

Minutes

Board meeting	Public session
Date	10 July 2024
Venue	Watercare House, Level 3 Boardrooms, 73 Remuera Rd, Remuera and via Microsoft Teams
Time	9:45am

Attendance		
Board of Directors	Watercare staff	Guests
Geoff Hunt (Chair) Julian Smith Graham Darlow Frederik Cornu Andrew Clark Via Microsoft Teams Margaret Devlin (Acting Chair for the meeting) Nicola Crauford	Dave Chambers (Chief Executive) Jamie Sinclair (Deputy Chief Executive) Mark Bourne (Chief Operations Officer) Priyan Perera (Chief Strategy and Planning Officer) Angela Neeson (Chief Financial Officer) Brent Evans (Acting Chief Customer Officer) Richie Waiwai (Tumuaki Rautaki ā-lwi me ngā Hononga) Sarah Phillips (Chief People Officer) Shayne Cunis (Chief Programme Delivery Officer) Andrew Mercer (Head of Health, Safety and Wellbeing) Danielle Hamilton (Stakeholder Manager – Major Projects) (until end of Item 6) Nigel Toms (GM Risk, Quality and Assurance) Tere Ryan (Security Coordinator) Emma McBride (Head of Legal and Governance) Matthew Hill (Senior Legal Counsel) Via Microsoft Teams Paul Futter (Senior Resource Consent Planner) (until the end of Item 7) Rachel Hughes (Head of Communications) (until the end of Item 6) Niraj Ranjit (Project Manager) (until the end of Item 8)	Bevan Morrison and Dave Stott (Co-Chairs, One Mahurangi Business Association) (until the end of Item 6) May Roberts and Bruce Roberts (from partway through Item 6 until the end of Item 7) Via Microsoft Teams Rachel Wilson (CCO Governance and External Partnership, Auckland Council)

1.	<p>Opening karakia</p> <p>There was no opening karakia because the day began with a whakatau and welcome for Geoff Hunt.</p> <p>The meeting appointed Margaret Devlin as Acting Chair for the meeting. The Acting Chair welcomed the new Watercare Chair and acknowledged the members of the public who were present.</p>
2.	<p>Apologies</p> <p>Cr Ken Turner and Trudi Fava sent their apologies.</p>
3.	<p>Quorum</p> <p>All directors were present at the meeting, so a quorum was established.</p>
4.	<p>Declaration of any conflicts of interest</p> <p>No conflicts of interest were noted.</p>
5.	<p>Minutes of the previous Board meeting of 25 June 2024</p> <p><i>The Board resolved that the minutes of the public session of the Board meeting held on 25 June 2024 be confirmed as true and correct.</i></p>
6.	<p>Public deputations</p> <p>Bevan Morrison and Dave Stott presented a petition from the One Mahurangi Business Association in relation to the proposed wastewater pipeline in Warkwarth, including the following key points:</p> <ul style="list-style-type: none"> • The petition includes 3,033 signatures. • They acknowledge that the Warkworth township needs wastewater upgrades, especially in light of the environmental impact and forecast growth. • There is concern that the social impact of the decision has not been properly considered or weighted and that alternatives have not been fully explored. • The Association has significant engineering experience and understanding of the local area and expressed willingness to work with Watercare. It would like Watercare to share information about options and how they are assessed as part of the multi-criteria analysis. • The Association acknowledges that none of the options for the wastewater pipeline route are easy or cheap, and there will be trade-offs. If, after the analysis is complete, the route through the main street is considered the best option, the Association is willing to accept that and support Watercare on mitigating the effects. <p>Attachment 1 is a copy of the presentation, the petition, and a letter to the Chair and CEO.</p> <p>The Acting Chair thanked Bevan and Dave for their presentation and confirmed that the Board would respond in writing to them shortly.</p>

7.

Chief Executive's report

The CE and Executive team introduced the report, which was taken as read. The following key points were made.

May 2024

- Watercare's Maintenance Network Services (MSN) team completed a watermain renewals project in Spring St, Onehunga completely in-house – saving more than \$120k.
- The Central Interceptor team are on site at Point Erin beginning to build the shaft. This will be the last shaft for the Central Interceptor project.
- In June, Kurt Maxwell received an award for safety practitioner of the year at the annual Safeguard awards.
- Our new website is now live.

Key performance measures

- In relation to the Average Consumption of Drinking Water (graph 6a on page 11), the population data is updated annually. The Board agreed that this measure ought to be updated annually, to ensure that the information is accurate. The Board requested that Management consider, in addition to the gross per capita consumption measure, also reporting domestic per capita consumption and a measure to represent non-domestic consumption.

Our people

Sarah Phillips provided an update.

- The people dashboards show turnover and sick leave are stable. New information about the gender split of the Board and Executive has been included, with the data from May.
- Internal hires represented 50% of total hires made, showing good mobility within the business.
- In relation to the restructure, feedback has closed and this will be taken into account when confirming the new structure and next steps later in the week.
- The business has been working on the high leave balances and has put leave plans in place with some staff. Operations has significantly reduced the number of vacancies meaning that there is more ability for staff to take leave.

Our operations

Mark Bourne provided the update.

- In relation to the Ōrākei Main Sewer (OMS), wet weather and higher flows have slowed progress but we are expecting more progress over the next four weeks. We are still waiting for the analysis of the CCTV and laser profiling survey. The Board would like the previous month's traffic lights to be included in the report to show changes/progress.
- In relation to the failure at Pump Station 25, Pump 2 has been installed and goes into service 11 July 2024. In response to a question from the Board, Mark indicated that the observable increase in the planned maintenance budget can be expected to reduce similar failures to this.
- Taumata Arowai published their independent water services insights and performance suite of reports on 27 June 2024. The reports provide an overview of the performance of drinking water, wastewater and stormwater networks in New Zealand. The report is high-level rather than being specific to any

particular water utility. Although this is Taumata Arowai's third annual report, it is the first report to include information relating to performance and compliance with the Drinking Water Quality Assurance Rules.

- In the Taumata Arowai report, E. coli notifications are presented on a regional map of New Zealand rather than being supply specific. There are 30 notifications of bacterial exceedances for the wider Auckland region. These 30 notifications are across 237 registered supplies across the Auckland Region. The 30 notifications include Watercare's one positive E. coli at the Warkworth Wells Water Treatment Plant (WTP) in January 2023. This was investigated at the time and assessed to be no risk to public health and most likely caused by environmental contamination during sample collection.
- The way the Taumata Arowai report is presented means it is easy for a reader to be misguided by the information. Mark will be providing feedback on the report and how it could be improved to Taumata Arowai at the next quarterly meeting with them. Management will provide a summary of the report's themes at the next Board meeting.
- In May, out of 40 distribution zones, four zones did not achieve residual disinfection compliance. However, residual chlorine was detected in all samples from these zones. A proactive network flushing programme is in place as a short-term improvement programme.
- On 17 June 2024, a minor chlorine leak was detected in one of the chlorine drum rooms at Huia WTP which triggered a sitewide alarm. Staff evacuated to the assembly point and FENZ were automatically alerted by the alarm system. Two firefighters and a plant operator, under full breathing apparatus, entered the room to investigate the source of the leak. All chlorine drums in the room were manually closed and checked for any further leaks. The investigation is ongoing, but initial indications suggest a failure of an electrical relay in the safety shut off device for the chlorine drums.
- The Board will be provided with an update in relation to emerging contaminants at the September board meeting.
- The two exceedances for faecal coliforms and E. coli in May at the Snells WWTP, caused by seawater ingress, do not amount to a non-compliance with the resource consent, but there is potential for non-compliance. The solution is to stop the seawater entering the system.
- Management will update the grading system used to categorise resource consents and non-compliances so that there is consistency between the terms used in the graphs and tables.

Our infrastructure

Shayne Cunis provided the update.

- There were many high-profile visitors to the Central Interceptor (CI) in May, including the Prime Minister Christopher Luxon, Honourable Simeon Brown and Mayor Wayne Brown for the Local Water Done Well announcement.
- We awarded the first Delivery Excellence Award to Xenia Meier, for her ongoing excellent work on the CI Project.
- As of today, the CI tunnel boring machine is 20m from reaching a total length of 12km.
- Work is underway on all sites, including the new Pt Erin site.
- In relation to CI commissioning, Watercare has seconded a staff member to the GAJV and Shayne is very comfortable with the people, systems and approach for commissioning. The Southern tunnel will soon be closed off, which means people will never be able to enter it again.
- In relation to the OMS rehabilitation, day flows have been high, so work is being undertaken at night. The work should be completed by August/September. Once work is completed, the temporary pump station will be removed and we are considering hosting a farewell for the neighbours.
- Huia 1 and Nihotupu 1 watermain renewals works at Donovan Street have been challenging due to traffic. We have therefore delayed the work start time to 9am which allows two lanes of traffic to operate during the morning rush.

	<ul style="list-style-type: none"> In relation to Warkworth, it was good to hear the presentation from the One Mahurangi Business Association and the Board will be formally responding. To date, Watercare has not received any alternate proposed routes from the Association and is looking forward to engaging further with them. <p><i>The Board noted the report.</i></p>
8.	<p>Health, safety and wellbeing update</p> <p>Andrew Mercer introduced the report and noted the following key points:</p> <ul style="list-style-type: none"> Work is ongoing on the enhancement of the health, safety and wellbeing metrics (Priority 2 from the HSE Global’s recommendations). The team will be presenting a business case to the board about health and safety software currently used by Auckland Council. People are comfortable to pause work when they have a health and safety concern. The board noted the value in standardising health and safety metrics, which makes it easier for providers and for comparison across the industry. The CI safety card has been updated, and is now also in Filipino, as well as English and Te Reo Māori. In response to a question from the board, Andrew noted that critical risk management is a current focus and the business is heading in the right direction and he feels he has enough support from the executives and the board. <p><i>The Board noted the report.</i></p>
9.	<p>Review of the Asset Management Committee Terms of Reference</p> <p>Emma McBride noted that the feedback from the Asset Management Committee meeting of 26 June 2024 has been incorporated into the Terms of Reference.</p> <p><i>The Board accepted the recommendation from the Asset Management Committee to approve the updated Terms of Reference.</i></p>
10.	<p>Asset Management Committee meeting update</p> <p>Graham Darlow provided the following update on the 2 July 2024 AMC meeting:</p> <ul style="list-style-type: none"> The Terms of Reference were discussed and a recommendation made. There was a wholesome discussion into the Enterprise Model and proposed changes. The update and dashboard for the CI project were excellent, and management will provide a brief executive summary as well. The project dashboards are an improvement. The next meeting is 5 August 2024. <p>The Acting Chair invited Julian Smith to provide an update from the initial Capital Finance Committee (CFC) meeting held earlier in the morning (Item 10.1 below).</p>

10.1	<p>Capital Finance Committee Terms of Reference</p> <p>Julian Smith provided the update:</p> <ul style="list-style-type: none"> • The Committee’s focus is to support Watercare’s debt separation from Auckland Council. • The CFC approved the Terms of Reference and recommended that they be ratified by the Board. The draft Terms of Reference was circulated to all Board members on 8 July 2024. The Terms of Reference have also been shared with Auckland Council. • At least one Auckland Council representative will attend the Committee’s meetings, which are proposed to be fortnightly. • The Committee’s initial focus is the preparation of Watercare’s Information Memorandum to support its application for credit ratings. • The Committee will consider what shared services might be available from Auckland Council and will oversee stakeholder engagement in relation to the debt separation. <p><i>The Board approved the Capital Finance Committee Terms of Reference (Attachment 2).</i></p> <p><i>The Board also approved to amend section 4 of the Corporate Governance Charter to note that Watercare now has the Capital Finance Committee (Attachment 3).</i></p>
11.	<p>Board planner</p> <p>Emma McBride noted the following:</p> <ul style="list-style-type: none"> • The Board planner will be updated with the new Capital Finance Committee. • There is an Auckland Council CCO Direction and Oversight Committee meeting scheduled for 23 July 2024, where Watercare will provide an update on: financial performance for the year to date, SOI for the 2023-24 year, a deep dive into IGCs, and the rollout of Local Water Done Well. • Now the new Chair has been appointed, the Governance team will start scheduling meetings for the 2025 calendar year. <p><i>The Board noted the Board planner.</i></p>
12.	<p>Directors’ appointment terms, committee memberships and meeting attendances</p> <p><i>The Board noted the report.</i></p>
13.	<p>Disclosure of Directors’ and Executives’ interests</p> <p>Emma McBride noted that she received the following updates from Nicki, Graham and Geoff via email during the month:</p> <ul style="list-style-type: none"> • Geoff is Board member of the New Zealand Infrastructure Commission. • Nicki has resigned as a Trustee of the Wellington Regional Stadium Trust. • Graham is not yet a member of the Governance Board, North Shore Golf Club. This should be removed as an interest. • Graham is a member of the Project Governance Group, Sludge Minimisation Project, Wellington City Council.

	<i>The Board noted the report.</i>
14.	General business There was no general business. The public session closed at 11:03am.

CERTIFIED AS A TRUE AND CORRECT RECORD

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Geoff Hunt, Chair



10 July 2024

To Geoff Hunt - Chairman of the Board, Watercare Limited
 Dave Chambers - Chief Executive Officer, Watercare Limited

Subject: Reconsideration of the Wastewater Pipeline Route through Warkworth's Main Retail Area

We, the 3,000 + undersigned residents and business owners of Warkworth are writing to express our deep concern regarding the recently announced preferred route for the new wastewater pipeline for Warkworth. The decision to run the pipeline along Elizabeth Street, Queen Street, and Baxter Street, which constitutes our main retail area, poses massive disruption and to date unquantified collateral damage to businesses, families and the wider community.

We have been told Watercare's Multi Criteria Assessment of the project has placed a meagre 8% weighting to the "effect on Community" which we believe is grossly under-estimated and under-weighted, while a 60% weighting has been placed on the financial cost of the project. In a meeting with your planning team we have been told "no we won't visit local businesses to understand the impact our plan will have on them"!

The main retail area is the heart of Warkworth, not only serving as a commercial hub but also as a space where the community comes together. The proposed works, estimated to take a minimum of 12 months to complete, threatens the vibrancy and accessibility of this area, which will most definitely lead to a decline in foot traffic, disrupt local businesses, and negatively impact the town's economy.

Moreover, the construction phase could cause considerable inconvenience due to noise, dust, and traffic disruptions. Long-term, the presence of a major wastewater pipeline construction site could deter future investment and development in what should be a flourishing part of our town.

We understand the necessity of upgrading the town's wastewater infrastructure to support growth and ensure environmental compliance. However, we firmly believe that alternative routes can achieve these goals without sacrificing the well-being and prosperity of Warkworth's residents and business community and will not be more expensive when the cost to businesses is properly taken into consideration.

Therefore, we petition Watercare Limited to:

1. **Conduct a more comprehensive impact assessment to fully quantify** the possible & probable consequences to local businesses and families from the pipeline construction through the main retail area. It's almost criminal and definitely arrogant to state you won't visit or engage local businesses to determine the impact your decision will have on them.
2. **Prioritize the preservation of Warkworth's main retail area** by selecting a route that minimizes disruption to businesses and *exhibits a sense of social and environmental responsibility by having regard to the interests of the community*, rather than the cheapest option.
3. **Use local resources being offered to quickly Re-evaluate the alternative routes** that were initially considered, taking into account the significant economic, social, and environmental impacts on the town's main retail area. We know you are under time pressure but we have already done a lot of work on this already. Let's work together – we have resources to share.
4. **Engage in transparent and inclusive consultation** with the community, providing detailed information on the implications of each route and involving us in the decision-making process. Share the information from #1 above. We have been held at arm's length over the last 18 months, despite trying to work proactively with you, and we believe you have *acted unreasonably and unfairly* to date.
5. **Provide us with the name of person who will be publicly accountable for the final decision on this pipeline route.**

We urge Watercare Limited to act in the best interest of the Warkworth community by reconsidering the pipeline route. We understand your tight timeframe and implications with your Resource Consent if things are not moved ahead urgently but we don't believe your internal delays to date justify the damage that will be done to the town by progressing without working through the above requests. Let us work together to find a solution that supports sustainable development while protecting the heart of our town.

Sincerely,



Bevan Morrison & Dave Stott
Co-Chairs
One Mahurangi Business Association
0220 350 582 / 027 288 7580
admin@onemahurangi.co.nz

Warkworth Pipeline Route



Petition Signatures Obtained

Total Paper Petition Signatures	2421
Plus Online Petition Signatures	612
TOTAL PETITION SIGNATURES	3033
Estimated Population of Warkworth 2024	6,730
Estimated voting age population	4,038
Estimated % of voting age population signed	75%
Businesses directly impacted by Watercare Proposal	126



ONEMAHURANGI

BUSINESS ASSOCIATION

STRONGERTOGETHER

IMPACT OF WATERCARE PIPELINE PROPOSAL

on Warkworth Central Business District

WARKWORTH COMMUNITY PETITION

“TO SEEK WATERCARE’S RECONSIDERATION OF THE PROPOSED ROUTE THROUGH THE MAIN RETAIL & COMMERCIAL AREA OF WARKWORTH TOWN”

- 3,033 SIGNATURES IN SUPPORT OF OUR PETITION (4 WEEKS)
 - EQUATES TO APPROX 75% OF VOTING AGE RESIDENTS
- TOWN HALL MEETING HELD WITH 200+ RESIDENTS IN ATTENDANCE
 - CONCERN ALTERNATIVE ROUTES NOT BEING FULLY EXPLORED (PERCEIVED COST)
 - LANDOWNERS ABOVE ALTERNATIVE ROUTE CONFIRMED WATERCARE HAVE NOT APPROACHED THEM
- SERIOUS CONCERN COLATERAL DAMAGE TO LOCAL BUSINESSES & LIVELIHOODS IS NOT BEING QUANTIFIED & SUITABLY WEIGHTED IN MCA

THE RIGHT THING, IN THE WRONG PLACE

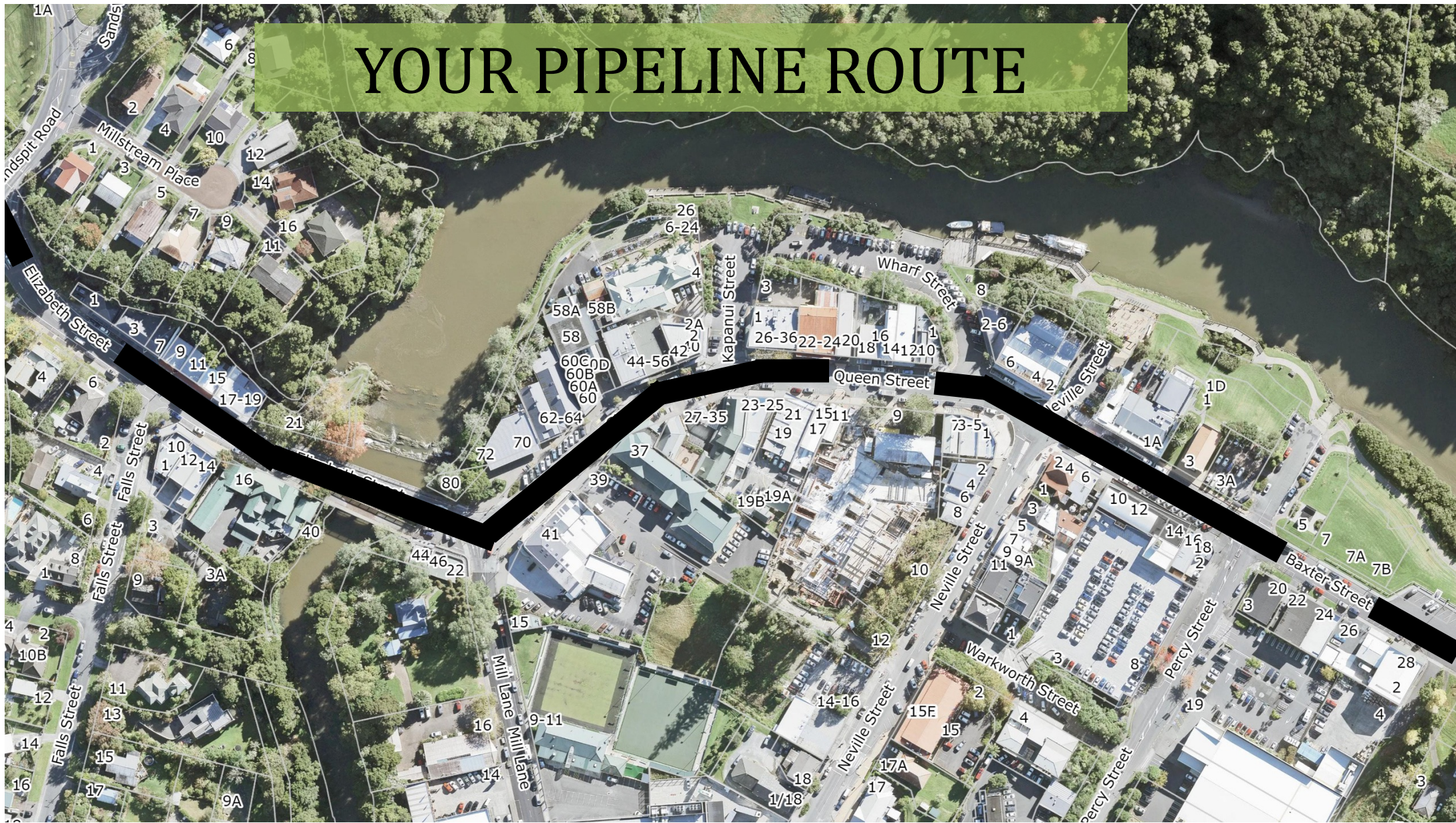
- The town needs the upgrade
 - Leaking raw sewerage into the river (killing Oyster farmers)
 - Huge growth forecast for Satellite town
- Warkworth retailers already struggling
 - Post-covid pain with higher debt & slower activity
 - New motorway bypassing town = less business
- A construction site through main street for 8-12 months will kill the town... what is the number you have put on that?
- ...There are cost effective alternatives
 - Without the collateral damage. We are (still) ready to help.

THE SOCIAL AND ENVIRONMENTAL
RESPONSIBILITY...
...HAVING REGARD TO THE INTERESTS OF
THE COMMUNITY

OUR TOWN



YOUR PIPELINE ROUTE



An aerial photograph of a coastal town, likely in New Zealand, showing a river or estuary flowing through the center. The town is built on a peninsula or along the riverbank. Numerous red stars are placed on the map, indicating the locations of businesses affected by a proposed project. A thick black line runs through the town, possibly representing a proposed road or boundary. The map includes street names such as Elizabeth Street, Falls Street, Kapanui Street, Queen Street, Wharf Street, Neville Street, Warkworth Street, Percy Street, and Baxter Street. Various building numbers and addresses are also visible. The text "126 BUSINESSES AFFECTED" is overlaid on a green banner at the top, and "THERE IS AN ALTERNATIVE" is overlaid on a green banner at the bottom.

126 BUSINESSES AFFECTED

THERE IS AN ALTERNATIVE

WARKWORTH'S REQUEST TO WATERCARE BOARD OF DIRECTORS

- Engage with us honestly & with genuine intent to work together (not lip service)
 - Use the local resources & knowledge positively – we're not your enemy
 - Please give us a chance to work together so the community is on board
- Quantify and share the \$\$ figures associated with each option
 - Construction costs (even if only P50 estimates)
 - Other key decisions/factors for each option
 - Social & Environmental Impact + how it is calculated and quantified – engage with businesses to understand the damage each option will inflict on them – don't sit in Auckland thinking you know everything
- Provide the name of the person who will take accountability for your final decision.

Capital Finance Committee

Terms of Reference

1. Purpose and Composition

The Capital Finance Committee (CFC) is a committee established by the Board of Directors of Watercare Services Limited ('Watercare').

The primary purpose of the CFC is to lead and oversee Watercare's capital structure requirements and debt separation from Auckland Council and to assist the Watercare Board ('Board') to exercise due care, diligence, and effective oversight in relation to:

- Confirming a funding strategy and capital structure for Watercare.
- Confirming a risk financing strategy and implementing the required insurance programme.
- Securing the investment-grade issuer credit ratings as a stand-alone credit separated entity.
- Agreeing the terms of the debt transfer agreement with Auckland Council.
- Establishing bank funding and liquidity facilities to be in place and available from 1 July 2025.

The CFC will be independent of management and comprise:

- at least two Watercare Directors (one of which should have experience overseeing major capital raising projects and/or investment experience); and
- non-Board External Expert Advisors as required.

In addition, the appropriate members of Watercare's management team will attend CFC meetings.

The Council may appoint a qualified representative to attend CFC meetings to represent their shareholding and debt repayment interests in consultation with the CFC and Board Chairs.

The Board will appoint, remove or replace the CFC members and Chair of the CFC ('CFC Chair'). The Chair of the Board of Directors may be a member of the CFC, but not the CFC Chair.

The CFC will appoint, remove or replace the non-Board External Expert Advisor.

The CFC will be structured to ensure that, as a collective group, it has the qualifications, skills, experience and knowledge to fulfil its purpose and responsibilities.

The CFC is effective from 1 July 2024. It will be dissolved if agreed by Watercare's Board of Directors.

2. Meetings

Meetings of the CFC will be held at the discretion of the CFC Chair at any time or if requested by any CFC member, the Board or the Chief Executive.

A quorum shall be a majority of CFC members.

CFC meetings may be held in person, online, or a combination of the two, with attendance online constituting presence in person at the meeting.

The CFC will appoint an appropriate person to act as Committee Secretary ('Secretary') who will be a company employee or advisor as nominated by the CFC from time to time. The Secretary, in conjunction with the CFC Chair will be responsible for coordination of all CFC business including meeting scheduling, agendas, policy reviews, distribution of papers, minutes, and communication with the Board and management.

Minutes of each meeting will be taken, circulated promptly in draft form to the CFC Chair, confirmed at the following meeting and signed thereafter by the CFC Chair as a correct record of proceedings of the meeting.

The CFC may have in attendance other external experts and people it deems necessary to provide appropriate information, explanation or assistance. From time to time the CFC Chair may request that the CFC meet without these persons present.

3. Authority

The CFC is authorised by the Board to oversee all matters relating to Watercare's capital structure requirements and debt separation from Auckland Council. The CFC may make recommendations to the Board, but does not have any decision-making authority, unless this has been delegated to the CFC by the Board.

The CFC will not become involved in day-to-day operations, functions or decision-making by management or employees.

It is the responsibility of senior management to draw the CFC Chair's and CFC's immediate attention to any material matter that relates to the CFC and the needs of Watercare.

4. Access and Independent Advice

To fulfil its functions, duties and responsibilities the CFC is authorised by the Board to have all necessary access to, and seek any information it requires from, any employee, consultant or advisor to Watercare. All employees are

directed by the Board to cooperate with any request made by the CFC.

The CFC is authorised by the Board to have access to external experts without management present, to request additional information or explanations.

Individual members of the CFC are entitled at any time to access Watercare's senior executives to request additional information or explanations.

The CFC is authorised by the Board to obtain, at the expense of Watercare, independent legal or professional advice it considers necessary to discharge its responsibilities.

5. Responsibilities

The CFC will assist the Board in fulfilling its obligation to have a funding and insurance programme in place and available from 1 July 2025 in order to effect credit separation from Auckland Council.

The responsibilities of the CFC include:

- Negotiating with Auckland Council the debt repayment agreement, including payment terms, costs and any credit risk adjustments.
- Establishing a prudent capital structure to ensure sufficient liquidity to exercise the AMP and other Watercare capital requirements.
- Obtaining at least two appropriate stand-alone issuer credit ratings
- Undertaking a series of substantial capital raises to effect the new capital structure.
- Establishing a standalone Treasury function and the associated, policies, risk management arrangements and governance frameworks.
- Working with Management to develop a Finance Strategy to optimise the capital raising programme, cost of capital and debt maturity profile.
- Serving as an independent, objective party to review information presented by senior management relating to the Watercare's capital structure, needs and debt arrangements.
- Working with Management and external advisors to produce the necessary Information Memorandum (IM) and Banking/Investor engagement activity for the credit rating assessment and to procure bank funding, capital and liquidity facilities.
- Acting as a forum for the free and open exchange of views and information between the Board, Management and external advisors in relation to the capital structure and needs of Watercare.

In carrying out these responsibilities, the CSC does not relieve the Board of its responsibilities and legal obligations.

The duties and responsibilities of CFC members are additional to those they have as a member of Watercare's Board. In carrying out its responsibilities, the CFC will:

CFC Committee – Terms of Reference

- Establish and review the work plan of the CFC.
- Ensure minutes and papers (including documents tabled at meetings) for all CFC meetings are provided to the Board. The CFC Chair will report to the next Board meeting on the outcomes, findings and recommendations of the CFC meeting.
- Investigate any matter brought to its attention within the scope of its responsibilities.
- Examine and report to the Board on any matters referred to the CFC by the Board.

6. Review of the Terms of Reference

The CFC will undertake, with management assistance, an annual review (or as often as conditions dictate) of its performance, purpose, responsibilities and Terms of Reference. It will advise the Board of the outcome of that review along with any recommended changes.

Any changes to the CFC Terms of Reference must be approved by the Board.

These Terms of Reference were approved by the Board in July 2024.

Corporate Governance Charter

July 2024

1. Purpose

This is the Corporate Governance Charter (Charter) for Watercare Services Limited (Watercare). This Charter identifies the principles of corporate governance that assist the Board of Directors of Watercare (Board) in performing their duties.

2. Role of the Board

The Board members have been appointed by Auckland Council (shareholder) to govern Watercare. Within the constraints of the legislation, Constitution, the Statement of Intent¹ (SOI) and the Statement of Expectations (SOE), the Board:

- establishes Watercare's purpose
- defines desirable outcomes
- approves major strategies for achieving these outcomes
- sets the overall policy framework within which the business of Watercare is conducted
- monitors Management's performance with respect to the above matters.

The Board delegates day-to-day management to the Chief Executive (CE). The CE in turn delegates authority to Management.

Watercare's obligations to deliver water and wastewater services for Auckland (Watercare's Obligations) are set out in Part 5, sections 57 and 58 of the *Local Government (Auckland Council) Act 2009*. Section 57(1) stipulates that an Auckland water organisation:

- must manage its operations efficiently with a view to keeping the overall costs of water supply and wastewater services to its customers (collectively) at the minimum levels consistent with the effective conduct of its undertakings and the maintenance of the long-term integrity of its assets;
- must not pay any dividend or distribute any surplus in any way, directly or indirectly, to any owner or shareholder;
- is not required to comply with section 68(b) of the *Local Government Act 2002*;

- must have regard for public safety (for example, the safety of children in urban areas) in relation to its structures.

Section 58 stipulates that an Auckland water organisation:

- must give effect to the relevant aspects of the LTP; and
- must act consistently with the relevant aspects of any other plan (including a local board plan) or strategy of the Council to the extent specified in writing by the governing body of the Council.

The Board members should align themselves with the Institute of Director's Four Pillars of Governance Best Practice for New Zealand directors:

- Determining purpose and strategy for the organisation
- Delivering an effective governance structure
- Holding management to account through effective and independent oversight
- Ensuring effective compliance with statutory and other frameworks.

3. Key activities of the Board

The primary role of the Board is to exercise leadership, enterprise, integrity and judgement in delivering Watercare's Obligations, having regard to the interests of our shareholder and stakeholders and achieving sustainability.

Key activities of the Board include:

Legislative responsibilities

- Setting the price of water and wastewater services
- Complying with Part 5 of the *Local Government (Auckland Council) Act 2009*, as set out above at point 2
- Complying with all relevant obligations the Board has under the *Companies Act 1993* and other statutes.

Oversight of Management

- Appointing the Chief Executive
- Reviewing the terms and conditions of the Chief Executive's total remuneration package annually

¹ Watercare became a Council-Controlled Company on 1 July 2012 and is governed under a Statement of Intent (SOI).

- Setting objectives for the Chief Executive and monitoring the Chief Executive's performance against those objectives
- Overseeing the operation of Watercare's business to ensure it is being managed appropriately
- Reviewing progress on major projects, strategic plans and operating plans
- Monitoring the financial performance of Watercare including approving:
 - budgets
 - capital expenditure and investments above delegations
 - operating expenditure outside budgets and delegations.
- In the normal course of events, day-to-day management of Watercare will be in the hands of the Management.

Ethics

- Ensuring Watercare adheres to high standards of ethics and corporate behaviour
- Ensuring business is conducted in an honest, ethical, responsible and safe manner
- Safeguarding the reputation of Watercare, the Watercare brand and building public trust and confidence in Watercare and the wider Council Group
- Effectively and confidently manage complaints regarding unacceptable behaviour that are escalated to the Board
- Promote ethical and responsible corporate behaviour, including leading by example.

Governance

- Acting in the best interests of Watercare in a manner based on transparency, accountability and responsibility²
- Balancing these interests against Auckland Council's expectations of Watercare as a council-controlled organisation³
- Monitoring the effectiveness of our governance practices
- Monitoring the integrity of all financial and non-financial reporting to the shareholder.

² Note: Under Watercare's Constitution, Directors may act in the best interests of the shareholder

³ Auckland Council's expectations of Watercare are set out in the CCO Accountability Policy and the Statement of Expectations for substantive Council-controlled Organisations (July 2021). Expectations are also set by Council via the yearly letter of expectation/statement of intent process.

Strategy

- Defining Watercare's purpose
- Overseeing Management's implementation and achievement of the strategic directions, plans and expectations set by the shareholder
- Exercising due care, diligence and effective oversight of all matters relating to the Asset Management Plan (AMP).

Our stakeholders and partners

- Serving the legitimate interests of the stakeholders and community partners of Watercare and accounting to them in a clear, transparent and accessible manner
- Ensuring that Watercare communicates effectively with the shareholder, customers, other stakeholders, and community partners
- Ensuring that Watercare complies with all relevant laws and regulations and that it meets its contractual obligations.

Iwi and Mana Whenua Partners

- Provide mechanisms to ensure Iwi and Mana Whenua are active partners, decision makers and participants
- Ensure Watercare's Iwi and Mana Whenua engagement approach is centred on the relationship and connectedness of Māori to wai (water) and whenua (land)
- Ensure that Watercare communicates effectively with the Iwi, Mana Whenua, and Houkura (Independent Māori Statutory Board).

Achieving outcomes for Māori

Foster positive and productive relationships between Watercare and Māori, develop the ability of Watercare and its people to contribute to Māori social, cultural, environmental and economic wellbeing outcomes by fostering strong Māori communities.

Our people

- Approving and monitoring Watercare's health, safety and wellbeing systems, with a view to ensuring the health, safety and wellbeing of Watercare's employees, contractors, agents, and also the public at all Watercare sites
- Ensuring Watercare is a good employer and acts in accordance with Watercare's Good Employer Policy
- Ensuring sound policies and processes are in place to attract and retain outstanding people to Watercare
- Oversee Watercare's people strategies, remuneration policies and practices

- Monitoring Watercare's workforce diversity (including gender and culture)
- Reviewing Watercare's people strategies, remuneration policies and practices.

Climate change and reducing carbon emissions

Exercise due care, diligence and effective oversight of all matters relating to the actions taken by Watercare to reduce carbon emissions and contribute towards a climate resistant future.

Risk management

- Ensuring Watercare has appropriate risk management and regulatory compliance policies in place, including defining the limits to acceptable risk
- Regularly reviewing processes and procedures to ensure the effectiveness of internal systems of control
- Report to Council quarterly including any new or emerging risks.

4. Board committee

To assist in the process of corporate governance, the Board currently has the Audit and Risk Committee (ARC), Asset Management Committee (AMC) / Komiti Whakahaere Rawa and [Capital Investment Committee](#).

The Board is responsible for oversight of any committee. Committees may make recommendations to the full Board, but do not make decisions on behalf of the Board unless specifically mandated to do so.

Committee Chairs and members are appointed by the Chair.

The Board may establish or disestablish committees to assist in the process of corporate governance.

5. Duties imposed on Board members

Each Board member must understand the specific legal requirements of their position since this will form the basis of the duties and responsibilities of the individual Board member.

There are three types of duties imposed on Board members:

Fiduciary duties

The fiduciary duties of a Board member are to act honestly, avoid conflicts of interest, and generally act in what the Board member believes to be the best interests of Watercare as a whole. Noting that under the constitution set by the shareholder, a Board member may act in the best interests of the shareholder where there is no conflict with legislation.

Duty of care and diligence

Each Board member must exercise the care, diligence and skill that a reasonable person would exercise in the same circumstances.

Legal and statutory duties

These are duties imposed upon Board members by statute and common law, and the Constitution.

In accordance with these requirements, Board members of Watercare must:

- Ensure Watercare gives effect to Te Tiriti o Waitangi, its principles, and its broader legal obligations including being more responsible and effective to Māori
- Discharge their duties in good faith and honesty in what they believe to be the best interests of Watercare and with the level of skill and care of a well-informed Board member of an important company
- Promote a corporate culture that embraces diversity and inclusiveness
- Owe a fiduciary duty to Watercare using the powers of office only for a proper purpose, in the best interests of Watercare as a whole
- Act with required care, diligence and skill, demonstrating reasonableness in their decisions
- Make adequate disclosure to the Board of any actual or potential conflicts of interest
- Act in accordance with the Constitution and the law relating to Watercare and companies generally
- Act for the benefit of Watercare as a whole
- Not make improper use of information gained through their position as Board members
- Not take improper advantage of the position of a Board member
- Not allow personal interests, or the interest of any associated person, to conflict with the interests of Watercare
- Make reasonable inquiries to ensure that Watercare is operating efficiently, effectively and legally towards achieving its goals
- Undertake diligent analysis of all proposals placed before the Board
- Not agree to Watercare incurring an obligation unless the Board member believes at the time, on reasonable grounds, that Watercare will be able to perform the obligations.

6. Role of individual Board members

The Board decides what matters are delegated to either specific Board members or Management and what controls are in place to oversee the operation of these delegated powers.

Board members have no individual authority to participate in the day-to-day management of Watercare. This includes making any representations or agreements with any other party including employees unless such authority is expressly delegated by the Board. The delegation is by resolution, to the Board member (including the Chair) either individually or as a member of a sub-committee.

Board members are expected to give of their specific expertise generously to Watercare.

In respect to any matters not dealt with in an open meeting, Board members will keep Board discussions and deliberations absolutely confidential.

Board members are expected to be forthright in Board meetings. They have a duty to question, request information, raise any issue, and fully canvas any aspects of any issue. Votes must be cast on any resolution according to their own opinion. Outside the Boardroom, Board members will support the letter and spirit of Board decisions in discussions with all external parties including staff.

A Board member present at a Board meeting will be presumed to have voted in favour of a resolution of the Board unless they expressly dissent or expressly abstain from voting.

Confidential information received by a Board member in the course of the exercise of their duties remains the property of Watercare. It is improper to disclose it or to allow it to be disclosed. An exception would be if disclosure has been authorised by the person from whom the information was obtained, or is required by law.

A Board member will not engage in any conduct likely to bring discredit upon Watercare.

A Board member must not agree to the business being carried in such a way that there is substantial risk of serious loss of reputation.

A Board member has an obligation at all times to comply with the spirit as well as the letter of the law and with the principles of this Charter.

Board members are expected to provide feedback to the Chair if they have any suggestion to improve the performance or effectiveness of the Board.

Board members will act in good faith and conduct themselves in a manner that is consistent with generally accepted procedures for the conduct of meetings at all meetings of the Board.

6.1 Disclosure of interest and conflicts of interest

Board members must make adequate disclosure to the Board of any actual or potential conflicts of interest. These include the interests of Watercare, the Board member and associates of the Board member. All disclosures of interest are recorded and tabled at each Board meeting.

Generally, when a Board member has a conflict of interest, the individual is expected to withdraw for the relevant portion of the meeting.

7. Role of Chair

The role of the Chair is to lead the Board. The Chair is expected to fulfil the following responsibilities:

- Ensure that the Board provides leadership and vision to Watercare
- Assess and implement a balanced Board membership within the confines of the shareholder appointment process
- Ensure that the Board is participating in setting the aims, strategies and policies of Watercare
- Ensure that there is adequate monitoring of the pursuit and attainment of the goals of Watercare
- Ensure that the Board reviews the human resources of Watercare
- Make certain that the Board has adequate information to undertake effective decision making and actions
- Ensure that administrative tasks such as the circulation of Board papers are carried out efficiently and effectively
- Direct the Board discussion to effectively use the time to address important issues
- Develop an ongoing and healthy relationship with the Chief Executive
- Guide the ongoing development of the Board as a whole and individual Board members
- Lead the Board's relationship with the shareholder
- Ensure that all Board members are encouraged to actively participate in Board discussions and decisions
- Ensure that all new Board members are provided with an appropriate induction programme.

The Chair will also:

- Chair board meetings
- Establish the agenda for board meetings in conjunction with the Chief Executive.

8. Board process and proceedings

8.1 Board meetings

Board members will meet either in-person or virtually at least 8 times per year. Additional meetings (including via teleconference) may be scheduled at the discretion of the Board members. Board members may also be required to participate in strategy and professional development workshops.

The agenda and papers for the meeting will be circulated to all Board members in the week prior to the meeting.

The agenda will be constructed having regard to the Board's annual board planner.

The agenda will allow the Board to exercise adequate monitoring of company performance.

Agenda items will be supported by sufficient information to allow effective decision making.

8.2 Conduct of meetings

The Chair will determine the degree of formality required at each meeting while maintaining the decorum of such meetings.

The Chair will ensure that all members are heard.

The Chair will maintain sufficient control to ensure that the authority of the Chair is recognised so that a degree of formality can be reintroduced when required.

The Chair will ensure that the decisions and debate are completed with a formal resolution recording the conclusions reached.

The Chair will take care that decisions are properly understood and well recorded.

8.3 Board minutes

Minutes will contain a brief review of the discussion plus the official resolution adopted by the Board.

All decisions will be recorded by way of a formal resolution.

Board members who dissent or abstain may ask to have their dissent or abstention recorded in the minutes.

Material conflicts of interest will be recorded in the minutes.

9. Key Board functions

9.1 Delegation of authority

Legislation and Watercare's Constitution provide the Board with all the powers necessary for managing, directing and supervising the management of the business and affairs of Watercare.

The Board has in turn delegated an appropriate level of authority to the Chief Executive, for the operation and management of Watercare. Under the Constitution Board members remain accountable for all delegated authority.

9.2 Public representation

Official representation of Watercare publicly (including news media comments) will be by the:

- Chair;
- Chief Executive; or
- in accordance with the External Relations and Media Contact Policy.

9.3 Execution of documents

Generally, documents will be signed by the Management of Watercare, provided it is within their delegated authority. Where documents are required to be signed by two directors (including signing delegation to the Chief Executive for such documents), details of each signing will be notified to the Board in the Chief Executive's Report. Such signings are deemed to be ratified at the next Board meeting.

9.4 Supporting the Chief Executive

It is recognised that a key component of Board member duties is providing a sounding board for the Chief Executive's ideas.

In recognition that the Chief Executive–Board relationship is critical to effective governance, Board members should provide frank and honest advice to the Chief Executive. All advice should be constructive in nature and provided in a positive manner. The Chief Executive is not to regard advice from individual Board members (including the Chair) as instructions. Only the Board as a whole may instruct the Chief Executive.

9.5 Chief Executive evaluation

The Chief Executive's evaluation will be undertaken at least once a year by the Board.

9.6 Board composition

As far as possible within the constraints of the shareholder appointments process, the Board should ensure that Board appointments result in a diverse mix of directors which has a balance of:

- skills;
- knowledge;
- experience; and
- perspectives

which together add value and bring independent judgement to bear on the decision-making process.

9.7 Board evaluation

At least every two years, the Board will conduct a formal evaluation of its performance.

The evaluation will be aligned with any process required by the shareholder including the opportunity to have input into the shareholder appointment process.

9.8 Board Member development

In order to continually improve Board performance, all Board members are expected to undergo continual professional development.

Where skill gaps are identified, Board members may be provided with training and resources to address them by Watercare at the discretion of the Chair.

9.9 Remuneration

Board member remuneration will be determined from time to time by the shareholder.

Remuneration will be paid on a monthly basis.

Watercare will reimburse reasonable and properly incurred travel, accommodation and other costs which must be pre-approved by the Chair. The Chair's costs must be reviewed and pre-approved by the Chair of the Audit and Risk Committee.

Payment of Board Member fees may be suspended for prolonged absence at the discretion of the Chair, after a thorough investigation of the reason for the absence.

9.10 Director indemnity and insurance

Watercare will ensure that there is current Directors' and Officer Liability insurance cover (including 'run-off' insurance cover) for all Board members and for Senior Managers. Similarly, written indemnities will also be provided for these individuals.

10. Inconsistency with Constitution

To the extent that there is any inconsistency between this Board Charter and the Constitution, the Constitution prevails.

11. Review of the Charter

This Charter was last reviewed by the Board in **July 2024**. The next review is scheduled for **July 2025**.