2014 GRI REPORT

FOR ALL OF AUCKLAND

Watercare
An Auckland Council Organisation

2014 GRI REPORT CONTENTS

ABOUT THIS REPORT

The 2014 Annual Report for Watercare Services Limited (Watercare) provides an overview of the year for the business and highlights the performance achieved against 49 prescribed targets within eight focus areas. It also sets the scene for what sustainability means to Watercare and reports Watercare's progress towards integrating sustainability into its business (see page 17, and pages 54 to 59).

This 2014 GRI Report is for those seeking more detailed information and should be read in conjunction with the annual report. The GRI report provides the underlying data supporting the annual report's performance measures. It also expands on areas that Watercare considers material based on their potential impact on stakeholders.

GLOBAL REPORTING INITIATIVE

Watercare uses the Global Reporting Initiative (GRI) guidelines to ensure the reporting of its performance aligns with worldwide best practice. The GRI is an internationally recognised framework which encourages transparent reporting on sustainability performance and includes an established set of disclosures and performance indicators. This year, the GRI report has been prepared in accordance with the G4 'Core' guidelines. An index of the indicators that Watercare has reported against is included on pages 64 to 68 of this report.

Wherever possible, the indicators of this report display three years of data in order to highlight trends and changes. However, for some sections which were introduced in 2013 or 2014, only the available data is reported.

REPORTING SCOPE

This report covers all operations managed by Watercare. The majority of the company's operations and people are located in Auckland, New Zealand. It also operates two smaller laboratories in Queenstown and Invercargill (six staff members). The maps of Auckland sites and works are available in the annual report.

Throughout this report, Watercare has listed the sources of information used to compile the indicators and any significant assumptions or estimates applied.

STAKEHOLDER INCLUSIVENESS

Watercare is accountable to a wide range of stakeholders, those entities or individuals that can affect or be affected by the organisation's activities. The issues that they considered important during the year have been included in the 2014 materiality assessment, to ensure Watercare's reporting is relevant. The ways and means by which Watercare engages with stakeholders, and the outcomes of that engagement, are discussed on pages 20 and 21 of the annual report, along with letters from two stakeholder groups (the Mana Whenua Kaitiaki Forum and the Environmental Advisory Group). Watercare has a structured process of engagement, some of which is described in the Community section of this report. Media enquiries, complaints and other public interactions have also helped the company to understand stakeholders' expectations. More information about the performance against this year's targets is included in the annual report (focus area entitled 'Stakeholder relations' on page 48) and material issues are addressed throughout the five sections of this GRI Report.

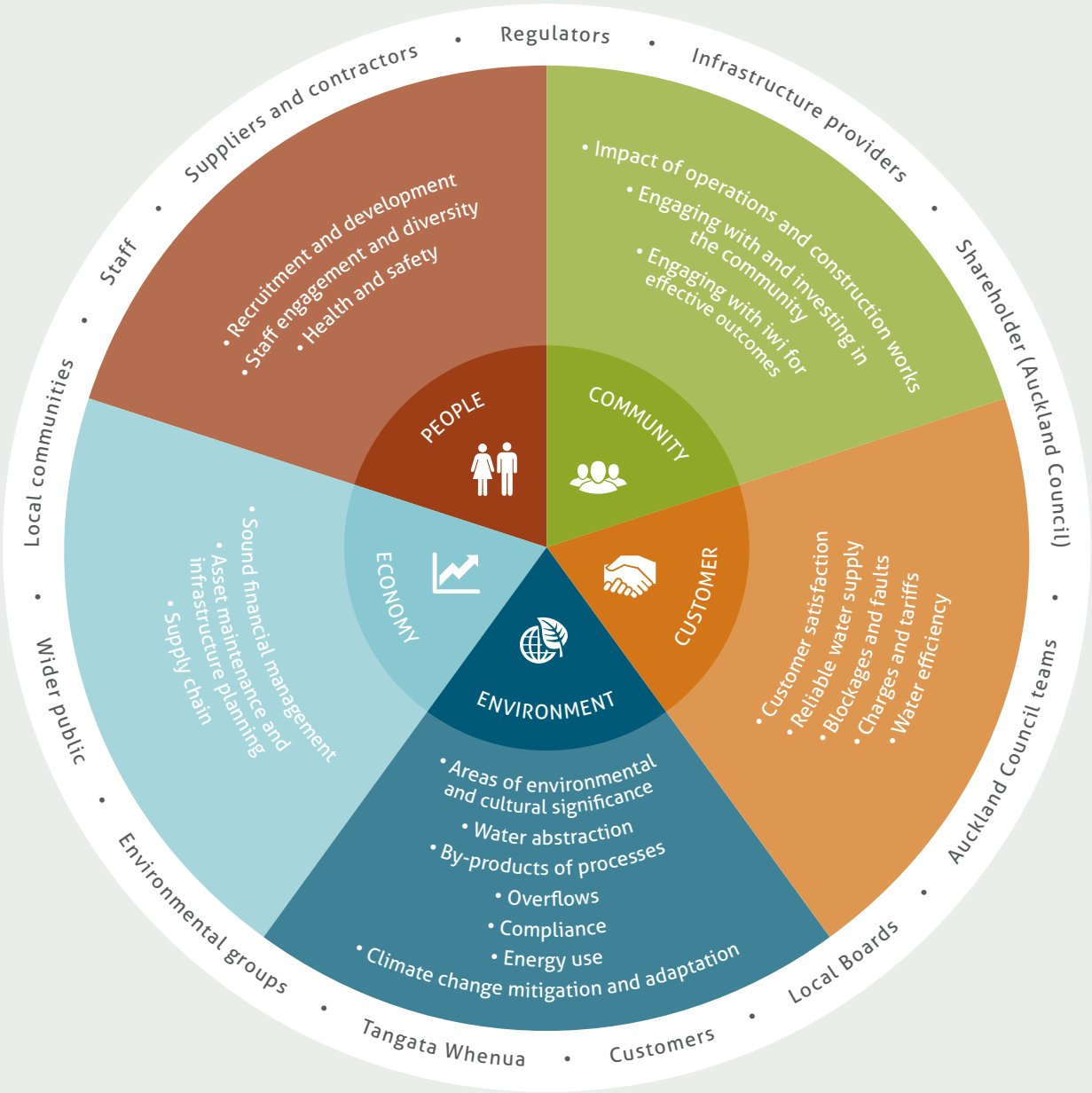
MATERIALITY

Material matters are those that Watercare views as having a potentially significant impact on stakeholders, the business model or overall strategy. This year, the company reviewed its materiality assessment process to make it more robust. To identify the universe of material issues, Watercare used AccountAbility's (www.accountability.org) five-part materiality test. This test identifies material issues through: media; peer review; stakeholder feedback; internal risk management framework; and internal policy and strategy documents. It entailed an assessment of customer feedback and complaints, stakeholders' meeting agendas and minutes, informal feedback, and reporting by other utility companies. Once the universe of topics was identified, an initial evaluation of each issue's importance to stakeholder groups and to the company was undertaken, and the list of material issues was finalised following a workshop involving staff members and managers from across the organisation. This report focuses on these concerns. Some issues previously reported are not included this year, as they were identified as less material. This is in order to make the report more meaningful and to focus on the company's major impacts.

Watercare intends to continue using this process in the coming years, refining it as needed, to ensure that the report stays relevant to stakeholders and evolves as the business grows.

ABOUT THIS REPORT

The outcomes of Watercare's materiality assessment are displayed below, including where material issues are addressed in the GRI report.



Three more issues were identified as being material to Watercare, but are not included as subsections. They are:

- Shareholder engagement (addressed at length in the Governance section of the annual report)
- Ethics, integrity and transparency (addressed at length in the Governance section of the annual report)
- Environmental stewardship (addressed in the Environment section of the GRI report and the case studies of the annual report).

REPORT STRUCTURE

In each section, this report provides the context for the material themes, and details how Watercare has performed against the associated targets.

This report also includes indicators other than those set out in the GRI guidelines. These are specific to the water sector and inform issues relevant to Watercare's operations.

ASSURANCE

Watercare has engaged KPMG, a professional services firm, to independently provide assurance regarding the contents of this report and the GRI assertions. Their assurance statement can be found in the annual report.

The assurance process is an essential element of Watercare's reporting; consequently, the financial and non-financial elements of the report are audited. The assurance of this report has been driven by Watercare's Risk and Assurance Manager (Tier two) and Sustainability Manager (Tier three). See organisational chart on page 47. Oversight of the process is maintained by the chair of Watercare's Audit and Risk Board Committee.

FEEDBACK

Watercare received considerable feedback on the 2013 GRI Report, which has been incorporated in the preparation of this year's document. In particular, more data is presented graphically and on a yearly basis, replacing the monthly breakdown adopted previously.

Note: ↗ indicates changes in methodology or in the way data is recorded that may make it difficult for comparison with previous years' information.

01

CUSTOMER

Please also see the 'Customer satisfaction' section of the 2014 Annual Report.

MATERIAL ISSUES:	INDICATORS:
Customer satisfaction	Customer feedback scores Customer complaints including water quality issues Grade of service
Reliable water supply	Water supply interruptions Unplanned water shutdowns Networks and water treatment grading
Blockages and faults	Sewer breaks and chokes Wastewater blockages
Charges and tariffs	Affordability
Water efficiency	Water demand management

OVERVIEW

Watercare delivers water and wastewater services – necessities of life – to the people of Auckland. Residents and businesses have every right to expect that services will be delivered seamlessly and when an issue does arise, it will be addressed immediately.

Watercare is committed to making it easy for customers to contact the company, provide feedback, understand the services they receive and pay their bills. The contact centre is often a customer's first point of contact with Watercare; it manages phone calls, letters and emails from customers every day. The company also provides an online self-service account management and bill-payment facility.

Recording and understanding customer feedback is critical to assessing how well Watercare is performing and identifying areas for improvement. Feedback is obtained from customers who call the contact centre as well as from those who receive call-out maintenance work. Customer complaints are analysed for trends or underlying issues.

Watercare needs to ensure that the water it supplies is of the highest quality, and remains available for the generations to come. This means proactively managing water demand and ensuring the company's service network infrastructure is able to meet future growth requirements.

CUSTOMER SATISFACTION

Customer satisfaction related to faults management is measured on an ongoing basis and results are reported monthly.

Please refer to the following ruler in the annual report: 4a. Customer satisfaction.

Customer feedback scores

	2011/12	2012/13	2013/14
Mean score given by surveyed customers	7.7	7.3	**7.6**
Customer satisfaction	85.6%	81.4%	**84.7%**
Target	≥ 80.0%	≥ 80.0%	**≥ 80.0%**

- TNS New Zealand, an independent market research company, carries out a phone survey of customers who:
  - called Watercare's contact centre to report a fault
  - have had maintenance work carried out on their property/street, including work undertaken by contractors.
- This year, 3,005 customers provided feedback to TNS
- Satisfaction levels are scored on a nine-point scale
- Watercare's target is 80 per cent or higher, which equates to a score of 7.2/9 or higher.

	2013/14	
	Score (out of 9)	Customer satisfaction (%)
Customer Experience Management – scores by category for the maintenance service		
"Don't waste my time"	7.5	**83.6**
"Communicate with me"	7.1	**79.2**
"Deliver to me"	7.6	**84.1**
Overall	7.5	**83.1**
Customer Experience Management – scores by category for the call centre		
"Don't waste my time"	7.7	**86.0**
"Communicate with me"	8.0	88.9
"Deliver to me"	7.7	85.3
Overall	7.8	86.2

- The survey assesses customer experience across three areas. These are:

  "Don't waste my time": this includes time to answer the call, ease of contacting staff, knowledge of customer details and time to complete the call.

  "Communicate with me": this includes friendliness of staff, how well staff listened, how easy it was to understand staff and whether the customer felt they were dealt with in a respectful manner.

  "Deliver to me": this includes staff recognising the importance of the enquiry, setting up reasonable expectations regarding timing, demonstrating their understanding, taking ownership of the enquiry and summarising the call to ensure understanding.
- For consistency, the same indicators are also used to score the work undertaken by maintenance contractors
- The overall satisfaction this year is 84.7 per cent, up 3.3 percentage points on last year.

Customer complaints

Watercare defines customer complaints as an expression of dissatisfaction with the company's procedures and policies, charges, employees, contractors or the quality of the service provided. The majority of customer complaints relate to billing and payments, leaks, meter reading and service charges.

Complaints and enquiries pertaining to water quality are handled by the networks/operations team; these are categorised separately (see page 10).

Please refer to the following ruler in the annual report: 4c. Resolved complaints.

Below is the breakdown of customer complaints by type and description for the 2013/14 year:

Customer complaint description	Number of complaints	Resolved	Resolved within 10 days
Billing, invoice data, payment and overdue account:			
Invoice data	61	61	53
Monthly billing	37	37	37
Payments	72	72	67
Overdue accounts	41	41	41
Leaks:			
Leak allowance	346	346	340
Meter reading:			
Meter reading	237	237	227
Estimated reading	27	27	27
Special/final reading	92	92	92
Charges:			
Price increase	6	6	6
Tariff and charges	251	251	225
Call centre escalation for tariff complaints	74	74	72
Non-domestic wastewater tariff complaints	54	54	50

Customer complaint description	Number of complaints	Resolved	Resolved within 10 days
Other:			
Estimation	51	51	50
Account maintenance	135	135	123
Contractor behaviour	53	53	51
Public communications	3	3	3
Employee behaviour	27	27	26
Facilities	11	11	11
Meter maintenance issues	25	25	24
Network operations – water	22	22	22
Refunds	11	11	9
Restriction	1	1	1
Service delivery	105	105	94
Online/self-service	12	12	12
General	141	141	132
Wastewater audit	4	4	3
Water quality	17	17	17
Metered water tanks	17	17	16
Wastewater percentage, wastewater audit, industry classification	55	55	50
Escalation to supervisor	170	170	155
Second contact about previous complaint	82	82	79
New connections	41	41	37
Fluoride	13	13	13
Trade waste	3	3	3
Insurance claims	2	2	2
Capital projects	1	1	1
	2,300	**2,300**	**2,171**

	2011/12	2012/13	2013/14
Number of customer complaints	1,336	1,524	**2,300** ↗

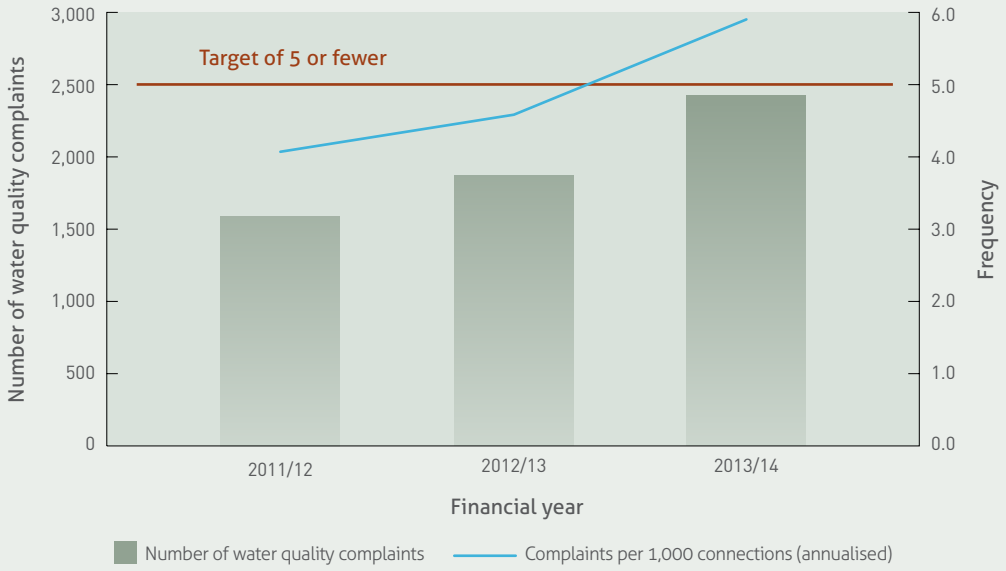
Watercare aims to resolve 95 per cent of customer complaints within 10 days. The number of customer complaints increased this year, as did the complexity of issues, and the target was not met.

Customer complaints account for 0.6 per cent of the total number of customer interactions (phone, written and email).

Water quality complaints

Watercare also receives feedback and complaints regarding water quality issues.

Please refer to the following ruler in the annual report: 1k. Water quality complaints.



	2011/12	2012/13	2013/14
Total number of water quality complaints	1,595	1,891	2,432
Complaints per 1,000 connections	4.1	4.6	5.9
Target	≤ 5	≤ 5	≤ 5

Two significant events in January and February this year resulted in an increase in the number of water quality complaints.

- An algal bloom in one of the dams supplying the Huia Water Treatment Plant led to residents experiencing an 'earthy' taste in their tap water. The water continued to meet New Zealand Drinking Water Standards and posed no health risk but nevertheless generated complaints. A process of carbon dosing was used to address this issue and Watercare supplied affected households with bottled water on request.
- Following the flushing of the new Kumeu-Huapai and Riverhead mains, some Massey residents complained of water discolouration. Before a new pipeline becomes fully operational, it is standard practice to flush the new watermain and those of the local networks to check for faults and ensure they are clean. This is done by forcing water through the pipes at high velocity. Flushing stirs up residues in the pipes, which can cause discolouration.

Grade of service and call volume

The grade of service (GOS) is a call centre industry target that measures the speed of response for phone calls. Watercare's GOS target is to answer 80 per cent of calls within 20 seconds.

Please refer to the following ruler in the annual report: 4b. Grade of service.

- Watercare's call centre is open from 7.30am till 6pm on weekdays. An external company, First Contact, answers calls reporting faults outside of these hours.
- Service levels were down over summer for two reasons: a relatively dry summer led to an increase in the incidence of cracks in pipes as a result of the ground moving as it dries out; contact centre staffing levels were down due to the move of premises from East Tamaki to Newmarket, with a significant number of employees opting not to relocate.

01

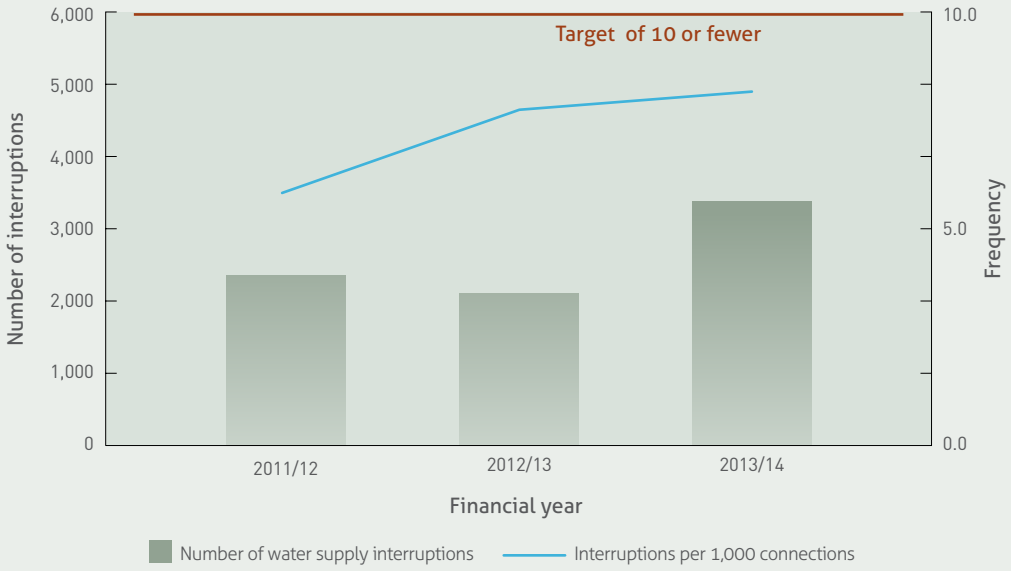
CUSTOMER

RELIABLE WATER SUPPLY

Water supply interruptions, unplanned shutdowns, sewer breaks and chokes and wastewater blockages occurring in the former Auckland City Council area were not included in the 2012/13 reporting. This was due to the operations of the central area maintenance being taken over by an in-house department, Maintenance Services Networks. This happened in 2012 and changes to the information system used were needed before reporting could be consistent with the other areas of Auckland. This generates an artificially steep increase in the 2013/14 numbers. ↗

Water supply interruptions

Please refer to the following ruler in the annual report: 1h. Water interruptions.

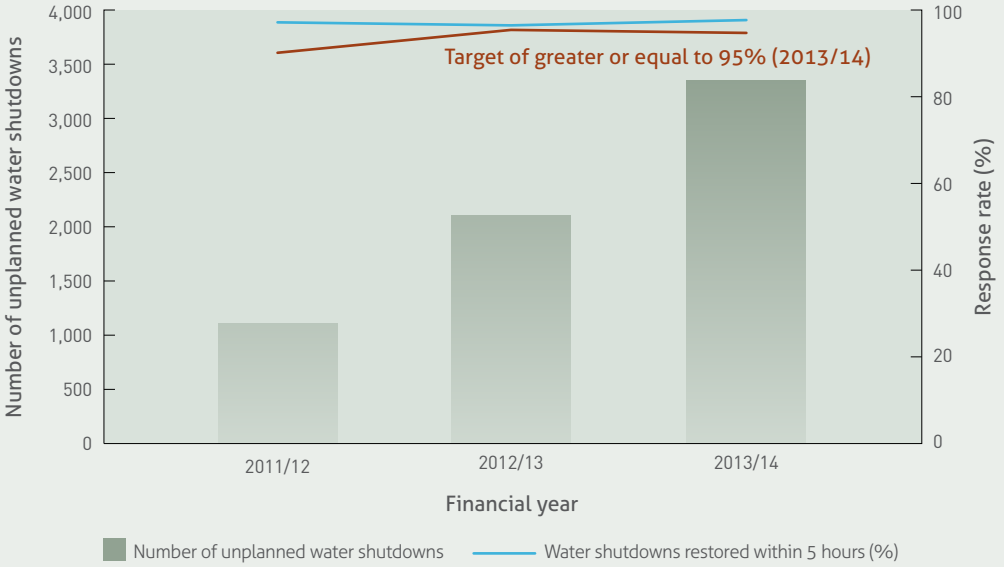


	2011/12	2012/13	2013/14
Number of water supply interruptions	2,353	2,141	3,365 ↗
Interruptions per 1,000 connections	5.8	7.7	8.1
Target	≤ 10	≤ 10	≤ 10

- The number of water supply interruptions has increased though it is still under the target maximum of 10 or fewer interruptions per 1000 connections. The number of properties connected to the network has grown and the frequency of the interruptions has increased by 0.4 per cent.

Unplanned water shutdowns

Please refer to the following ruler in the annual report: 1i. Unplanned water shutdowns.



	2011/12	2012/13	2013/14
Number of unplanned water shutdowns	1,120	2,142	3,365 ↗
Water shutdowns restored within 5 hours	97.8%	96.7%	97.4%
Target	≥ 90%	≥ 95%	≥ 95%

- The number of unplanned water supply interruptions has risen in line with the increased number of properties connected to the network. The target for restoring service has again been met.

Networks and water treatment grading

Water treatment plant (WTP)	WTP grade	% of 2011/12 annual production	% of 2012/13 annual production	% of 2013/14 annual production
Metropolitan WTPs	A	88.4	96.67	98.11
Non-metropolitan WTPs:				
Huia Village	A	N/A	0.04	0.04
Helensville/Parakai	A	0.83	0.23	0.25
Warkworth	A	0.85	0.23	0.25
Wellsford	A	0.53	0.18	0.15
Snells/Algies	A	0.73	0.03	0.18
Muriwai	A	0.14	0.18	0.03
Bombay	U	0.13	0.04	0.05
Buckland	U	0.19	0.06	0.01
Clarks	U	0.17	0.04	0.04
Glenbrook	U	0.05	0.02	0.02
Waiuku Road	U	2.06	0.56	0.30
Victoria Road (Waiuku)	U			0.13
Cornwall Road (Waiuku)	U			0.24
Waiau	U	0.13	0.04	0.04
Patumahoe	U	0.13	0.06	0.05
Pukekohe	U	5.68	1.62	0.13
Total		100.00%	100.00%	100.00%

A = Completely satisfactory, extremely low level of risk

- The metropolitan system is the interconnected Auckland service network, which treats water at the Tuakau, Ardmore, Huia, Waitakere and Onehunga treatment plants and supplies the greater part of Auckland. The non-metropolitan treatment plants listed above were inherited by Watercare following integration in 2010 and supply discrete areas.
- Two of the non-metropolitan treatment plants (Pukekohe and Buckland) were decommissioned in August 2013; four more are to be decommissioned by the end of 2014. For more information, please see the annual report case study entitled 'Connecting communities' on page 26.

	2011/12	2012/13	2013/14
Metropolitan zones	a	a	a
Non-metropolitan zones:			
Huia Village	NA	a	a
Helensville/Parakai	b	a	a
Warkworth	b	b	a
Wellsford/Te Hana	b	a	a
Snells/Algies	a	a	a
Muriwai	a	a	a
Bombay	u	u	u
Buckland	u	u	u
Clarks and Waiau	u	u	u
Glenbrook Beach	u	u	u
Waiuku	u	u	u
Patumahoe	u	u	u
Anzac/Hilltop Kitchener	u	u	u
Waiau Beach	NA	u	u

u = Ungraded NA = Not available a = completely satisfactory, extremely low level of risk b = satisfactory, very low level of risk

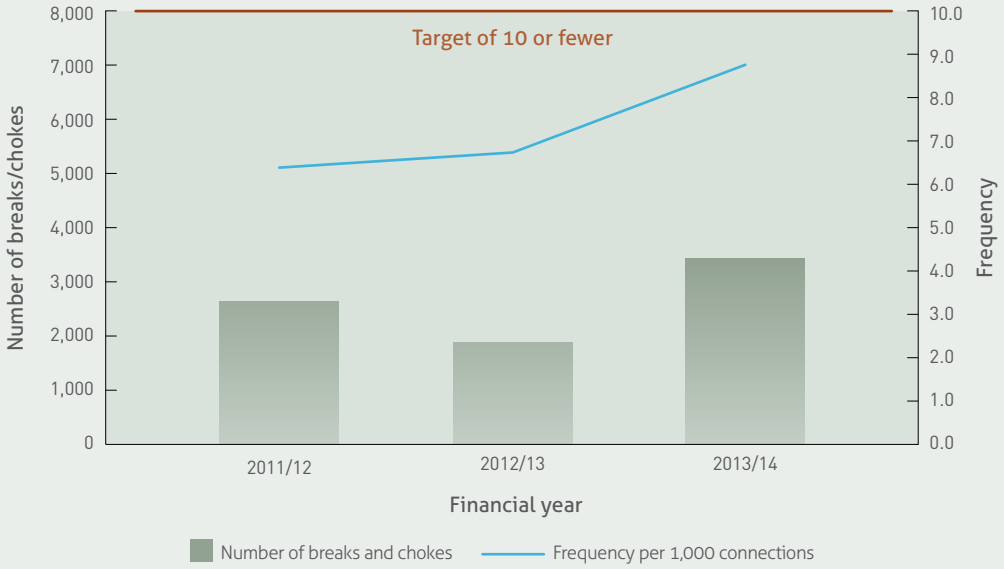
- This year, all graded networks met Ministry of Health's 'a' grade standard.

Please refer to focus area 1 of the annual report: Safe and reliable water.

BLOCKAGES AND FAULTS

Sewer breaks and chokes

Please refer to the following ruler in the annual report: 2f. Sewer breaks and chokes

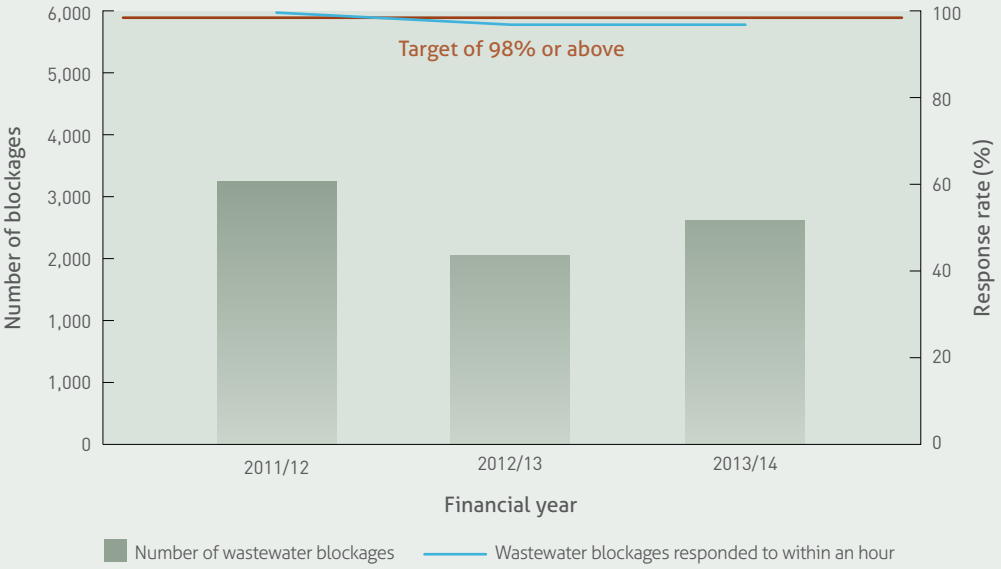


	2011/12	2012/13*	2013/14
Number of breaks and chokes	2,651	1,903	3,478 ↗
Breaks and chokes per 1,000 connections	6.4	6.8	8.8
Target	≤ 10	≤ 10	≤ 10

- New developments throughout the region have resulted in an increased number of connections to the Watercare network this year. This trend is likely to continue in the future.

Wastewater blockages

Please refer to the following ruler in the annual report: 2g. Wastewater blockages.



	2011/12	2012/13	2013/14
Total number of wastewater blockages	3,633	2,600	3,091 ↗
Wastewater blockages responded to within an hour	99.3%	97.0%	96.2%
Target	≥ 98.0%	≥ 98.0%	≥ 98.0%

- The result for 2013/14 fell short of the target like in 2012/13, in large part because of the high number of storm events during the year and the consequent number of contemporaneous fault calls. This was particularly marked in June 2014, where 372 wastewater blockages were reported against a monthly average of 258. Where the target was not met, the average response time was no more than 15 minutes outside the one-hour period.

CHARGES AND TARIFFS

Affordability

	2011/12		2012/13		2013/14	
Account area	Cost of water and wastewater services per household per month	% of average monthly income earnings	Cost of water and wastewater services per household per month	% of average monthly income earnings	**Cost of water and wastewater services per household per month**	**% of average monthly income earnings**
Franklin	$67.47	0.93%	$58.25	0.78%	**$56.34**	**0.75%**
Manukau	$60.52	0.84%	$74.06	0.99%	**$72.42**	**0.96%**
Auckland City	$83.46	1.16%	$74.14	0.99%	**$73.89**	**0.98%**
North Shore	$63.99	0.89%	$66.85	0.89%	**$65.13**	**0.86%**
Rodney	$77.34	1.07%	$52.83	0.71%	**$51.93**	**0.69%**
Waitakere	$60.51	0.84%	$60.25	0.81%	**$58.79**	**0.78%**
Regional average	$69.47	0.96%	$68.71	0.92%	**$67.55**	**0.90%**

Average monthly household income – Auckland 2014: $7,523.33 (Statistics New Zealand).

Please refer to the following ruler in the annual report: 4d. Household affordability.

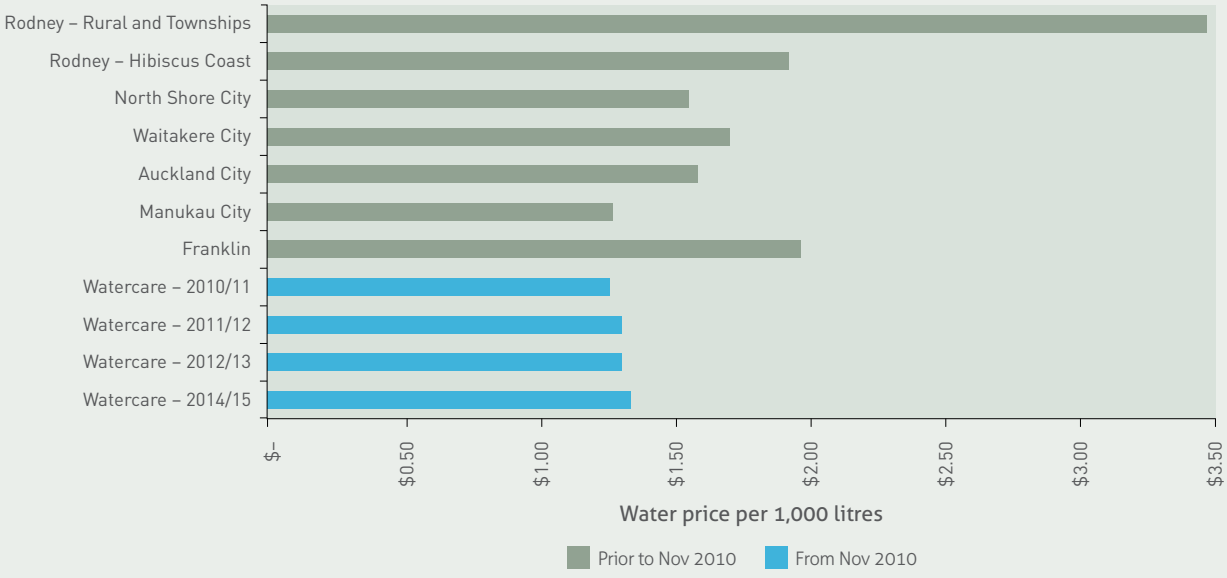
In 2010, Watercare took over the retail supply of water and wastewater services across Auckland. Since then, it has worked towards standardising prices for water and wastewater across Auckland.

Major milestones towards price standardisation include:

- In November 2010, the company reduced the volumetric price of water for all customers to $1.30 per kilolitre
- In July 2012, the company standardised the price of wastewater for all residential customers
- In July 2012, the company introduced bi-monthly readings and monthly billing region-wide
- In July 2013, the company began a phased implementation of standardised wastewater charges for businesses.

On average, households have spent less on water costs since 2010, which is a combined effect of the tariff changes described above and variations in individual water use, which is influenced by seasons and rainfall (e.g. dry summers).

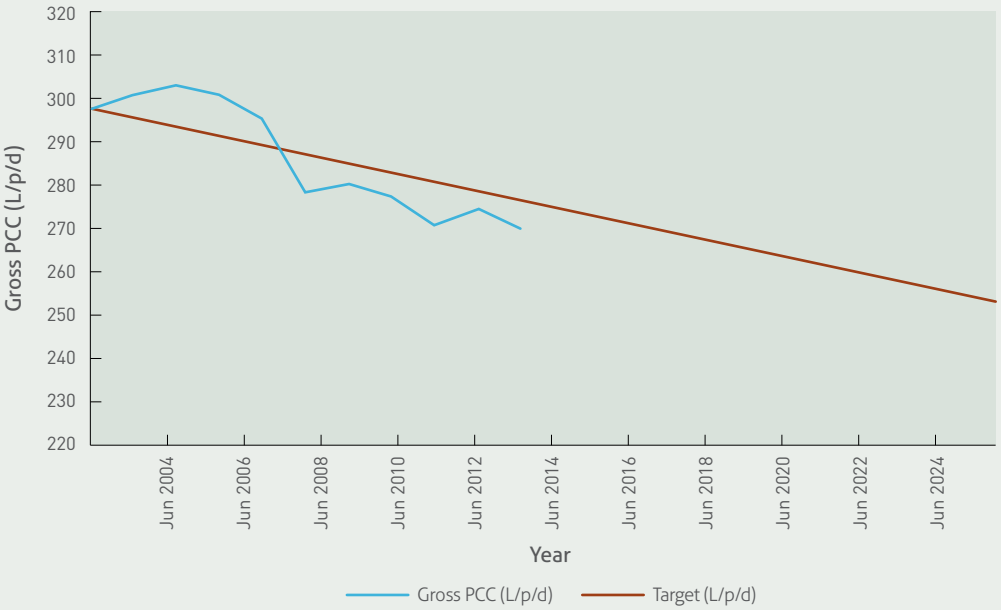
The price of water in 2013/14 stayed the same as in 2012/13.



WATER EFFICIENCY

Water demand (gross per capita consumption)

Please refer to the following ruler in the annual report: 7c. Per capita consumption.



- Gross per capita consumption (PCC) is calculated using the total volume of water supplied divided by the population connected to Watercare's network. The company has set a target of reducing PCC by 15 per cent by 2025, compared with 2004 levels. The drivers and action plan to meet this target are detailed in the 2013-2016 Auckland Regional Water Demand Management Plan, which can be found in the 'About Watercare' section of the company website, www.watercare.co.nz.
- The 2013/14 gross PCC was lower than last year, which is mostly due to the 2012/13 summer having been one of the driest on record in Auckland. Since 2009, PCC has consistently met the annual target.

Watercare's initiatives to help customers be more water efficient are detailed on pages 44 and 64 of the annual report.

02

ENVIRONMENT

Please also see the 'Safe and reliable water', 'Healthy waterways' and 'Integrating sustainable thinking' sections of the 2014 Annual Report.

MATERIAL ISSUES:	INDICATORS:
Areas of environmental and cultural significance	Biodiversity values of Watercare's sites
Water abstraction	Water sources Total water withdrawal by source Reuse and recycling of water
Water and wastewater processes	Water supply Typical analysis of Auckland's drinking water Wastewater treatment Watercare facilities
By-products of processes	Sludge and biosolids Treated wastewater
Overflows	Dry-weather overflows Wet-weather overflows
Compliance	Compliance with resource consent conditions
Energy use	Energy generation and consumption
Climate change mitigation and adaptation	Greenhouse gas emissions Adaptation work Addressing ozone depletion

OVERVIEW

Watercare is responsible for providing safe and reliable drinking water and treating wastewater to a high standard and discharging it in an environmentally sustainable manner. A healthy ecosystem is essential for the effective delivery of these services.

This year's reporting does not include information on Corporate Sustainability, as other issues have been deemed more material. However, Corporate Sustainability remains an area of focus throughout the company: during the past 12 months, Watercare has relocated its corporate office, administration, and customer service functions into a new 5-star-rated Green Star office building and made significant improvements to its office recycling system.

AREAS OF CULTURAL AND ENVIRONMENTAL SIGNIFICANCE

Watercare operates in a number of protected areas with high ecological value, like Regional Parks (Hunua and Waitakere ranges), which are sites also treasured by Aucklanders for their recreational or cultural values. Watercare takes great care to ensure the cultural importance of these places are taken into account and plans are in place to mitigate the impacts of the organisation's activities (e.g. enabling fish migration in the dams) or enhance the ecosystems (e.g. providing bird roosts adjacent to the Mangere Wastewater Treatment Plant).

The following table summarises the main biodiversity values of these areas and the action Watercare is taking to ensure their protection.

Please refer to the following rulers in the annual report: 6d. Species preservation; 6e. Habitat improvement.

Areas of high ecological value

Name	Location and Watercare's involvement	Area	Ecological attributes
Bycroft Wetland, Onehunga	In Onehunga, where the aquifer naturally discharges.	Approximately one hectare.	Home of rare and endangered moss species, indigenous vegetation and wildlife.
Hunua Ranges	Located south of Auckland. Contains the water supply catchments for four of Watercare's dams.	Approximately 10,500 hectares, mostly native bush.	Native bush and wildlife habitat.
Waitakere Ranges	Located northwest of Auckland. Contains the water supply catchments for five of Watercare's dams.	Approximately 5,000 hectares of native bush.	Native bush and wildlife habitat.
Watercare Coastal Walkway	Located along the coast adjacent to the Mangere Wastewater Treatment Plant.	Approximately 13 kilometres of walkway and associated planting between 10 to 100 metres in width.	One of the most important roosting areas for seabirds and wading birds on the Manukau Harbour. 86 species sighted in the area over the past 30 years.
Oruarangi Awa	Located along the coast adjacent to the Mangere Wastewater Treatment Plant. The estuary was previously blocked from the sea by the oxidation ponds, affecting its ecosystem. It has now been restored and opened to tidal influences again.	Approximately 30 hectares.	Marine estuarine ecosystems.
Waikato River	Watercare is a financial member of the Waikato RiverCare trust that undertakes riparian planting.	120 kilometres of river bank with target of planting four kilometres per annum.	Home of various species of fish and eels, native and introduced.
Auckland volcanic cones	Watercare has water reservoirs on or in eight volcanic cones around the Auckland urban area.	Each volcanic cone is set in parkland, with the largest being approximately 120 hectares in area. The cones are typically 100 to 150 metres above the adjacent urban area.	Parks and heritage areas and a defining feature of Auckland.
Pukekohe Wastewater Treatment Plant	Adjacent to Waikato River.	9 hectares.	Home of birdlife as an extension of the adjacent wetland owned by Fish and Game.
Puketutu Island	Manukau Harbour adjacent to the Mangere Wastewater Treatment Plant.	110 hectares.	Used as a high-tide roost by a variety of wading birds.

	Condition of site at end of reporting period	Knowledge of endangered species present in the area	Significant events in 2013/14
	Watercare carried on maintaining a constant flow of water to the site and as a result visual observation is that the moss is expending.	Endangered moss species, *Fissidens berteroi*.	
	At all key flow monitoring sites, downstream from dams, environmental flows have been maintained. Trap and haul programmes have been successfully implemented and operated.	• Galaxiid species • Anguilla species • Kokako • Hochstetter frog • Short-jawed kokupu – found in Upper Mangatawhiri Dam. Significant as it is the first record of this species in a lake environment.	Large-scale removal of exotic weeds along 1.5 kilometres of the Mangatawhiri River in accordance with the Mangatawhiri River Riparian Management Plan.
	At all key flow monitoring sites downstream from dams environmental flows have been maintained. Trap and haul programmes have been successfully implemented and operated.	• Galaxiid species • Anguilla species • Kokako • Hochstetter • Whitehead	Release of Whiteheads (Ark in the Park).
	Planting programme carried on. Opened new section of walkway around Pond 2. Restored land around former pump station site and incorporated into walkway landscape design elements. Managed bird roosts.		
	Commissioned independent consultant to report on progress of restoration of the marine environment. Report confirmed area was now of similar condition to other areas around the harbour at the date of the report.		A chemical spill by a third party was drained to the Awa via the stormwater system. This caused widespread damage to the ecosystem. Watercare is working closely with Auckland Council to ensure appropriate remediation occurs.
	Continued riparian planting to enhance water quality and ecological diversity.		
	Watercare is working with stakeholders interested in the cones with a view to enhance the values of the cones while protecting its water supply assets.		
	Disused ponds remain drained to ensure area does not support avian botulism. Programme being developed for long-term rehabilitation of the area. Artificial wetlands still in operation.		
	Lining of the base of the former quarry area has been completed and cells constructed to enable biosolids deposition. Separation between the future public areas and the Watercare operational area has been established.		

WATER ABSTRACTION

Auckland's water supply is obtained from three different sources: dams, rivers and underground aquifers. The exact proportion of water supply from each source varies daily depending on the levels in the storage lakes, forecast rainfall, treatment plant capacity, maintenance requirements and transmission costs.

Auckland's dams are located mainly in the Hunua and Waitakere ranges. Together, they supply around 80 per cent of the region's drinking water. The combined reservoir capacity of Auckland's dams when full is over 100 billion litres.

Dam storage

	2011/12	2012/13	2013/14
Total volume in the dams at the end of the financial year (m^3)	80,927,569	77,309,549	**67,580,782**
Percentage full at the end of the financial year	84.78	80.90	**70.72**
Annual volume of water produced over the year (ex plant m^3)	140,706,179	145,089,663	**144,287,502**
Annual volume of water sold over the year (m^3)	119,229,051	120,536,933	**119,214,010**

- The 2013 summer was dry, resulting in very high water consumption across the region during the season. In comparison, the 2014 summer was closer to a normal Auckland summer, and this has played a major role in the reduced volume of water sold during the 2013/14 year.
- A dry autumn meant lake levels were relatively low as at 30 June compared to previous years.

Volume abstracted by source

	2011/12		2012/13		2013/14	
	Volume (m^3)	%	Volume (m^3)	%	**Volume (m^3)**	**%**
Waitakere Dam	2,447,989	1.7	4,396,973	2.9	**4,440,410**	**3.1**
Upper Huia Dam	6,049,346	4.2	5,898,270	3.9	**4,762,725**	**3.3**
Upper Nihotupu Dam	6,269,675	4.4	5,305,407	3.5	**3,967,693**	**2.7**
Lower Huia Dam	16,501,033	11.5	11,834,036	7.9	**7,256,968**	**5.0**
Lower Nihotupu Dam	882,057	0.6	3,941,562	2.6	**7,557,456**	**5.2**
Cosseys Dam	13,825,051	9.7	14,941,247	10.0	**12,991,256**	**9.0**
Upper Mangatawhiri Dam	24,341,609	17	22,285,951	14.9	**25,267,005**	**17.5**
Wairoa Dam	10,589,963	7.4	9,514,876	6.4	**8,540,326**	**5.9**
Mangatangi Dam	41,803,834	29.2	38,498,665	25.7	**38,062,981**	**26.3**
Waikato River	11,976,425	8.4	22,913,826	15.3	**24,643,479**	**17.0**
Onehunga Aquifer	3,349,933	2.3	5,359,106	3.6	**4,512,595**	**3.1**
Rural North	1,410,605	1.0	1,281,515	0.9	**1,257,409**	**0.9**
Rural South	3,492,813	2.4	3,410,034	2.3	**1,439,267**	**1.0**
Total	142,940,334	100.0	149,581,467	100.0	**144,699,569**	**100.0**

- All abstraction decisions are made based on current climate, storage and operational constraints; the differences year-on-year are within the expected natural variation.
- The Rural South volume reduced after the Pukekohe and Buckland communities were connected to the metropolitan network in September 2013.

WATER AND WASTEWATER PROCESSES

WATER SUPPLY

This year, Watercare operated 21 water treatment plants supplying drinking water to the Auckland region, two of which were decommissioned early in the year. Each plant takes untreated, or raw, water and removes contaminants including suspended solids, bacteria, algae, minerals and chemical pollutants. The end result is high-quality water that is completely safe to drink. During the year, Watercare provided 326 million litres of water each day, on average.

Water facts and figures

	2011/12	2012/13	2013/14
Water supply dams (number of operational sources over the year)	12	12	12
River sources (number of operational sources over the year)	3	3	3
Groundwater sources (number of operational sources over the year)	14	14	14
Water treatment plants graded 'A' over the year	11	11	11
Non-graded water treatment plants over the year	10	10	10
Length of treated water mains (kilometres)	8,829	8,867	8,862
Service reservoirs	84	84	90
Pump stations	90	91	90

- The total length of the water network has remained relatively constant as the increase in watermains to service new communities is offset by watermains that have been removed or abandoned.

Water clarity is measured in nephelometric turbidity units (NTU). This measurement indicates the level of dirt particles within the water. Water from the dams in the Hunua and Waitakere ranges is sourced from protected catchments largely comprised of forest and native bush, and therefore requires a lower level of treatment for it to meet Ministry of Health Drinking Water Standards for New Zealand. Groundwater sources such as boreholes, springs and wells are typically free from microbiological organisms and of very low turbidity.

Because Auckland's water comes from a wide variety of sources, a broad range of water treatment processes is used. Each treatment plant is designed to deal with the characteristics of its particular sources of raw water.

Typical analysis of Auckland's drinking water

Determinands*	Drinking Water Standards**	Ardmore		Huia		Waitakere		Onehunga		Waikato	
		Raw	Treated	Raw	Treated	Raw	Treated	Raw	Treated	Raw	Treated
Turbidity (NTU)	2.5 NTU	9.86	0.17	3.96	0.19	2.91	0.26	0.19	0.05	10.47	0.30
E. coli (number per 100 ml)	< 1 in 100 ml sample	5.00	ND	9.00	ND	7.00	ND	148.00	ND	519.00	ND
Aluminium (mg/L)	0.1 mg/L	0.32	0.03	0.60	0.03	0.45	0.02	0.01	0.02	0.66	0.04
Iron (mg/L)	0.2 mg/L	0.38	0.02	0.57	0.02	0.66	0.01	0.01	ND	0.78	0.03
Manganese (mg/L)	0.4 mg/L	0.04	0.01	0.02	ND	0.02	ND	ND	ND	0.06	ND
pH value	7.0 – 8.5	7.30	7.90	7.40	7.90	7.00	7.90	7.20	8.00	7.60	7.80
Total hardness (mg/L $CaCO_3$)	200 mg/L	13.90	25.40	22.20	34.50	17.20	35.60	56.70	57.30	30.30	52.10

* Determinands are constituents or properties of water that can be determined, or estimated, in a sample (e.g. chemical substances, microbiological organisms).

** Drinking Water Standards' maximum acceptable value (treated water only).

*** ND stands for 'Not Detectable', which means a level between zero and the lowest value at which the test used is known to be accurate.

THE TREATMENT OF WASTEWATER

Providing clean drinking water is only one aspect of Watercare's activities. Once water has been used, the wastewater is collected, treated and returned safely to the environment. During the past year, the company collected and treated 378 million litres of wastewater each day, on average.

Wastewater is 99.97 per cent water. The remainder includes organic matter such as human waste, food scraps, fats, oil and grease, and debris such as sand, grit and plastic. In addition, wastewater can include household chemicals, which can be harmful to the health of harbours and waterways, making effective treatment very important. As explained in the 'Overflows' section on page 32, stormwater is also treated at wastewater treatment plants where there is a combined wastewater and stormwater network.

In simple terms, wastewater treatment entails the separation and extraction of organic and inorganic solids from the liquid waste stream, and the removal of nutrients to lower biochemical oxygen demand (BOD) levels. BOD is a measure of the pollution potential of the wastewater.

The most modern of Watercare's wastewater treatment plants – including the metropolitan plants at Mangere, Rosedale and Army Bay – use primary (mechanical), secondary (biological) and tertiary (filtration and/or ultraviolet radiation) methods to treat wastewater.

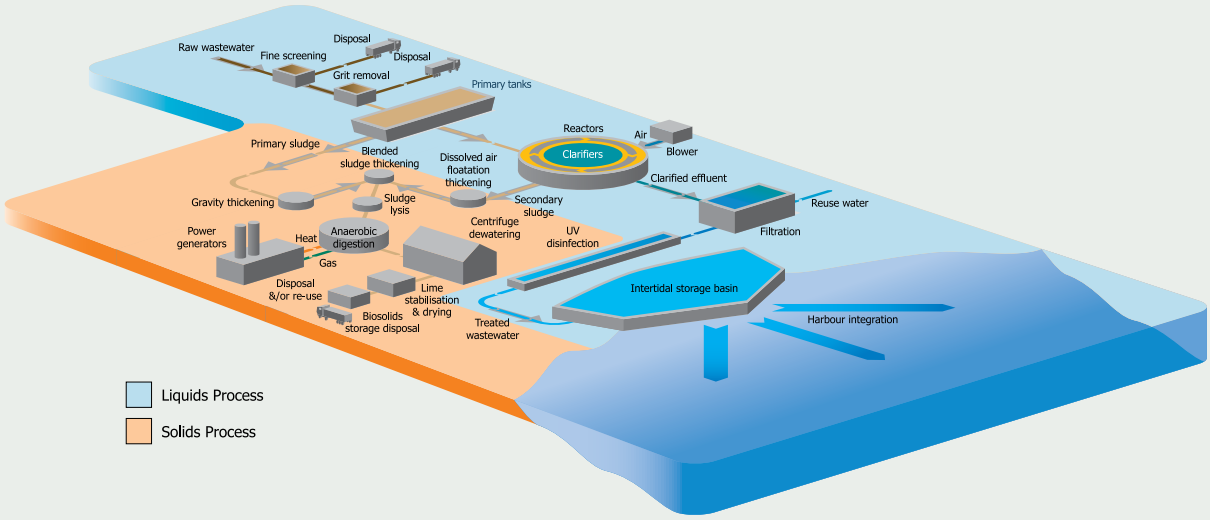
Composition of the final effluent must meet standards established to protect public health, the local environment, and Auckland's coasts, estuaries and harbours.

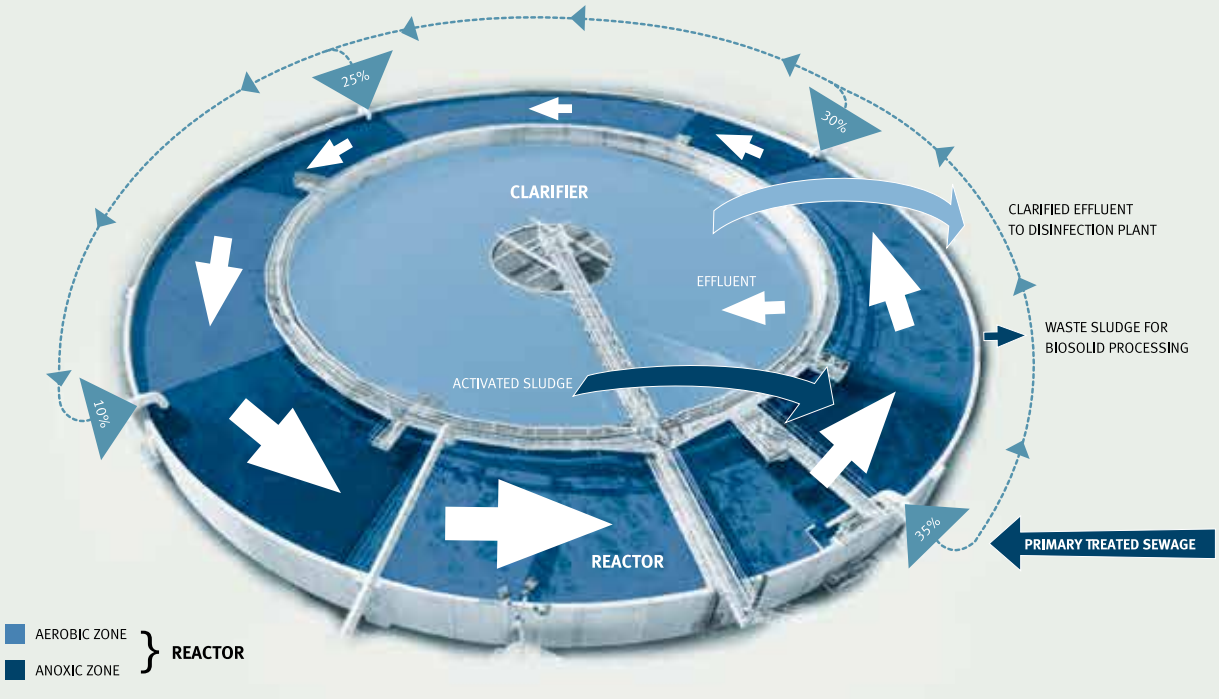
Watercare's non-metropolitan wastewater treatment plants range from small, pond-based schemes to advanced tertiary treatment plants. Significant investment is being made in some of the plants to improve their treatment processes and nutrient-removal standards (see ruler 2c in the annual report). The majority of Auckland's wastewater is treated at either the Mangere or Rosedale treatment plants.

Wastewater facts and figures

	2011/12	2012/13	2013/14
Length of wastewater pipes (kilometres)	7,757	7,782	**7,834**
Pump stations	539	532	**500**
Treatment plants – metropolitan	4	3	**3**
Treatment plants – rural	15	15	**15**
Volume treated annually (m^3)	163,988,716	149,133,404	**137,758,727**
Biosolids (wet), screenings and grit produced annually (tonnes)	119,747	133,022	**136,844**
Effluent reused annually (m^3)	21,272,529	21,947,004	**21,708,165**

- The increase in the length of the wastewater network is due to new developments throughout the Auckland region and improvements to the recording of actual length of each wastewater pipe, which resulted in last year's result being revisited. It is likely to continue to grow in the years to come.
- At integration some private pump stations servicing single properties were incorrectly recorded as Watercare assets; this has been rectified in the 2013/14 data within this report.
- The volume of wastewater to be treated was lower than that for last year, following a relatively dry year which resulted in less stormwater entering the combined wastewater and stormwater system.





Aerobic zone: *Zone where air is blown into the wastewater.*

Anoxic zone: *Zone where no air is blown into the wastewater.*

BY-PRODUCTS OF PROCESSES

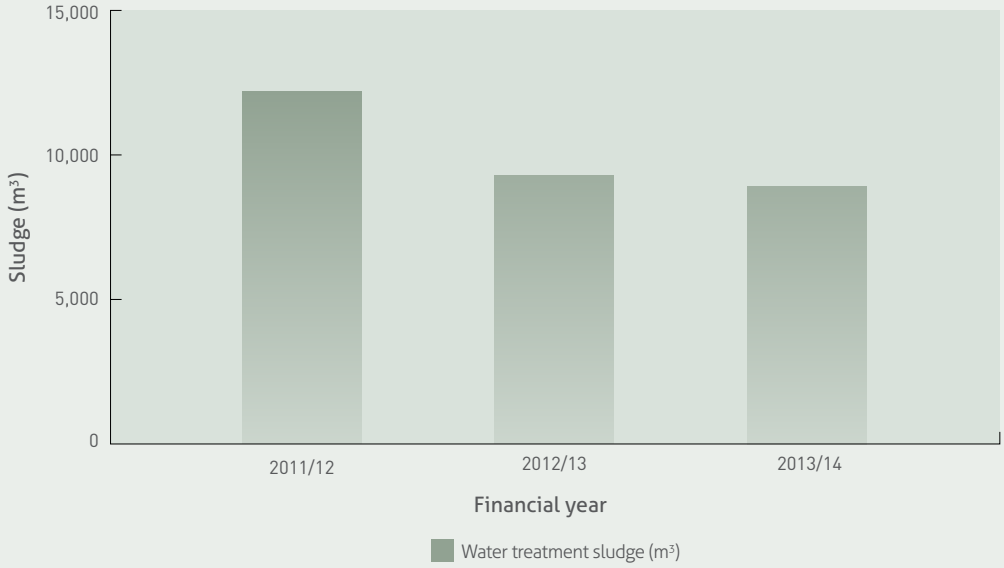
The output of the treatment processes are sludge extracted from raw water (water treatment) and grit, screenings, biosolids and treated wastewater (wastewater treatment).

SLUDGE

Coagulants like lime and carbon dioxide are mixed with raw water to make dirt particles stick together, forming heavier particles that sink to the bottom of the tank and are removed. Depending on the level of treatment needed, further processes remove pathogens and organic compounds. This residual waste is known as sludge.

Sludge volumes from water treatment are small compared with the amount of water treated. This year, 8,966 cubic metres of sludge was produced during the treatment of 138 million cubic metres of water.

Solids disposal – water treatment sludge (m^3)



Origin	Disposal	2011/12	2012/13	2013/14
Ardmore	On site	5,940	3,010	**2,880**
Huia	Parau landfill	4,710	3,550	**3,110**
Waitakere	On site	376	584	**524**
Waikato	Commercial landfill	1,196	2,152	**2,452**
Total (m^3)		12,222	9,296	**8,966**

BIOSOLIDS

Biosolids are the nutrient-rich, organic solid residues produced by the wastewater treatment process. At Mangere Wastewater Treatment Plant, where approximately 80 per cent of Auckland's wastewater is treated, 300 tonnes of biosolids are generated every day.

Watercare's objective is to use biosolids as beneficially as practicable. The company is successfully using biosolids to rehabilitate a part of the old oxidation ponds at the Mangere Wastewater Treatment Plant, called 'Pond 2'. Biosolids are used there as soil material to support native bush species and ultimately turn the area into a forest.

Biosolids from other treatment plants are currently being disposed of on site or in commercial landfills. Watercare, in consultation with local iwi, businesses and other stakeholder groups, continues to review options for the long-term beneficial use of biosolids. The company is carrying out its own investigations into how biosolids could be used to benefit the environment and also draws on the experiences of wastewater utilities around the world.

Please see the annual report's case study entitled 'Planning for growth', on page 62.

Please refer to the following ruler in the annual report: 6c. Waste management.

GRIT AND SCREENINGS

Screens intercept solid debris (e.g. plastic, paper, leaves, wood) as the wastewater stream enters the treatment plant. As part of the primary treatment, air is pumped into the tanks, reducing the effective density of the wastewater and allowing the grit (sand, silt, gravel etc.) to settle to the bottom of the tank.

In some of the smaller non-metropolitan plants, screenings are present in negligible quantities, so separate collection is not undertaken, while biosolids are allowed to accumulate in the ponds over several years before the ponds are de-sludged.

Solids disposal – wastewater treatment waste (tonnes)

Origin	Disposal or reuse	2011/12	2012/13	2013/14
Mangere biosolids* (wet)	Pond 2 rehabilitation	115,628	114,424	115,070
Mangere grit and screenings	Commercial landfill	3,407	3,812	3,299
Rosedale biosolids (wet)	Commercial landfill	14,794	14,242	13,759
Rosedale grit and screenings	Commercial landfill	437	448.36	428
Pukekohe grit and screenings	Commercial landfill	44	50	36
Army bay biosolids	Commercial landfill	4,382	3,668	3,452
Army bay grit and screenings	Commercial landfill	76	60	61
Beachlands biosolids	Held on site	300	300	300
Beachlands grit and screenings	Commercial landfill	14	14	29
Warkworth biosolids	Commercial landfill	354	328	381
Warkworth screenings	Commercial landfill	8	12	10
Omaha screenings	Commercial landfill	Not reported	Not reported	1
Helensville screenings	Commercial landfill	Not reported	Not reported	14
Kawakawa bay grits and screenings	Commercial landfill	Not reported	Not reported	4
Total		139,444	137,358	136,844

* Assuming 28% solids content

Hazardous substances in waste at Mangere and Rosedale treatment plants (biosolids – dry weight)

Biosolids can have a high metal content, due to stormwater run-off from the streets and through waste from industrial users. The table below displays the metal content of biosolids from the Mangere and Rosedale treatment plants, which produce most of Watercare's biosolids.

	2011/12		2012/13		2013/14	
Substance	Concentration (mg/kg)	Disposed weight (tonnes)	Concentration (mg/kg)	Disposed weight (tonnes)	Concentration (mg/kg)	Disposed weight (tonnes)
Arsenic	5.56	0.19	4.68	0.17	4.82	0.17
Cadmium	1.46	0.05	1.27	0.05	1.08	0.04
Chromium	265.70	9.06	100.71	3.63	88.43	3.19
Lead	39.42	1.34	33.08	1.19	26.27	0.95
Mercury	0.74	0.03	0.67	0.02	0.62	0.02
Total		10.67		5.06		4.37

- This year, the dry weight of biosolids produced at Mangere and Rosedale plants totalled 36,072 tonnes. The hazardous substances disclosed above make up 0.01 per cent of the weight of dry biosolids.
- The reduction in certain heavy metals is probably due to closure of some large industrial sites (e.g. tanning and electroplating businesses), as well as improvement in pre-treatment of waste discharges at source to remove heavy metals.

TREATED WASTEWATER

The volume of wastewater treated per plant this year is displayed below, including cases where plants have discharged over the consent limit.

Wastewater treatment plant discharge (volume)

Please refer to the following rulers in the annual report: 2a, 2b and 2c.

Metropolitan wastewater treatment plants

Wastewater treatment plant (WWTP)	Discharge volume (m^3/year)	Volume of the discharge not compliant with the consented effluent quality* (m^3/year)
Mangere	110,790,202	269,358
Rosedale	18,732,438	–
Army Bay	3,284,697	–
Total metropolitan WWTPs	**132,807,337**	**269,358**

* Excludes minor or technical non-compliance

There was one transient period of 24 hours of minor non-compliance at the Mangere Wastewater Treatment Plant during the year. This 0.2 per cent non-compliance at Mangere was caused by ammonia concentrations being exceeded. Teams work hard to limit ammonia concentrations breaches at Mangere, which is difficult with the current facility. A major upgrade is currently being implemented to address this non-compliance, which consists of building an additional biological nutrient removal (BNR) facility.

Non-metropolitan wastewater treatment plants

Wastewater treatment plant (WWTP)	Discharge volume (m^3/year)	Volume of the discharge not compliant with the consented effluent quality* (m^3/year)
Pukekohe	2,233,942	291,238
Warkworth	303,530	–
Omaha	132,152	12,013
Helensville	396,642	396,642
Wellsford	222,044	197,270
Snells/Algies	286,273	83,073
Waiwera	62,982	7,932
Denehurst Drive	4,570	–
Beachlands	470,497	300
Owhanake	9,798	5,823
Clarks Beach	141,373	111,952
Waiuku	658,681	658,681
Kingseat	5,167	279
Bombay	1,071	–
Kawakawa Bay	21,561	–
Total non-metropolitan WWTPs	**4,950,282**	**1,765,203**

* Excludes minor or technical non-compliance

The non-compliance of several non-metropolitan wastewater treatment plants is a legacy issue which will be addressed by major upgrades over the next few years, as explained in more detail in the 'Compliance' section of this report (page 34) as well as in ruler 2c of the annual report.

OVERFLOWS

WET-WEATHER OVERFLOWS

Some areas of Auckland, especially the older central suburbs, are served by a combined network designed to carry both wastewater and stormwater. This pipework is operated by Watercare, and the flow is transmitted to and treated at the company's wastewater treatment plants.

During periods of heavy rainfall, a high volume of stormwater enters this 'combined system', and total volume can exceed the capacity of either the pipes or the wastewater treatment plants. To prevent this excess from overflowing into the streets, or from people's private plumbing, the wastewater network has been equipped with dedicated engineered overflow structures enabling the excess stormwater, combined with some raw wastewater, to discharge to the environment, usually to a water body that provides for dilution and dispersion. At times of heavy rain, overflows from these dedicated discharge structures are allowed, but only up to twice a year at most overflow locations. This is subject to consents issued by Auckland Council.

In some parts of the older network, the wastewater and stormwater systems have been separated. However, geotechnical, economic and community impacts in heavily developed areas make further separation impractical.

Watercare is therefore proposing to reduce wet-weather overflows in this catchment by constructing a new wastewater and stormwater tunnel, the Central Interceptor, which will run between Western Springs and the Mangere Wastewater Treatment Plant. The Central Interceptor's extra capacity will reduce overflows in Auckland's central-city area by some 80 per cent. The Central Interceptor will also replace the existing Western Interceptor, which is reaching the end of its useful life, thereby removing a significant potential environmental risk to the Manukau Harbour.

DRY-WEATHER OVERFLOWS

In other parts of the wastewater network, Watercare must comply with the conditions of a discharge consent that does not allow wastewater overflows during normal dry-weather conditions, except in emergencies.

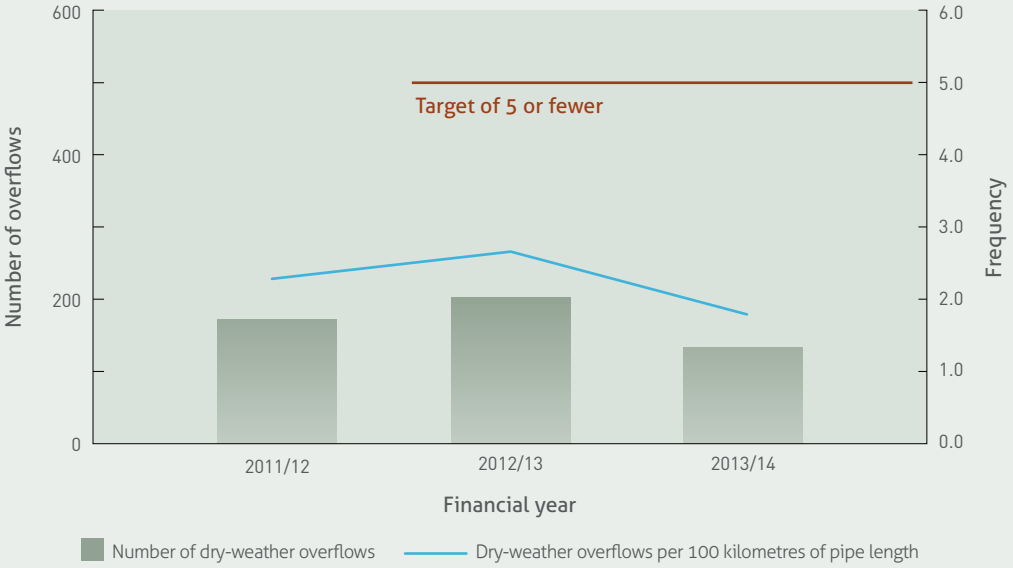
Overflows can also occur when it is not raining, for a number of reasons. These may include:

- Blockages from fats, oils and grease
- Intrusion from tree roots
- Power interruptions
- Stormwater loads from illegal connections.

The networks team undertakes regular flushing of the pipes to remove and prevent any blockages in the network. This is implemented by forcing water through selected sections of the pipes at high velocity, which stirs up and evacuates residues.

Dry-weather sewer overflows

Please refer to the following ruler in the annual report: 2d. Dry-weather overflows.

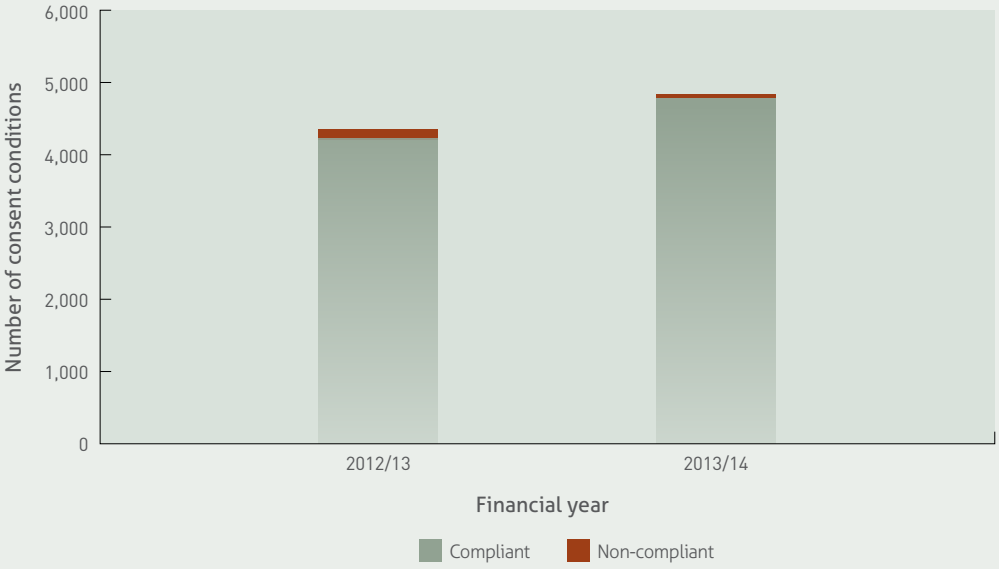


	2011/12	2012/13	2013/14
Number of dry-weather overflows	174	202	136
Overflows per 100 kilometres of pipe length	2.30	2.70	1.83
Target	≤ 15	≤ 5	≤ 5

Both the absolute number of dry-weather overflows and the number of overflows per 100 kilometres of pipe have reduced significantly from the previous year.

COMPLIANCE

Resource consent compliance



	2012/13		2013/14	
	Average monthly number of active conditions	Average monthly % of active conditions	Average monthly number of active conditions	Average monthly % of active conditions
Compliant	4,235.8	97.0	4,802.7	99.0
Non-compliant	132.2	3.0	61.2	1.0
Total	4,368		4,864	

	2012/13		2013/14	
	Average monthly number of active conditions	Average monthly % of active conditions	Average monthly number of active conditions	Average monthly % of active conditions
Non-compliant high	29.80	0.68	19.80	0.41
Non-compliant medium	58.70	1.34	31.70	0.65
Non-compliant low	43.80	1.00	9.70	0.20

At 30 June 2014, Watercare held 500 active resource consents for its projects and facilities. The number of active resource consents varies through the year, and each can include numerous consent conditions, not all of which are necessarily active. The yearly scores reported above are the averages of the numbers reported monthly to the board and shareholder in the 2013/14 financial year. During the financial year, Watercare achieved an average of 99 per cent compliance with active consent conditions. The company assigns a compliance risk rating (low, medium or high) to each consent condition based on the potential adverse effect on the environment if the condition is not met. Of the total number of consent conditions (4,871), 0.4 per cent were classified as non-compliant, high-risk.

Non-compliances with high-risk conditions related to water supply and treatment facilities included:

- As in previous years, there was an over-extraction of some groundwater sources in some communities in Franklin. The installation of a new watermain this year has connected some Franklin communities to the metropolitan network, meaning Watercare no longer requires these bores (see page 26 of the annual report, 'Connecting communities'). The rural bores in the Waiuku area remain at risk of future non-compliance; new water sources for Waiuku are being investigated.
- The discharge standards at one water treatment plant were exceeded during summer. This issue is being addressed through an upgrade of the processing facility currently programmed for the next few years.

Non-compliances with high-risk conditions related to wastewater treatment facilities included:

- Several rural wastewater treatment plants exceeded discharge standards (volumes or quality). Watercare inherited these plants from the former local councils, and an extensive programme to upgrade the plants to resolve non-compliance issues and renew resource consents is under way (refer to ruler 2c in the annual report).
- There were conditions in the legacy wastewater network discharge consents that were not compliant. Watercare has now been granted region-wide wastewater network discharge consent for the urban separated wastewater network. This will replace the legacy wastewater network discharge consents and includes overflows from existing networks that were not previously consented.

There have been no sanctions, fines or enforcement actions brought against Watercare for the above matters, nor have there been any complaints. Recurring non-compliance is the reason why significant budgets are devoted to upgrades of rural water and wastewater treatment plants, as shown in the detail of Watercare's capital expenditure programme on page 60 of this report.

ENERGY USE

Energy consumption

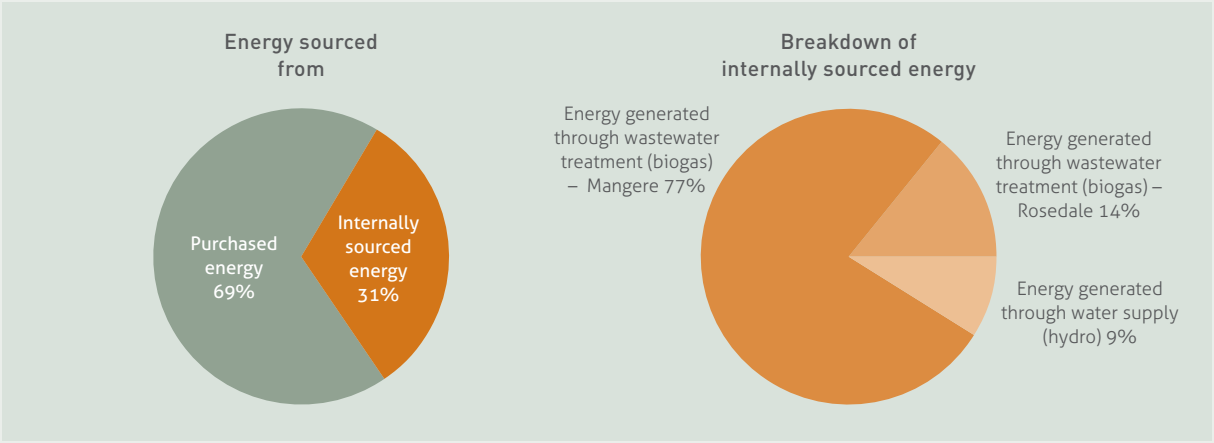
	2011/12		2012/13		2013/14	
	MWh	%	MWh	%	MWh	%
Electricity generated through water supply (hydro)	5,981	4.1	5,591	3.6	**4,364**	**2.7**
Electricity generated through wastewater treatment (biogas) – Mangere	32,178	22.3	33,486	21.4	**38,707**	**24.1**
Electricity generated through wastewater treatment (biogas) – Rosedale	6,138	4.3	6,598	4.2	**7,124**	**4.4**
Internally sourced electricity	44,297	30.7	45,675	29.2	**50,195**	**31.2**
Purchased electricity*	99,994	69.3	110,661	70.8	**110,442**	**68.8**
Total electricity consumed	144,291		156,336		**160,637**	

* – Also includes natural gas bought to assist electricity generation in the wastewater treatment plants

– Excludes electricity used by Watercare laboratory services

1 MWh – 1,000 kWh

- The level of biogas generation at Mangere Wastewater Treatment Plant increased during the year. This was due to the failure of two engines during the 2012/13 year, which took these engines out of operation for substantial periods and reduced the overall generating capability.
- Lower lake levels in dams this year resulted in less hydro power generation.



CLIMATE CHANGE

CLIMATE CHANGE MITIGATION (REDUCING GREENHOUSE GAS EMISSIONS)

Please refer to the following ruler in the annual report: 6a. Greenhouse gas emissions.

Aligned with Auckland Council's Low Carbon Action Plan, Watercare reports against a 1990 baseline year. The emission reductions achieved since 1990 are significant. Watercare's greenhouse gas (GHG) emissions are now 80 per cent lower than in 1990, as displayed below:

1989/90 greenhouse gas emissions – baseline year	137,990	Unit
Scope 1	132,430	t CO_2e
Scope 2	5,500	t CO_2e
Scope 3	60	t CO_2e

2013/14 greenhouse gas emissions with identical scope as in 1990	28,737	Unit
Scope 1	11,052	t CO_2e
Scope 2	17,525	t CO_2e
Scope 3	160	t CO_2e

Note: The 1989/90 emissions are slightly different from those published in the 2013 GRI report (1 percentage point lower) following the correction of double counting.

Over the past 10 years, Watercare has completed major upgrades of its two main wastewater treatment plants. Oxidation ponds were decommissioned and sludge lagoons removed. Ultraviolet lights, which require high levels of energy, replaced natural sunlight for the final stages of the treatment process; however, extra emissions were more than offset by savings from the upgrade despite Auckland's growth and the increased scope of Watercare's activities. In addition, the company made changes to the digesters in which biogas is captured, which resulted in reduced gas leaks from the roofs and led to decreased emissions this year.

During the year, Watercare requested an external review of its carbon accounting. This included a review of the source and quantities of GHG emissions generated by the company and improvements to the robustness of the data collection. It also updated the scope of the reporting, following developments in the GHG Protocol, a widely accepted methodology for organisational carbon accounting.

Watercare's carbon footprint is calculated in conformance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (GHG Protocol) (World Resources Institute, 2004) and informed by the GHG Protocol Scope 3 (WRI, 2011) methodology.

As part of this work, Watercare undertook a materiality assessment of key emission sources. Following this review, the operational reporting boundary will be extended next year to also include emissions from:

- Use of lime in treatment processes
- On-site diesel use
- LPG used for forklift operation
- Transmission and distribution of electricity and reticulated natural gas
- Private mileage (for business purposes)
- Taxi use.

Greenhouse gas emissions

Scope	Category	Emission source	Value	Unit
Scope 1	Stationary combustion	Natural gas use	2,569	t CO_2e
		Biogas combustion	99	t CO_2e
	Mobile combustion	Fuel use in corporate vehicles	1,310	t CO_2e
	Process emissions	Wastewater treatment	5,670	t CO_2e
	Fugitive emissions	Overflows from network	–	t CO_2e
		Fugitive emissions from network	1,405	t CO_2e
	Subtotal Scope 1		**11,053**	**t CO_2e**

Scope	Category	Emission source	Value	Unit
Scope 2	Purchased electricity	Electricity use	17,525	t CO_2e
	Subtotal Scope 2		**17,525**	**t CO_2e**

Scope	Category	Emission source	Value	Unit
Scope 3	Waste	Waste to landfill – corporate	5	t CO_2e
	Business travel	Air travel	155	t CO_2e
	Subtotal Scope 3		**160**	**t CO_2e**

Total 2013/14 greenhouse gas emissions	28,737	t CO_2e

The inventory accounts for all Scope 1 and Scope 2 emissions and selected Scope 3 emissions of the six Kyoto GHGs (CO_2, CH_4, N_2O, HFCs, PFCs and SF_6). The emissions are expressed as carbon dioxide equivalents (CO_2e).

From 2014/15, Watercare will report its GHG emissions with the increased scope described above. Applying this scope to this year's emissions would increase the total by 37 per cent, as shown below:

2013/14 greenhouse gas emissions with identical scope as in 1990	28,737	Unit
Scope 1	11,052	t CO_2e
Scope 2	17,525	t CO_2e
Scope 3	160	t CO_2e

2013/14 greenhouse emissions with increased scope to be used from 2015 onwards	39,326	Unit
Scope 1	11,850	t CO_2e
Scope 2	17,525	t CO_2e
Scope 3	9,951	t CO_2e

Reported Scope 3 emissions will cover the most commonly reported and most material sources including transmission losses, waste to landfill, business travel and lime-embodied emissions. The largest Scope 3 emission source not included in the boundary is capital projects. This will be a focus of work in future, as methodologies by which to do so become available.

CLIMATE CHANGE ADAPTATION (ADAPTING TO A CHANGING ENVIRONMENT)

Potential effects of climate change, such as increased frequency of storm events or changes in rainfall patterns and temperatures, could alter both the availability of water and the demand for water in Auckland in the coming decades, thereby significantly affecting Watercare's business model.

This year, Watercare commenced work on:

- Modelling the likely impacts of climate change on the availability of water in Auckland's water sources. (Auckland's water is largely drawn from surface water sources, which are sensitive to evaporation and changing rainfall patterns.)
- Modelling the likely impacts of climate change on water demand: water use, especially in summer, is highly dependent on weather conditions such as rainfall and temperature.

The potential financial impact of climate change has not yet been quantified.

03

COMMUNITY

Please also see the 'Stakeholder relations' section of the 2014 Annual Report.

MATERIAL ISSUES:	INDICATORS:
Impact of operations and construction works	Midge, odour and noise complaints received from neighbours of Watercare's sites Stakeholder consultation and communication prior to and during projects to mitigate impact on the community
Engaging with and investing in the community	Community investment Public policy participation Working with Local Boards
Engaging with iwi for effective outcomes	Collaboration with iwi through the establishment of the Mana Whenua Kaitiaki Forum (the MWKF)

OVERVIEW

Watercare's statement of intent outlines the activities to be undertaken by the company and sets specific economic, social and environmental objectives. Setting these objectives requires consideration of the impacts the business is likely to have on the wider community.

Watercare aims to work with communities potentially affected by its activities. Examples of recent project engagement and collaboration, as well as a detailed stakeholder diagram, are provided in the annual report (pages 20 and 21). At a local level, the company fosters active relationships with affected communities through Local Boards, other forums and individual relationships, and carries out impact assessments as part of the process of applying for resource consent approvals for all major projects. These principles of community consideration apply through all stages of the business, from the start of a new project or operation through to its conclusion.

Watercare also supports various community events and other initiatives, and actively contributes to the development of legislation and policies likely to impact on its operations.

This year, to provide a more comprehensive representation of the various ways Watercare's operations affect the community, two additional areas have been identified as material to the company's reporting: impacts of operations and construction works on the community, and iwi engagement.

IMPACT OF OPERATIONS AND CONSTRUCTION WORKS

Watercare remains fully committed to delivering high-quality water and wastewater services to the people of Auckland. It also has an obligation to ensure that, as far as is practicable, its business operates in harmony with the community.

Watercare's resource consents stipulate the standards for all of its processes (see the Environment section of this report for more information). The company records and strives to address all complaints about the impact of its activities on the environment and on the communities living nearby, particularly those related to midges, odours and noise.

Midge and odour complaints at wastewater treatment plants

	2011/12	2012/13	2013/14
Midge (insects)	3	–	13
Odour	4	30	22
Noise	2	2	4

- Midges are small flies that thrive within water bodies in still and mild conditions. An increase in the number of complaints about midges this year was the result of a mild and dry winter and summer, which created perfect breeding conditions in ponds and channels.
- The increase in the noise complaints can be attributed to the ongoing upgrade work at the Mangere Wastewater Treatment Plant.

Please refer to the following rulers in the annual report: 6f. Midge complaints at wastewater treatment plants; 6g. Odour complaints at wastewater treatment plants.

Over the past year, Watercare has undertaken a number of projects which are in various stages of completion. Given the potential impact of the company's activities on communities, Watercare undergoes rigorous assessment and consultation processes. Appropriate consultation is also a component of the statutory approvals process.

Watercare's performance in this area has been highlighted in the following pages of the annual report:

- Page 7 – Stakeholder engagement performance
- Pages 20 and 21 – Stakeholder engagement diagram
- Page 22 – Working with the Environmental Advisory Group
- Pages 46 to 51 – Stakeholder relations.

Please refer to the following ruler in the annual report: 5b. Engaged communities.

ENGAGING WITH AND INVESTING IN THE COMMUNITY

Watercare partners with community organisations to: promote awareness about water and wastewater processes; contribute to a cleaner environment through harbour cleaning and tree-planting initiatives; and help customers in difficult circumstances to manage their water costs.

Please refer to the following ruler in the annual report: 5b. Engaged communities.

Community investment

Initiative	2012/13	2013/14
Rainforest Express	124,003	6,642
Watercare Education Programme	11,826	11,693
Watercare Utility Consumer Assistance Trust	100,000	100,000
Trees for Survival	3,000	3,125
Watercare Harbour Clean-Up Trust	250,000	250,000
Total	488,829	371,460

- The Rainforest Express did not operate this year due to safety concerns (**please refer to ruler 5b in the annual report**).
- The Watercare Education Programme (formerly known as Adopt A Stream) provides primary and intermediate schools throughout Auckland with hands-on lessons that teach pupils about water, wastewater and their local environment.
- EcoMatters Trust receives funding from Watercare ($105,000 annually). It has not been included in the above table as EcoMatters provides services to Watercare as part of this partnership.

Public policy participation

Where appropriate, Watercare contributes to the development of public policy that is relevant to its operations. Significant issues and public policy positions are summarised below:

	Watercare's position
National-level initiatives	
Building Act Amendment Bill No. 4	Watercare made a submission and gave evidence to the Local Government and Environment Committee on the Building Act Amendment Bill No. 4 focusing on the dam safety scheme and issues around buildings that do not require consent. Watercare was largely satisfied with the wording in the final version of the Bill. The Act was given Royal Assent in November 2013.
Heritage New Zealand Pouhere Taonga Bill	Watercare submitted on the Heritage New Zealand Pouhere Taonga Bill on 21 June 2012. Subject to some amendments, Watercare supported the Bill proceeding on the basis that this legislation will provide better provisions for the management of sites of cultural or historical significance in New Zealand. The Act was given Royal Assent in May 2014.

	Watercare's position
National-level initiatives (continued)	
Proposed Amendments to the National Policy Statement (NPS) on Freshwater Management 2011: A discussion document	Watercare submitted comments on the proposed amendments to the NPS on Freshwater Management 2011. The company generally supports the direction of the reforms, but has raised a few matters related to the practicality of metering wastewater and stormwater networks discharges, the need for clarity around the significance of economic costs as a criteria and the need for certainty around the proposed stakeholder consultation process where it is used as an alternative to the normal statutory decision-making process. Watercare also contributed to the Auckland Council submission.
Tāmaki Collective Claim on Volcanic Cones	On 8 September 2012 the Crown and Collective signed a Deed of Settlement. The settlement will vest 14 maunga (volcanic cones) in the Tāmaki Collective on the condition that they are held in trust for the iwi/hapū of the Tamaki Collective and all other people of Auckland. The maunga will vest as reserves and public access and existing third-party interests will be protected. Watercare has worked closely with the Crown and iwi to ensure that it is able to maintain and operate infrastructure located on the maunga.
Auckland regional policy and planning initiatives	
Auckland Council Operative Plan Changes	There are three main plan changes of significant interest to Watercare: Clevedon, Kingseat and Drury South. The key issue of concern for all of these plan changes is the availability of wastewater treatment and disposal. All of these plan changes have been granted by the hearing panel, but are under appeal. Watercare has a minor appeal on the Clevedon plan change, is a Section 274 party to the Kingseat appeals, and has no interest in the Drury South appeals.
Auckland Regional Policy Statement: Plan Change 8 – Outstanding Natural Landscapes	Watercare submitted on the initial version of the Auckland Regional Policy Statement: Plan Change 8 – Outstanding Natural Landscapes. Auckland Council has made amendments to the document that addressed all of Watercare's concerns. This plan change is not yet operative as one appeal related to a specific site has not been settled.
Auckland Regional Plans: Air, Land and Water Plan and Coastal Plan	All appeals have been resolved on the Auckland Regional Plan: Air, Land and Water Plan and on the Auckland Regional Plan: Coastal.
Auckland Council Unitary Plan	Auckland Council notified the Proposed Auckland Unitary Plan on 30 September 2013. Watercare provided feedback on the draft version released in March 2014 and worked with council to include a range of points in Auckland Council's submission on the notified Unitary Plan. As a council-controlled organisation, Watercare will work as part of the council team throughout the hearings process.

	Watercare's position
Waikato regional policy and planning initiatives	
Waikato Regional Policy Statement (RPS)	Waikato Regional Council released the notified version of the Proposed Waikato RPS in November 2010. Key issues for Watercare include matters related to the Mangatangi and Mangatawhiri dams, which are now located in the Waikato region, and water takes from the Waikato River, which relate both to water allocation and the protection of water quality. Watercare, along with other Waikato River Municipal Users Group (WRMUG) members, appealed the decision version of the RPS and become a Section 74 party to a number of other appeals. Only one of Watercare's points of appeal, which relates to water allocation, remains unresolved. All parties, except for one, have agreed to the amended wording. Discussions are ongoing on this matter.
Waikato Regional Pest Management Plan	Waikato Regional Council issued the draft Pest Management Plan for consultation. Notably, the plan did not mention the Hunua Ranges nor did it recognise water supply dams in this area. Both Auckland Council and Watercare appealed the decision version of the plan, and worked together to settle the appeals. Waikato Regional Council has now accepted Auckland Council's role as the pest management agency for the Hunua Ranges. This, together with some other minor amendments, settles Watercare's appeal.

Working with Local Boards

- Local Boards along the Central Interceptor route were provided with information on the resource consent hearings, including the granting of consents, key findings of the commissioners and the subsequent appeals process. These have been followed up with briefings to the Mangere, Manurewa and Waitemata Local Boards.
- Watercare also hosted the Franklin and Papakura Local Boards at Mangere Wastewater Treatment Plant where information was shared on the history of the plant relative to the Manukau Harbour and future planned works. Project managers had an opportunity to interact with local politicians and answer questions on the future projects at the plant including the biological nutrient removal upgrades, road and walkway realignment, Puketutu Island rehabilitation and the Central Interceptor. The event concluded with a visit around the plant and surrounding area including Puketutu Island. Based on the feedback received from Local Board members, similar initiatives have been planned for other Local Boards.
- Workshops were held with Takapuna-Devonport and Waitemata Local Boards regarding Watercare's infrastructure projects in parks. Close co-operation between Auckland Council's Parks team and Watercare has helped with the landowner approval process.
- Watercare briefed Auckland Council Parks staff on the Kohimarama Wastewater Storage Tank Project; Parks and Watercare then provided a joint briefing for the Orakei Local Board. Watercare also joined the Orakei Local Board to brief the St Heliers Residents and Ratepayers Association on a number of forthcoming projects.

ENGAGING WITH IWI FOR EFFECTIVE OUTCOMES

Watercare has fostered a strong working relationship with mana whenua through the establishment of the Mana Whenua Kaitiaki Forum (the MWKF). The forum comprises representatives from 14 iwi authorities and is founded on principles including:

- Relationship building – Building understanding to enhance the relationship between mana whenua and Watercare
- Integrity – Ensuring cultural integrity and respect
- Opportunities – Identifying opportunities of mutual interest and benefit
- Best practice – Advising on the best way for Watercare to meet its cultural, environmental, social and economic responsibilities
- Efficiency – Establishing efficient, collective processes for building the relationship and engagement.

This working relationship is founded on fundamental concepts and values including mana atua, mana whenua, mana tangata, rangatiratanga, kaitiakitanga and manaakitanga.

Watercare is working with mana whenua to progress a range of environmental management initiatives. Recent projects include: developing training programmes for Watercare staff to ensure effective management of archaeological and cultural sites; review of wastewater disposal options; consultation on the Waikato River water take application; discussion of Marae drinking water upgrades; and feedback on the Proposed Auckland Unitary Plan.

Through its engagement with mana whenua, Watercare has received valuable input on numerous water and wastewater infrastructure projects including:

- Wastewater projects: Central Interceptor, Army Bay Treatment Plant, Mangere Wastewater Treatment Plant Upgrade
- Water projects: Hunua No. 4, Mt Hobson Upgrade, Mt Albert Upgrade, Huia Water Treatment Plant Upgrade.

Through a robust engagement framework that enables mana whenua to be proactively involved in environmental management, mana whenua are learning about various aspects of water and wastewater delivery and project management. Similarly, Watercare employees are learning about the intimate connection Māori share with the environment through their linkages with Ranginui-e-tū-nei (the sky father) and Papatūānuku (the earth mother).

Please refer to the following sections in the annual report: ruler 5a Engaged shareholder and Mana Whenua Kaitiaki Forum Chair Tame Te Rangi's letter.

04

PEOPLE

Please also see the 'Health, Safety and Well-being' section of the 2014 Annual Report.

MATERIAL ISSUES:	INDICATORS:
Recruitment and development	Employment type classification New hires Staff turnover Performance review process Training per staff member
Staff engagement and diversity	Permanent staff age/gender profile Salary ratio breakdown by gender Parental leave breakdown by gender Staff survey and results
Health and safety	Lost-time injury frequency rate Unscheduled absences

OVERVIEW

A skilled and engaged workforce is key to Watercare realising its vision of 'Outstanding and affordable water services for all Auckland'. The organisation has a strong focus on staff training and runs a yearly staff engagement survey.

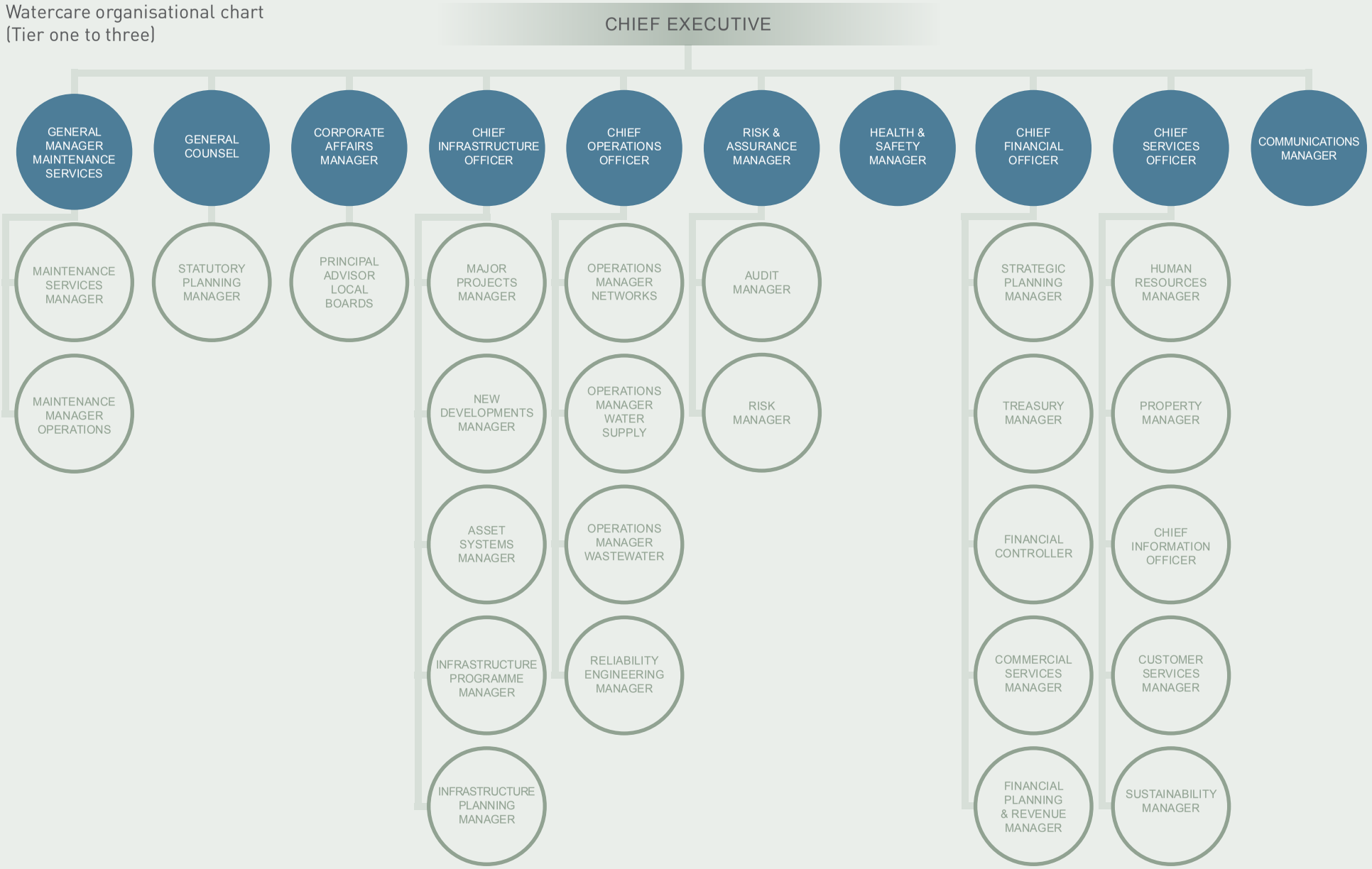
Effecting the company's zero-harm policy by ensuring the health and safety of all staff and contractors across Watercare's various sites is a top priority. An assessment of the Health and Safety Management systems was carried out in 2013/14 and the focus is on continuing improvements to health and safety processes.

Watercare has a diverse workforce which, as at 30 June 2014, comprised 772 permanent employees and a small number of staff on fixed-term, casual or temporary contracts.

Following the materiality assessment, Watercare has included new indicators and modified others to better comply with the GRI framework and provide more information on its workforce. Some sections, like those which include a breakdown of data by gender, were introduced only this year.

The information in this section complements the 'Heath, Safety and Well-being' focus area in the annual report (pages 36 to 41).

Watercare organisational chart (Tier one to three)



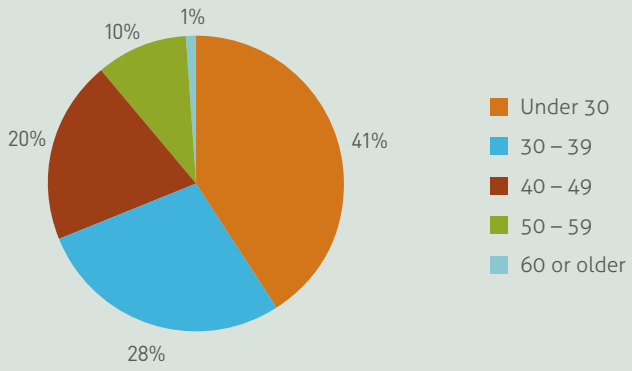
RECRUITMENT AND DEVELOPMENT

Employment type classification

	2011/12	2012/13	2013/14		
			Male	Female	Total
Individual employment agreements (IEAs)	541	590	371	245	616
Collective employment agreements (CEAs)	104	126	141	2	143
Part-time headcount	2.5	15	3	10	13
Subtotal (permanent staff)	648	731	515	257	772
Fixed-term IEAs ≥ 1 year	4	2	9	3	12
Fixed-term IEAs ≤ 1 year	14	18	5	9	14
Casuals headcount	2.8	21	10	12	22
Total headcount on payroll	668	772	539	281	820

- The number of staff has increased by six per cent on the 2012/13 financial year. The large increase from 2011/12 to 2012/13 was largely due to the insourcing of operational plants and network maintenance work that had previously been contracted out.
- All of Watercare's employees are in the Auckland region, apart from three in Queenstown and three in Invercargill, where Watercare operates laboratory and testing services.
- Collective employment agreements (CEAs) are contracts between one or more employers and one or more unions and bind two or more employees. Individual employment agreements (IEAs) remain the most common type of employment contracts. The number of CEAs increased slightly during 2013/14 but generally remained consistent with the level of growth in the workforce.
- The majority of employees on CEAs are men who are assigned to undertake field-based maintenance work.

New hires by age group

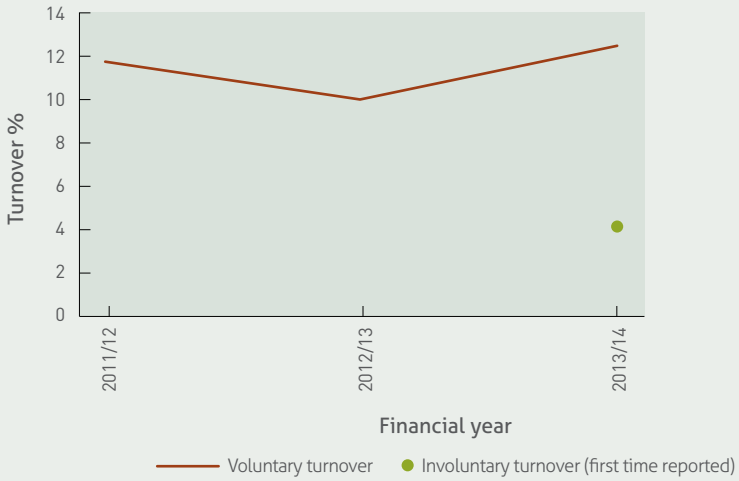


	2012/13	2013/14
New hires – men	104	97
New hires – women	72	56
Total	176	**153**

- All new hires were in Auckland with staff numbers remaining the same in the South Island.
- The majority of new hires (69 per cent) were in the under-40 age group, with 41 per cent under 30. However, staff turnover under 30 was high as well (see next indicator).

Staff turnover

Please refer to the following ruler in the annual report: 3e. Staff turnover.



	Voluntary turnover	Involuntary turnover	Total turnover
Male	46	29	75
Female	47	2	49

Age group			
Under 30	20	9	29
30 to 39	40	7	47
40 to 49	24	4	28
50 to 59	7	5	12
60 or older	2	6	8
Total	**93**	**31**	**124**

- Turnover includes permanent staff only. Termination of employment due to the end of a fixed-term contract is not included in the turnover data above.

- Watercare's Statement of Interest target on staff turnover is to maintain voluntary turnover below 12 per cent. For the first time in many years, the company failed to meet the target this year, with turnover at 12.54 per cent. It has increased from last year, with a majority of voluntary turnover in the 30 to 39 age group. This can be attributed to voluntary turnover during mid-late 2013 in the Customer Services team, due to the impending relocation from East Tamaki in South Auckland to the centrally located Newmarket office. The relocation involved a significant commute for those staff who lived in East Tamaki. Turnover in this team increased markedly from July to December 2013, after the announcement about the move in June, especially in September and October.
- To better represent trends and patterns in regard to staff turnover, Watercare has decided to include gender breakdown as well as involuntary staff turnover this year. Involuntary turnover includes retirement, deaths, abandonment of employment and negotiated or managed exits.
- Though voluntary turnover was equally spread between men and women this year, involuntary turnover was almost confined to men. High involuntary turnover from males under 39 years has been identified as happening in the teams carrying out maintenance work in the field. Examples of issues that caused involuntary turnover include poor performance and absenteeism, as well as alcohol and drug use.

Performance review process

Watercare holds performance reviews annually for every permanent employee who is on an IEA. These were conducted in October 2013 for those who met the eligibility criteria and had been employed prior to 1 August 2013. Managers completed 80 per cent of those reviews within the allocated time. The total number of permanent employees at this time was 729; of these, 26 were not eligible for a review, having commenced employment after 1 August. Staff under CEAs are exempt from the review process also, as their performance is assessed according to the terms of the award.

Training per staff member

Please refer to the following ruler in the annual report: 3f. Staff training.

	2011/12	2012/13	2013/14
Total training spend ($)	604,000	731,000	711,000
Average spend per employee ($)	977	1,038	958

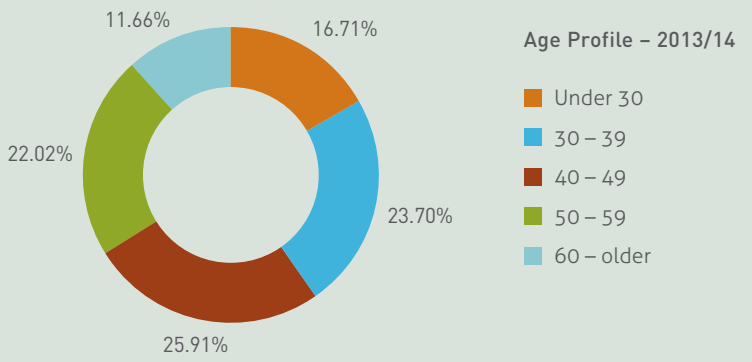
	2013/14
Average staff numbers over the year*	742
Average hours of training per employee	22
Average hours of training for male staff	24.4
Average hours of training for female staff	17.2
Average hours of training for full-time staff	21.8
Average hours of training for part-time staff	31.2
Average hours of training for casual staff	–

* This is different from the staff number in the first indicator, which is the headcount as at 30 June

- Watercare has included a breakdown of training hours by gender and employment type this year
- Training hours are based on permanent employees only
- The training hours for men are higher than for women as the majority of training is of a technical nature and undertaken by our field and network staff, i.e. confined space, working at heights etc.
- There is no training target per employee as the need for training is job specific and differs from employee to employee.

STAFF ENGAGEMENT AND DIVERSITY

Permanent employee age profile



	2011/12	2012/13	2013/14
Under 30	99	120	**129**
30 to 39	161	186	**183**
40 to 49	170	183	**200**
50 to 59	144	166	**170**
60 or older	71	76	**90**
Total	645	731	**772**

Note: The total staffing numbers reflect the total number of permanent full-time and part-time employees.

- The staff age profile has remained largely similar to last year.

Gender breakdown and salary ratio

2013/14	Numbers			
	Men	Women	Staff ratio	Salary ratio
Executive and senior management (Band 10)	18	2	10%	99%
Management (Bands 8 and 9)	47	10	18%	94%
Technical (Bands 5 to 7)	228	89	28%	94%
Operational and support (Bands 1 to 4)	75	154	67%	92%

- Staff ratio is calculated as the percentage of women in each salary band
- The bands enable an equal remuneration system based on the type of job and the experience of the person
- Salary ratio is the percentage of remuneration women in a particular job band are paid compared to men in the same job band
- Individual salaries are not reported to protect confidentiality
- Data does not include the Chief Executive, as it is the sole role in that band, nor staff employed in operational roles under CEAs who are paid on a different grading system relative to their award.

Parental leave

Number who have taken parental leave:	2011/12	2012/13	2013/14
Men	Not reported	Not reported	5
Women	Not reported	8	13
Total	6	8	18

Number due to return from parental leave each year:	2011/12	2012/13	2013/14	2014/15
Men	Not reported	Not reported	5	0
Women	Not reported	4	9	8
Total	Not reported	4	14	8

Number who have come back from parental leave:	2011/12	2012/13	2013/14
Men	Not reported	Not reported	5
Women	Not reported	4	7
Total	Not reported	4	12
% returning after parental leave	Not reported	Not reported	86%

- Two women did not return from maternity leave in 2013/14, making the proportion who returned after parental leave 86 per cent this year
- More information has been added to this indicator this year
- In accordance with employment legislation, the company keeps open all roles for those staff members who elect to take parental leave and recognises that, while the option to return to work remains, an employee may decide, based on their personal circumstances, to not return to work at Watercare on completion of their leave period.

Staff survey and results

	2012/13	2013/14
Survey response rate (%)	67	86
Staff engagement score	59	63

- This is the second year that Watercare has conducted a staff survey
- In 2012/13 Watercare ran two employee surveys, one at 67 per cent response rate and one at 76 per cent.

The company participated in the Auckland Council-sponsored IBM Kenexa staff survey in 2014, to identify how well the organisation was performing with regard to employee engagement. The participation rate improved considerably from last year to reach a total participation rate of 86 per cent. The overall engagement score improved also, up four points to 63. Kenexa classifies this to be a significant positive change. The IBM Kenexa external benchmark is 71; this includes 146 New Zealand organisations drawn from local government, central government and large private organisations (400+ employees).

- The six statements relating to staff engagement were:
  - I feel inspired to go the extra mile to help this organisation succeed
  - This organisation inspires me to do the best I can in my job every day
  - Overall, I'm satisfied with my job
  - I take an active interest in what happens in this organisation
  - I feel a sense of commitment to this organisation
  - I would recommend this organisation as a great place to work.
- Workshops have been planned with managers to analyse results and decide on the priority actions. Each manager will take responsibility to implement priority actions in their teams.

HEALTH AND SAFETY

Watercare has a formal Health and Safety Committee structure, with 12 separate health and safety committees representing the various work groups within the company. Union representatives and members participate in these health and safety committees as well.

The committees meet on a monthly basis to discuss and plan health and safety initiatives, and review health and safety statistics and incidents/accidents which have occurred in that period. Formal committee minutes are kept for all health and safety committee meetings. A total of 96 staff participated within the various health and safety committee structures out of a workforce of 772 permanent employees.

Formal reporting processes include reporting near misses, first-aid injuries, medical treatment injuries and lost-time injuries. An incident database is maintained to manage all reported incidents and to determine root causes. The right to refuse unsafe work is recognised as part of the Health and Safety Management System and is a legal requirement. Complaints are noted by means of a hazards reporting process.

Watercare complies with the requirements of the Health and Safety in Employment Act 1992. The company has been audited and certified by Accident Compensation Corporation (ACC) as being compliant with their Workplace Safety Management Practice Requirements at the tertiary Level. Watercare is registered with Telarc SAI Limited and is certified AS/NZS 4801:2001 compliant.

The company has engaged medical professionals Medinex to review and provide guidance regarding health-related issues. Watercare engages an occupational nurse and operates clinics at its various sites to provide advice on health-related matters. Health and safety professionals are engaged to review the company's health and safety procedures, processes and work practices as required. Employees in key or high-risk roles undergo annual medical assessments.

Watercare operates a comprehensive Employee Assistance Programme (EAP Services) providing all staff with access to a wide range of confidential counselling services. This is available to personnel on a company referral or self-referral basis. This service is used also in any incident requiring crisis intervention.

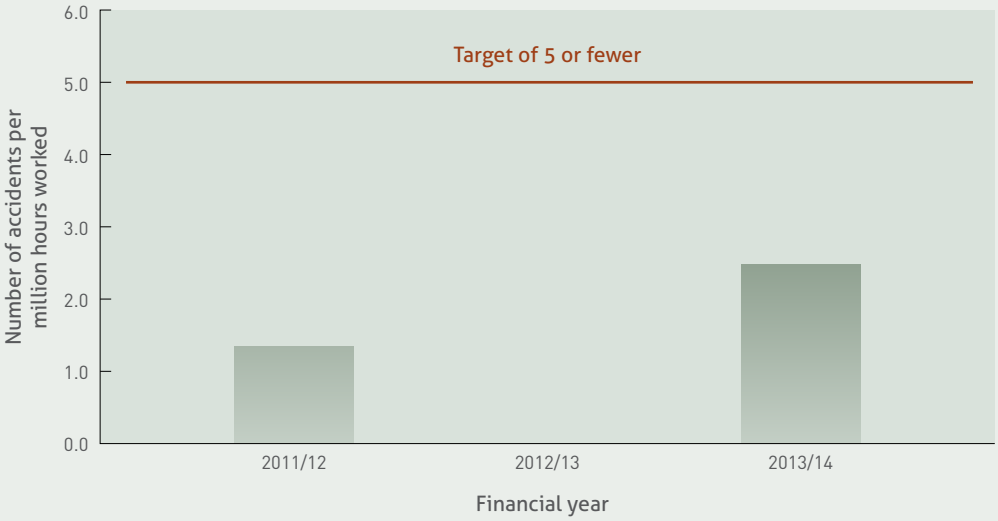
All employees required to work in a wastewater environment are immunised against hepatitis A and B, polio, tetanus and TwinRx, with the cost borne by the company. All staff are offered free influenza immunisation on an annual basis.

All new employees and contractors receive an initial health and safety induction and regular refresher workshops. Staff also receive additional health and safety training appropriate to their role. This may include first aid, confined space, working at heights, working on the road, forklift operation, chemical handling, defensive driving and CPR. The company carries out regular workplace inspections. Inspection reports are completed for review and to track issues to be addressed. Watercare works closely with ACC, providing comprehensive rehabilitation and return-to-work programmes for work and non-work-related injuries.

All the collective employment agreements stipulate a company commitment to the health and safety of employees and include provisions relating to drug and alcohol testing, alternative duties/rehabilitation, medical examinations, accident and near-miss reporting, inoculation and biological monitoring (where applicable).

Lost-time injury frequency rate (LTIFR)

Please refer to the following ruler in the annual report: 3a. Lost-time injury frequency rate.



Number of accidents per million hours worked by Watercare's staff:	2011/12	2012/13	2013/14
Male	Not reported	Not reported	3.78
Female	Not reported	Not reported	–
Combined	1.4	–	2.53

- A lost-time injury (LTI) is recorded when an injured employee is unable to work their next scheduled shift due to the injury
- Watercare has increased its focus on health and safety reporting in 2013/14 to ensure all events are recorded and properly classified
- Watercare does not report on contractors' LTIFR. This would require contractors' hours worked and all incidents reported to a database for managing the information accurately. Although the company is notified about contractors' injuries when they occur, the reporting of the exact number of hours worked is less accurate. The focus for future is to start reporting on the number of contractors' injuries, not their frequency.

Unscheduled absences due to staff illness

Please refer to the following ruler in the annual report: 3d. Staff illness.

Unscheduled absence as % of available work hours	2011/12	2012/13	2013/14
Male	Not reported	Not reported	2.26
Female	Not reported	Not reported	1.88
Combined	1.80	2.00	2.14

- The unscheduled absence rate is currently under the 2.5 per cent benchmark
- Previous years indicate that Watercare achieved between 1.8 and 2.2 per cent consistently.

Watercare does not currently collect specific data on occupational diseases. This has been identified as a focus area for 2014/15.

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ECONOMY

Please also see the 'Sound financial management' and 'Effective asset management' sections of the 2014 Annual Report.

MATERIAL ISSUES:	INDICATORS:
Sound financial management	Financial summary Taxation Investment in staff
Asset maintenance and infrastructure planning	Capital expenditure programme
Supply chain	Expenditure by industry and sector Top 50 suppliers

OVERVIEW

Watercare is a Council Controlled Organisation as defined by Section 6 of the Local Government Act 2002. Watercare's sole shareholder is Auckland Council; however, it is required to fund its own activities and does not receive funding from local or central government. The company has very clear guidelines and shareholder expectations in relation to its financial performance (see page 16 and pages 66 – 69 in the annual report for more information). It is required by law to manage its operations efficiently, with a view to keeping the overall costs of its services to customers (collectively) at minimum levels while continuing to deliver high-quality water and wastewater services to the people of Auckland.

The financial performance of Watercare for 2013/14 is extensively explained in the annual report. Following feedback from stakeholders, Watercare has added a brief summary of financials on page 73 of the annual report to provide a 'bird's-eye view' of the business. Since financial outcomes are covered in the annual report, this section focuses mainly on the supply chain and the capital expenditure programme.

Watercare's activities have significant indirect economic impacts on the community. The affordability of water and wastewater services (see 'Charges and tariffs' in the Customer section of this report), the provision of infrastructure and maintenance services ensuring the continuity of supply as well as catering for Auckland growth are key for the development of Aucklanders and Auckland's economy. The relationship with Auckland Council and with the community on these aspects is explained throughout the annual and GRI reports.

SOUND FINANCIAL MANAGEMENT

Watercare's financial performance and position are detailed at length from page 84 to 118 and summarised on page 73 of the annual report. Watercare's performance on key SoI measures in this area is available on pages 64 and 69. Below is a quick snapshot of key financial information.

Revenue, operating expenses and property, plant and equipment

Revenue ($000)			
	2011/12	2012/13	2013/14
Water	129,543	134,978	**133,340**
Wastewater	263,624	272,818	**266,503**
Trade waste	12,462	13,161	**13,509**
Other	36,321	61,663	**87,118**
Total	441,950	482,620	**500,470**

Operating expenses ($000)			
	2011/12	2012/13	2013/14
Water	71,542	69,675	**70,691**
Wastewater	113,048	122,232	**125,920**
Total	184,590	191,907	**196,611**

Property, plant and equipment ($000)			
	2011/12	2012/13	2013/14
Water	3,259,783	3,392,587	**3,425,153**
Wastewater	4,470,526	4,692,391	**4,810,185**
Total	7,730,309	8,084,978	**8,235,338**

Commentary on the above information is available in the financials displayed in the annual report, pages 77 to 79.

Investment in staff

	2011/12	2012/13	2013/14
	$000	$000	$000
Total remuneration	55,575	59,621	**64,067**
Health care expenditure	137	265	**389**
Life and disability insurance	543	600	**629**
Total	56,255	60,486	**65,085**

- Please refer to table page 48 for more information on increase in employee numbers
- The expenditure on training can be found on page 50.

Taxation ($000)

	2011/12	2012/13	2013/14
Income tax paid	–	–	**–**
GST collected	65,958	71,001	**69,933**
ACC levies	548	502	**625**
Local and regional council rates	1,208	1,178	**1,631**
Total	67,714	72,681	**72,189**

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ECONOMY

ASSET MAINTENANCE AND INFRASTRUCTURE PLANNING

Watercare's Asset Management Programme aims to maintain the long-term integrity of its assets and manages the risk of unexpected operational or maintenance costs. It also ensures that new infrastructure is delivered in a timely manner to meet the needs of a growing population. Many projects are spread across multiple years and require careful planning and management. Recent significant capital projects undertaken to address future population growth include the development of the Kumeu-Huapai and Riverhead service network, the Southern Networks Upgrade Project, the North Harbour No. 2 Watermain and the Hunua No. 4 Watermain.

The company is currently finalising the expected investment in capital works for the next 10 years. Key drivers for this investment include catering for expected population growth in the region and the associated increase in demand, replacing and renewing existing infrastructure to maintain and improve service levels, and increasing network resilience so as to ensure security of supply.

Details of Watercare's planned capital expenditure programme are summarised below.

Capital expenditure programme

Please refer to the following ruler in the annual report: 7a. Capital expenditure.

	2013/14 expenditure ($ million)
Water	
Water sources	
Dam rehabilitation	3.97
Water sources improvement	0.01
Regulatory compliance – water sources	-0.08
Water network	
Raw water network rehabilitation/replacement*	0.24
Raw water network improvement**	–
Treated water network rehabilitation/replacement	17.27
Treated water network improvement	4.56
Treated water network expansion	44.19
Water treatment plants	
Water treatment plant rehabilitation/replacement	4.72
Water treatment plant improvement	2.81
Water treatment plant expansion	7.01
Regulatory compliance – water treatment	–
Energy and control systems* **	
Energy and control systems rehabilitation/replacement	0.30
Energy and control systems improvement	1.06
Energy and control systems expansion	–
Major projects	
Hunua No. 4 water supply scheme	58.88
CBD storage	–
Other	
Water demolition****	–
Capital interest – water	7.45
Water total	**152.39**

	2013/14 expenditure ($ million)
Wastewater	
Wastewater network	
Collection system replacement	39.21
Collection system improvement	5.86
Collection system expansion	21.47
Regulatory compliance – collection	–
Wastewater treatment plants	
Regulatory compliance – wastewater treatment plant	–
Wastewater treatment plant rehabilitation/replacement	7.70
Wastewater treatment plant improvement	33.64
Wastewater treatment plant expansion	22.86
Energy and control systems* **	
Energy and control systems rehabilitation/replacement	1.05
Energy and control systems improvement	1.76
Energy and control systems expansion	–
Major projects	
Central Interceptor	5.24
Waterfront Interceptor	–
Northern Interceptor	–
Other	
Trade waste	–
Wastewater demolition****	0.13
Capital interest – wastewater	9.23
Wastewater Total	**148.14**
Shared services	
Plant and equipment replacements	6.80
Process improvement	1.09
Laboratory services	7.99
Shared services total	**15.88**
TOTAL	**316.41**

* From July 2014 onwards, rolled into water treatment plant rehabilitation/replacement.

** From July 2014 onwards, rolled into water treatment plant improvement.

*** From July 2014 onwards, rolled into shared services (plant and equipment replacements and process improvement).

**** From July 2014 onwards, considered an operational cost.

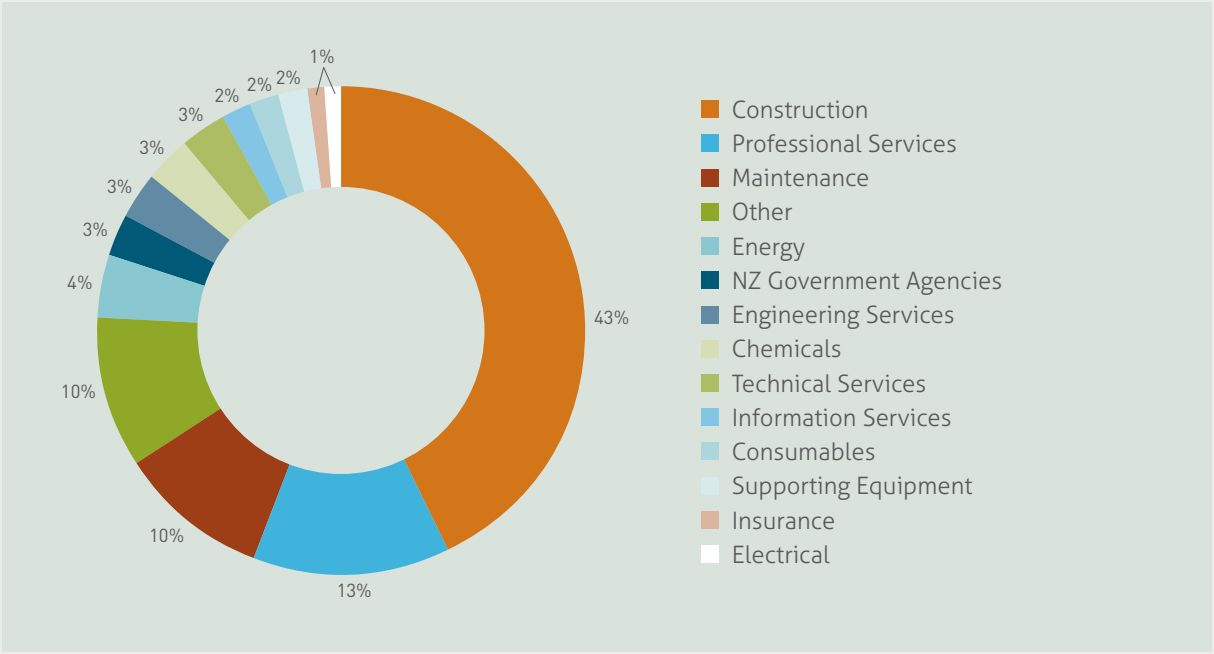
SUPPLY CHAIN

As a large public utility, Watercare has many suppliers and works to maximise cost efficiencies from its procurement activities. The company has been utilising the all-of-government supplier contracts in areas such as IT, office consumables and fleet vehicles. Suppliers selected under these contracts must exercise due consideration for the sustainability of the environment.

Watercare has scheduled work for 2014/15 which will build a better understanding of the sustainability practices across its supply chain.

The graph below illustrates how Watercare's expenditure is spread across several sectors.

Expenditure by industry and sector



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ECONOMY

Watercare's major suppliers during 2013/14 are displayed below. Almost all have branches in New Zealand and are governed by New Zealand law.

Top 50 suppliers

Supplier name	% of Watercare's expenditure on Top 50 suppliers
Fulton Hogan	23.3
Lend Lease Infrastructure Services	7.7
Steelpipe Limited	5.7
Pipeline & Civil	4.8
Beca Infrastructure Ltd	4.8
HEB Construction Limited	4.2
Drill Tech (1996) Limited	4.1
City Care	3.2
Orica New Zealand Ltd	3.0
Contact Energy (Power)	2.7
Brian Perry Civil	2.7
Pipeworks Rehabilitation Solutions	2.6
Downer EDI New Zealand Ltd	2.4
Hawkins Infrastructure	2.3
Canadian Pacific Construction	1.5
GE Betz Pty Ltd	1.3
Opus International Consultants Ltd	1.2
March Cato Ltd	1.1
AECOM New Zealand Limited	1.0
Trustpower Limited	1.0
HydroTech Drainage & Plumbing	0.9
GHD Ltd	0.9
URS New Zealand Ltd	0.9
MWH New Zealand Ltd	0.9
Twomey Construction Limited	0.8
Vector Ltd	0.8
Jacobs New Zealand Limited (formerly Sinclair Knight)	0.8
Harker Underground Construction	0.8
McConnell Dowell Constructors Ltd	0.8
Revera Ltd	0.7
DataCol New Zealand Ltd	0.7
McDonald's Lime Ltd	0.7

Supplier name	% of Watercare's expenditure on Top 50 suppliers
Stockman General Contractors	0.7
Service Engineers Ltd	0.7
CardLink Systems Ltd	0.6
AWT New Zealand Ltd	0.6
H & H Contractors Ltd	0.6
Mico Plumbing	0.6
Construction Techniques Ltd	0.6
Solution Dynamics Ltd	0.6
Clarke Energy Australia P/L	0.5
Enfield Services Group Limited	0.5
All Drains Limited	0.5
Kerry Drainage Limited	0.5
Pentair Water Solutions	0.5
New Zealand Post	0.5
Meridian Energy Ltd	0.5
Interflow (NZ) Limited	0.5
Harrison Grierson Consultants Ltd	0.5
Mansons TCLM Limited	0.5

GRI CONTENT INDEX

'IN ACCORDANCE' CORE

GENERAL STANDARD DISCLOSURES

General Standard Disclosures	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	External Assurance Indicate if the Standard Disclosure has been externally assured. If yes, include the page reference for the External Assurance Statement in the report.
STRATEGY AND ANALYSIS		
G4-1	Annual Report (AR) CE's report p. 10 – 12, AR Governance p. 17	Yes (AR p. 70 – 71)
ORGANISATIONAL PROFILE		
G4-3	Watercare Services Limited	Yes (AR p. 70 – 71)
G4-4	Water supply and wastewater services	Yes (AR p. 70 – 71)
G4-5	Auckland, New Zealand	Yes (AR p. 70 – 71)
G4-6	New Zealand	Yes (AR p. 70 – 71)
G4-7	100% owned by Auckland Council	Yes (AR p. 70 – 71)
G4-8	Auckland, New Zealand	Yes (AR p. 70 – 71 and 82 – 83)
G4-9	AR Financials p.73, GRI People p.48	Yes (AR p. 70 – 71)
G4-10	GRI People p. 48	Yes (AR p. 70 – 71)
G4-11	GRI People p. 48	Yes (AR p. 70 – 71)
G4-12	GRI Economy p. 61 – 63	Yes (AR p. 70 – 71)
G4-13	GRI Environment p. 25	Yes (AR p. 70 – 71)
G4-14	Watercare does not explicitly mention precautionary approach. It is however included in the risk management processes explained on page 19 of AR	Yes (AR p. 70 – 71)
G4-15	Watercare has not endorsed external charters	Yes (AR p. 70 – 71)
G4-16	GRI back page	Yes (AR p. 70 – 71)
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	AR Financials	Yes (AR p. 82 – 83)
G4-18	GRI About this report p. 2 –3	Yes (AR p. 70 – 71)
G4-19	GRI About this report p. 3	Yes (AR p. 70 – 71)
G4-20	GRI report	Yes (AR p. 70 – 71)
G4-21	GRI report	Yes (AR p. 70 – 71)
G4-22	GRI About this report p. 5	Yes (AR p. 70 – 71)
G4-23	GRI About this report p. 2 – 3	Yes (AR p. 70 – 71)

GENERAL STANDARD DISCLOSURES (continued)

General Standard Disclosures	Page Number (or Link)	External Assurance
STAKEHOLDER ENGAGEMENT		
G4-24	AR Stakeholder engagement p. 20 – 21	Yes (AR p. 70 – 71)
G4-25	GRI About this report p. 3	Yes (AR p. 70 – 71)
G4-26	GRI About this report p. 3, AR Stakeholder engagement p. 20 – 21, AR Stakeholder relations p. 48 – 53	Yes (AR p. 70 – 71)
G4-27	AR Stakeholder engagement p. 20 – 21	Yes (AR p. 70 – 71)
REPORT PROFILE		
G4-28	1 July 2013 to 30 June 2014	Yes (AR p. 70 – 71)
G4-29	September 2013	Yes (AR p. 70 – 71)
G4-30	Annual reporting cycle	Yes (AR p. 70 – 71)
G4-31	GRI back page	Yes (AR p. 70 – 71)
G4-32	In accordance to G4 'Core' guidelines	Yes (AR p. 70 – 71)
G4-33	AR Assurance statement p. 70 – 71, GRI About this report p. 5, AR Financials	
GOVERNANCE		
G4-34	AR Governance p. 18	Yes (AR p. 70 – 71)
ETHICS AND INTEGRITY		
G4-56	AR Governance p. 18 - 19	Yes (AR p. 70 – 71)

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Page Number (or Link) Information related to Standard Disclosures required by the 'in accordance' options may already be included in other reports prepared by the organisation. In these circumstances, the organisation may elect to add a specific reference to where the relevant information can be found.	External Assurance
CATEGORY: ECONOMIC		
MATERIAL ASPECT: ECONOMIC PERFORMANCE		
G4-DMA	GRI Economy p. 56	Yes
G4-EC1	AR Financials, GRI Economy p. 57, GRI Community p. 42	Yes
G4-EC2	GRI Environment p. 39	Yes
G4-EC4	GRI Economy p. 56	Yes
MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS		
G4-DMA	GRI Economy p. 56	Yes
G4-EC7	GRI Community, GRI Economy p. 59 – 60	Yes
MATERIAL ASPECT: PROCUREMENT PRACTICES		
G4-DMA	GRI Economy p. 61	Yes
G4-EC9	GRI Economy p. 62 – 63	Yes
CATEGORY: ENVIRONMENTAL		
MATERIAL ASPECT: ENERGY		
G4-DMA	GRI Environment p. 36, AR p. 56	Yes
G4-EN3	GRI Environment p. 36	Yes
MATERIAL ASPECT: WATER		
G4-DMA	GRI Environment p. 24, GRI Customer p. 19	Yes
G4-EN8	GRI Environment p. 24	Yes
G4-EN9	GRI Environment p. 24, p. 21	Yes
G4-EN10	GRI Environment p. 26	Yes
MATERIAL ASPECT: BIODIVERSITY		
G4-DMA	GRI Environment p. 21	Yes
G4-EN11	GRI Environment p. 22 – 23	Yes
G4-EN12	GRI Environment p. 22 – 23	Yes
G4-EN13	GRI Environment p. 22 – 23	Yes
G4-EN14	GRI Environment p. 22 – 23	Yes

SPECIFIC STANDARD DISCLOSURES (continued)

DMA and Indicators	Page Number (or Link)	External Assurance
CATEGORY: ENVIRONMENTAL (continued)		
MATERIAL ASPECT: EMISSIONS		
G4-DMA	GRI Environment p. 37	Yes
G4-EN15	GRI Environment p. 37 – 38	Yes
G4-EN16	GRI Environment p. 37 – 38	Yes
G4-EN17	GRI Environment p. 37 – 38	Yes
G4-EN19	GRI Environment p. 37 – 38	Yes
MATERIAL ASPECT: EFFLUENTS AND WASTE		
G4-DMA	GRI Environment p. 26	Yes
G4-EN22	GRI Environment p. 31	Yes
G4-EN23	GRI Environment p. 28 – 30	Yes
G4-EN24	GRI Customer p. 16, GRI Environment p. 32 – 33, p. 35	Yes
G4-EN25	GRI Environment p. 30	Yes
G4-EN26	GRI Environment p. 22 – 23	Yes
MATERIAL ASPECT: PRODUCTS AND SERVICES		
G4-DMA	GRI Environment p. 21 – 26	Yes
G4-EN27	GRI Environment p. 20 – 38	Yes
MATERIAL ASPECT: COMPLIANCE		
G4-DMA	GRI Environment p. 35	Yes
G4-EN29	GRI Environment p. 35	Yes
CATEGORY: SOCIAL		
SUBCATEGORY: LABOUR PRACTICES AND DECENT WORK		
MATERIAL ASPECT: EMPLOYMENT		
G4-DMA	GRI People p. 46	Yes
G4-LA1	GRI People p. 49	Yes
G4-LA3	GRI People p. 52	Yes
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY		
G4-DMA	GRI People p. 54	Yes
G4-LA5	GRI People p. 54	Yes
G4-LA6	GRI People p. 55	Yes
G4-LA8	GRI People p. 54	Yes

SPECIFIC STANDARD DISCLOSURES (continued)

DMA and Indicators	Page Number (or Link)	External Assurance
CATEGORY: SOCIAL (continued)		
SUBCATEGORY: LABOUR PRACTICES AND DECENT WORK (continued)		
MATERIAL ASPECT: TRAINING AND EDUCATION		
G4-DMA	GRI People p. 46	Yes
G4-LA9	GRI People p. 50	Yes
G4-LA11	GRI People p. 50	Yes
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		
G4-DMA	GRI People p. 46	Yes
G4-LA12	GRI People p. 51, AR p. 10, p. 15	Yes
MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN		
G4-DMA	GRI People p. 51	Yes
G4-LA13	GRI People p. 51	Yes
SUBCATEGORY: SOCIETY		
MATERIAL ASPECT: LOCAL COMMUNITIES		
G4-DMA	GRI Community p. 40	Yes
G4-SO1	GRI Community p. 41	Yes
G4-SO2	GRI Community p. 41, GRI Environment p. 22 – 23	Yes
MATERIAL ASPECT: COMPLIANCE		
G4-DMA	GRI Environment p. 35	Yes
G4-SO8	GRI Environment p. 35	Yes
SUBCATEGORY: PRODUCT RESPONSIBILITY		
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY		
G4-DMA	GRI Environment p. 25, GRI Customer p. 10	Yes
G4-PR1	GRI Environment p. 25	Yes
G4-PR2	GRI Environment p. 35	Yes
MATERIAL ASPECT: CUSTOMER PRIVACY		
G4-DMA	GRI Customer p. 6	Yes
G4-PR8	No incidents reported	Yes
MATERIAL ASPECT: COMPLIANCE		
G4-DMA	GRI Customer p. 6	Yes
G4-PR9	No non-compliance reported	Yes

WATERCARE SERVICES LIMITED

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ANNUAL REPORT

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GRI REPORT

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AWARDS WON DURING THE REPORTING PERIOD:

AUSTRALASIAN REPORTING AWARDS

- Gold award
- Best Sustainability Reporting Award – Public Sector

NEW ZEALAND INSTITUTE OF CHARTERED ACCOUNTANTS

- Supreme award
- Best Public Benefit Entity Annual Report category

MEMBER OF:

sustainable BUSINESS NETWORK
Reshaping Profit

Watercare
An Auckland Council Organisation