance targets include in the Corporate Plan for the quarter and year to date,</li> <li>• commentary on performance and explanations of material variances from budget,</li> <li>• revisions to the expected full year forecast financial results,</li> <li>• current estimates for Dividends to the Owner Councils and explanation for material variances from Corporate Plan,</li> <li>• capital expenditure for the quarter and material variance explanations, and</li> <li>• any non-compliances with the current Shareholders' Letter of Expectations.</li> </ul>
23.7	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.
23.8	The content of the Corporation's Annual Report will conform to the requirements prescribed in the <i>Water and Sewerage Corporation Act 2012</i> .
23.9	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.
23.10	Disclosures under the 'no surprises', continuous disclosure regime should be provided in the formal quarterly report unless the Board considers that a more timely disclosure is appropriate.
<b>24. Whole-of-Government Reporting</b>	
24.1	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.
24.2	The Chief Owners' Representative, Chairman and CEO will comply with a request to appear at GBE Scrutiny Committee hearings.
24.3	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.
<b>25. Reporting under AEIFRS</b>	
25.1	The Corporation shall report in accordance with the requirements of the <i>Water and Sewerage Corporation Act 2012</i> .
<b>26. External Funding Assistance</b>	
26.1	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.

<b>27. Pricing</b>	
27.1	<p>The Corporation commits to:</p> <ul style="list-style-type: none"> <li>• freeze prices for regulated services for water and sewerage customers from 1 July 2019 to 30 June 2020;</li> <li>• subject always to Part 21.5 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 such lower price determination to such price increases as may be made by the Tasmanian Economic Regulator during the Capped Period); and</li> <li>• 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.</li> </ul>
<b>28. Community Service Obligation</b>	
28.1	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.
28.2	<p>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:</p> <ul style="list-style-type: none"> <li>• meets this requirement – the project is a “commercial project”; or</li> <li>• does not meet this requirement – the project is an “uncommercial project”.</li> </ul>
28.3	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.
28.4	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.
28.5	If the Corporation assesses a proposed project as an uncommercial project, it must notify the Shareholder of its decision.
28.6	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.
28.7	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.
28.8	<p>The Corporation is to:</p> <ul style="list-style-type: none"> <li>• include, in its annual report, all non-commercial projects it has undertaken, including the cost to the Corporation of the non-commercial project and the funds contributed by the Shareholder, if applicable; and</li> <li>• publish on its website, details of non-commercial projects it has undertaken.</li> </ul>
<b>29. Infrastructure Investment Program</b>	
29.1	The Corporation will jointly develop an accelerated infrastructure investment program with the Crown and the Owner Councils as referred to in paragraph 3.2 of the MOU on a best endeavours

	basis before 1 January 2019 (or such other date as the Crown makes its first contribution of \$20,000,000 to the Corporation).
29.2	Subject always to Part 21.5, 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.

## 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, one being the Annual Reporting Meeting to consider the annual accounts as mandated in the Constitution and the other being the general meeting to consider the Corporate Plan amongst other things.

**'Annual Reporting Meeting'** means one of the two general meetings to be held each year under the terms of the Constitution, one being the Annual Planning Meeting to consider the Corporate Plan as mandated in the Constitution and the other being the general meeting to consider the annual accounts, amongst other things.

**'ANCOLD Guidelines'** means the Guidelines issues by the Australian National Committee on Large Dams Inc as revised from time to time.

**'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.

**'Chairman'** means the chairman 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.

**'Councils'** refers to the 29 Tasmanian 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 Part 5 of this Letter.

**'MOU'** means the memorandum of understanding dated 1 May 2018 between (1) the Crown (2) the Corporation and (3) 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 those Shareholders which are member Councils (and not the Crown).

**'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.

**'Shareholders'** means the member Councils and the Crown of the Corporation.

**'Share Subscription and Implementation Agreement'** means the Share Subscription and Implementation Agreement between the Corporation and the Crown.

**'Treasurer'** means the Treasurer of the Tasmanian Government.

**'shall'** means if the requirement is not met, the corporation will notify the shareholders of the failure in its routine reporting.

**'should'** means the corporation will use its discretion in decision making and notify the shareholders of the decision in the normal course of business.