Board meeting | 24 May 2023 Public session

Lutra.

VenueWatercare, 73 Remuera Road, Remuera, Auckland 1050 and via Microsoft TeamsTime10am

	Item	Spokesperson	Action sought
1	Apologies	Chair	Record apologies
2	Ratification of minutes of the public session of the Board meeting of 23 November 2022	Chair	For noting
3	Draft Statement of Intent 2023-26	Maseina Koneferenisi	For approval
4	Chief Executive's report	Maseina Koneferenisi	For discussion
5	Disclosure of directors' interests	Chair	For discussion
6	General business	Chair	For discussion

Date of next public meeting	Wednesday, 22 November 2023	
Venue	Watercare, 73 Remuera Road, Remuera, Auckland and via Microsoft Teams	

MINUTES

MEETING LUTRA LIMITED BOARD MEETING

SESSION Public session

VENUE Watercare, 73 Remuera Road, Newmarket, Auckland and via Microsoft Teams

DATE 23 November 2022

TIME 1:00pm

Present:

Jamie Sinclair (Chair)

Maseina Koneferenisi (CE)

Shavne Cunis

Laura Saunders (Legal and Governance Advisor, Watercare)

Hannah Retimana (Intern, Watercare)

Mark Homenuke (member of the public)

1. The Chair opened the meeting with a karakia.

The Chair noted that there was one public deputation, Mark Homenuke of WaterOutlook.

Apologies

There were no apologies.

2. Minutes of confidential meetings

2.1 Ratification of minutes of the public session of the Board meeting of 25 May 2022

The Board **resolved** that the minutes of the public Board meeting of 25 May 2022 be confirmed as true and correct.

3. 3.1 Chief Executive Officer's report – Financial Period 2021-2022

- The CE noted the 2021/2022 financial year was a period of change for Lutra. The changes
 related to leadership, growth, consolidation of the business strategy and enhanced
 decision making. There were also challenges related to the previous CEO of Lutra
 commencing sabbatical in August 2021 which coincided with the 2021 Covid lockdowns
 and the start-up phase of the Safewater business stream.
- Despite all of these changes, Lutra had a good year.

Staff wellbeing

- The Team Mood Score SOI target of 6.5 was achieved with the annual average score being exactly 6.5.
- The number of staff increased by 41% to a head count of forty-eight.
- The annual all hands team session was held in August 2022.

Engineering

 138 projects were worked on as part of the engineering portfolio. The CE noted that the WWL fluoridation project, and the pilot MBBR project at the Featherston WWTP in South Wairarapa were highlight from the last year.

Safewater

• Solutions were complete or under construction for five different clients. The solutions are of various sizes with various processes.

Infrastructure Data (ID)

- The ID footprint continued to expand with ID now servicing much of the connected population in New Zealand.
- In response to questioning from the Chair, the CE confirmed that work is required to be
 undertaken to adapt to the recent changes to New Zealand's drinking water standards and
 rules. There had initially been a delay receiving the required information from Taumata
 Arowai.

3.1.1 Our performance under the 2021-2024 Statement of Intent

- CO2 Reduction target was not met and is also unlikely to be met during the 2022/2023 financial year. The non-achievement of this target has been a result of Lutra's overseas travel recommencing and the target not reflecting world travel returning to somewhat of a pre-COVID state.
- Health & Safety Training target was not achieved due to the number of staff off sick when the company held its monthly internal health and safety training sessions.
- NPS for ID target was not met but it was higher than the industry benchmark.
- Remainder of SOI targets for 2021/2022 were achieved or exceeded. The CE highlighted that there were 210 more consents in ID than what Lutra initially targeted.

The Board **noted** the report.

3.2 Disclosure of directors' interests

The Board **noted** the report and confirmed there were no changes to the Directors' Interests Register.

4. General business

The Chair expressed thanks to the CE and the Lutra team for all their efforts during the challenging 2021/2022 financial year.

4.1 Meeting review

The public session of the meeting closed at 1:12pm.

Next public meeting will be held on 24 May 2023.

CERTIFIED AS A TRUE AND CORRECT RECORD

Jamie Sinclair

Chair

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Message from Maseina Koneferenisi, Executive Director and CEO

Lutra Limited (Lutra) provide software, products, training and engineering service solutions to the water and wastewater industry.

The Lutra brand is based on delivering excellence in our service offerings.

We are a council-controlled trading organisation (CCTO). Our legislative framework is set out in Appendix A. Watercare Services Ltd is the majority shareholder; the remaining shares are employee owned.

The way we manage and measure our performance is detailed in Appendix B.

Our strategic priorities for 2023-2026

For the next three years, we have three strategic priorities:

1. Growing the Infrastructure Data (ID) business

- Our growth focus will be on penetrating the international market, with a view to developing a global partner network.
- We will be diversifying into the industrial sector with treatment assets and operations.
- We will continue to innovate our product to ensure that it is market leading.

2. Engineering - Preparing for Water Services Reform

- We will focus on ensuring continuity of business during the uncertainty period the reforms will bring.
- We will grow our client base throughout NZ and continue to increase the number of industrial clients.
- We will increase the provision of operational support for clients within NZ
- We will work to become the most reputable provider for water and wastewater training and competency material throughout NZ.

3. Products

 We will continue to provide Compass to clients needing to improve their plant process reliability through better control of coagulant demand.

This Statement of Intent (SOI) follows the principles of integrated reporting and outlines the company's strategic business plan for the next three years as agreed with our major shareholder, Watercare Services Limited.

The SOI is divided into our six capitals (Natural Environment, People and Culture, Customer Relationships, Intellectual Capital & Assets and Infrastructure, and Financial Capital), and reaffirms our continued commitment to delivering excellence to the water and wastewater industry both here in New Zealand and beyond.

Maseina Koneferenisi Executive Director and Chief Executive Officer

Our purpose

Our operations are the foundation of our business and enable us to deliver to clients and the community. To us, operating sustainably means working smarter, being profitable, investing in our people, and reducing our carbon footprint.





Natural environment

Value:

Resource efficiency | Resource consent management | Minimise our own impact

Through each of our business streams we help our customers to:

- Optimise chemical use
- Optimise energy use
- Produce less waste
- Operate more efficient processes (meaning lower abstraction requirements)
- Improve treated discharge quality

We do this through the provision of our engineering expertise, our sale and support of our leading-edge operations management software ID, and Compass. All our offerings allow our customers to improve their environmental performance through enhanced management of environmental consents and trade waste licenses, and better management of discharges and abstraction.

We have benchmarked our own environmental impact and continue to develop initiatives to reduce it.

Measure	2022/23 Target/Actual	2023/24 Target	2024/25 Target	2025/26 Target
Number of consents managed in ID by Lutra	3,000/tbc	3,000	3,000	3,000
CO ₂ reduction per FTE*	tbc /10%	11%	12%	13

^{*}Compared to 2022/2023 baseline.



Value:

Safe, happy team | Skills developed | Talent retained

Lutra provides a safe working environment for our people and maintains high participation rates in Health and Safety meetings. We work hard on having a culture where staff feel comfortable to report incidents and we take every opportunity to learn from these. We are committed to having a strong health and safety culture.

We have a wellbeing package that offers our staff subsidised health insurance, a wellbeing allowance, two additional wellbeing leave days, long service leave, paid parental leave and access to mental health support and flexible hours for work life balance.

We use six monthly employee Net Promoter Scores and frequent leadership one-on-one connections with staff to assess how our people are feeling and the health of the Lutra culture.

We develop our staff through coaching and training, making use of the breadth of knowledge we hold internally along with existing relationships with subject matter experts.

We pay our people fair market value based on their skills, knowledge, and experience. We use market analysis conducted by Engineering NZ median salaries combined with analysis provided by Watercare in establishing our benchmarks. We pay fairly, irrespective of gender.

We are committed to becoming a valued treaty partner, respectful of and respected by Māori. We know that we are on a journey. We are investing in ourselves and in our industry to achieve better outcomes for Māori. In our work with Māori, we seek to develop innovative approaches that incorporate te ao Māori. We are committed to the professional development of Māori in the workforce and have a scholarship which includes internship opportunities for iwi /Māori. We actively pursue work where we can develop relationships and better our understanding of individual iwi history through Aotearoa. Our cultural intelligence upskilling journey will continue with the view to having strong iwi relationships and cultural appreciation forming part of our business as usual and the tapestry of Lutra.

We also recognize the importance of our Pacifika peoples and the need to add diversity to the industry through encouraging and supporting their contribution. We have a small scholarship to help us play our part in this much needed industry change.

Measure	2022/23 Target/Actual		2024/25 Target	2025/26 Target
Average safety training hours per employee per year	18h/10 (est)	12h	12h	12h
An employee net promoter survey is issued six monthly	NEW	2 x annually	Improvement on 23/24 results	Improvement on 24/25 results



Customer relationships

Value:

Public health | Digital transformation of water & wastewater operations | Industry leadership

Through our engineering services work, we help our customers improve their water treatment plants through upgrades, optimisation, and innovative solutions to increase consumer access to safe drinking water.

We provide water and wastewater operational support to improve public health and environmental outcomes.

We help our customers undergo digital transformation and implement our operations management software -Infrastructure Data – to enable them to better meet their organisation's aims.

We develop training resources to help operators and water and wastewater staff improve their knowledge and capabilities.

Lutra also provides industry leadership through our presence on various committees (e.g., Water NZ Technical Committee), expert groups (e.g., Taumata Arowai Technical Reference Group).

Measure	2022/23 Target/Actual	2023/24 Target	2024/25 Target	2025/26 Target
Number of treatment plants improved*	25/30	30	35	35
Total number of plants in ID	150/439	460	470	480

^{*}Demonstrable performance improvement or evidence of work towards improvement (e.g., improved DWSNZ compliance, reduction in chemical usage or increase in process efficiency, plant compliance assessments etc). Either through upgrades our team has been involved in, through process optimisation or modelling work.



- intellectual capital, our assets and infrastructure

Value:

Industry leading software | Processes | Know-how

We are continuing the development of the second generation of our software platform Infrastructure Data (ID2). We have set up a key user group to allow our users to collaborate with us on the development of ID2.

We will hold at least one ID user group meeting and track user engagement by use of net promoter score (NPS), we will seek to understand how easy it is for clients to use ID by establishing a benchmark with the measuring tool, System Usability Scale (SUS).

Lutra will continue to produce and publish thought leadership blog articles on our Lutra website and provide community engagement pieces through our Lutra channel on YouTube.

Measure	2022/23 Target/Actual	2023/24 Target	-	-
NPS for ID	>30/No result	>30	>35	>40



Value:

Financial stability | Growth in selective new markets | Growth in revenue and profit

We will maintain liquidity by strict control of our budget.

We plan to increase our revenue through growth in each of our business streams; ID and Engineering services and products.

As a CCTO we need to fully meet GAAP accounting principles, Watercare reporting requirements and have our accounts independently audited.

Measure		2023/24 Target	2024/25 Target	
Annual business plan EBITDA	100%/tbc%	100%	100%	100%

Appendix A: Our legislative framework

Lutra Limited is a limited-liability company registered under the Companies Act 1993, and a local government organisation under the Local Government Act 2002.

We became a substantive Council-Controlled Trading Organisation (CCTO) on 1 February 2020 as a result of the acquisition by Watercare Services Limited of 67% of Lutra Limited's shares.

As a CCTO, we have principal objectives under Section 59 of the Local Government Act 2002 in carrying out our activities and functions, including to:

- Achieve the objectives of our shareholders, both commercial and non-commercial, as specified in this Statement of Intent (SOI).
- Be a good employer (as defined in Clause 36 of Schedule 7 of the Local Government Act 2002)
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community
 in which we operate and by endeavouring to accommodate or encourage these interests when we are able to
 do so.
- Conduct our affairs in accordance with sound business practice.

Also, under the legislative framework:

- At least two board meetings a year are required to be held in public: one before 30 June to consider our Shareholders' comments on the draft SOI for the upcoming financial year, and one after 1 July to consider our performance under the SOI for the previous financial year. These two board meetings are open to the members of the public (with Section 7 of the Local Government Official Information and Meetings Act 1987 permitting certain private matters to be dealt with in private).
- Our financial statements and SOI must be audited by the Auditor-General, or by an auditor acting on behalf of the Auditor-General.

The Auditor-General is the auditor of Watercare's financial statements. The Auditor-General will appoint an independent auditor to undertake the external audit work on behalf of the Auditor-General, in accordance with the Auditor-General's Audit Standards, which incorporate New Zealand Auditing Standards. The appointment must satisfy the independence requirements of the Auditor-General and External Reporting Board.



Appendix B: Governance and how we manage and measure our performance

Lutra's board is ultimately responsible for all decision making by the company. The directors and the management team are committed to ensuring the company applies best-practice governance policies and procedures.

Lutra ensures we fulfil the public meetings stipulation of the Local Government (Auckland Council) Act 2009 which requires Auckland Council's CCOs to hold two public meetings a year and the timing for these is set out below. Dates and times are publicly notified in advance with agendas and minutes made available on our website.

Date	Purpose	Form of public notification
24 May 2023	Consider shareholder comments on draft SOI	Public notice
22 November 2023	Consider performance against SOI targets	Public notice

We operate under a no-surprises policy and inform our major shareholder, Watercare Services Limited, well in advance of any events, transactions or issues that could attract public interest, whether positive or negative.

Managing risk

Lutra maintains a Risk Management Policy, the intent of which is to direct the risk management function. This policy focuses risk management onto those risks that are material to the achievement of the organisation's principal objectives.

Lutra applies a risk management framework consistent with ISO 31000: 2018 Risk Management Guidelines to ensure that risks throughout the business are managed consistently. This risk management framework defines the management policies, procedures, and practices to be applied to the risk management tasks of identifying, analysing, evaluating, treating, and continuing to monitor risk to provide enterprise level information. Regular monitoring, review and reporting of risks is an important component of the Lutra Risk Management Framework, as it ensures new risks and changes to existing risks are identified and managed, and that risk treatment plans are developed and implemented. Several significant risks are monitored by the board at least quarterly, or as required.

Measuring our performance

We have an agreed set of performance measures and targets which form the basis for accountability to delivering on Lutra's strategic direction, priorities, and targets. These are reported on a quarterly basis to our major shareholder, Watercare Services Limited.

Setting standards of conduct for staff

We require the highest standards of behaviour from our staff. Policies governing the conduct of employees include the Health & Safety Policy, the Individual Wellness Policy, and the Conflict-of-Interest Policy.

Board of directors



Lutra's Board of directors comprises Maseina Koneferenisi, Jamie Sinclair (Chair), and Shayne Cunis (Left to right).

Jamie and Shayne were appointed by Lutra's major shareholder, Watercare Services Limited. Jamie is Watercare's Chief Corporate Services Officer, and Shayne is Watercare's Executive Programme Director – Central Interceptor.

Maseina Koneferenisi is the Lutra, Executive Director, and was appointed Acting CEO by the company board on 23 August 2021. She was appointed Chief Executive Officer on 22 August 2022.

Board function

The Lutra board meets at regular intervals throughout the year. Our Corporate Governance Charter defines the duties and obligations of the board and board members covering fiduciary duty, duty of care, diligence, legal and statutory duties, and conflicts of interest.



Public Report of Lutra LimitedPrepared for the 24 May 2023 Public Meeting



Chief Executive Officer's Report (YTD April 2023) Overview

April was a short month in terms of billable hours due to the statutory holidays. In addition, there was a reasonable amount of illness during the month. Staff retention remains high and preparation for the new financial year is underway.

The annual plan is in draft and has been provided to the board for comment and approval.

Staff wellbeing

The Team Mood score for April remains under target with the rolling average sitting at 6.2 v target of 6.6. The use of team mood to gauge company culture is limited due to the anonymity and lack of insights available. An altered approach will be adopted in the new financial year. That aside, the Lutra culture is holding and staff retention remains high.

Twenty-three out of fifty staff have contracted Covid-19 at least once.

The Health & Safety system, Mango, is under review. With potential changes in one of the business streams the necessity for something this comprehensive needs to be challenged. In addition, staff have found it cumbersome to work with and it takes longer to populate.

The last quarter saw two excellent results with the health and safety system (processes, procedures etc.). The company achieved the IMPAC Prequalification credential scoring 88% which remains current for another two years, and also the SHE Prequalification which also holds for another two years. (Both are requirements of many Lutra clients).

Engineering

The Engineering team continue to produce high quality work with solid returns. One of the focuses over this year has been increasing the wastewater projects, this has been steadily moving in the right direction. There remain a couple of Process Engineer vacancies that Lutra will look to fill in the new financial year.

There are a few staff working on long-term secondment arrangements with clients doing a range of water and wastewater activities, in addition to Process Engineering work.

The Sim-Plant revenue is expected to be 100% more than planned revenue.

Safewater

Work on the Dunedin City Council MBBR unit is underway. This is expected to be closed out July/August 2023.

The ceramic membrane plant trial is still in progress with Waipa District Council.

Infrastructure Data

The team are at the end of the long programme of work relating to the changes required under the Drinking Water Quality Assurance Rules. Implementations are underway for new clients and the pipeline for 2023/24 is starting to fill.

Statement of Intent

The SOI has been drafted and reviewed by the Watercare Board. There is one proposed change which is the description of the three waters reform. The SOI is now ready for discussion in this public meeting.

KPIs

SOI	Actual YTD	YTD Target	Trend vs Target
Consents in ID	2,588	2,868	-280
CO2 Reduction (%/person)	0	46	-46
H & S Training (hrs/person)	9.2	16	-6.8
Average Staff Mood	6.2	6.6	-0.4
Plants Improved	29	25	+4
New Plants in ID	477	250	+227
NPS for ID	0	40	N/A

The number of consents in ID is expected to exceed the year-end target.

The CO2 reduction target will not be achieved this year. This target was set during COVID when all travel was restricted.

The Health & Safety Training target has been a challenge due to the high priority work the teams have been undertaking, these have been the Wellington Water fluoride solutions, Water Safety Plans for clients requiring to meet the changes to the Drinking Water Standards and the ID changes relating to the same.

The company culture is still strong despite the formal change in CEO this year and the phase Lutra have been going through over the last seven months. It has been accepted that the Team Mood tool is not the best way to measure the pulse of the business, due to its limitations on actual insights provided. This will change in the new financial year.

There was no uptake of the NPS survey this year. Clients have been focused on the changes to the Drinking Water Standards and preparing for reform.

Report to the Board of Lutra LimitedPrepared for the 24 May 2023 Board meeting

Disclosure of Directors' interests

- 1. s140 Companies Act 1993 requires all companies to keep an Interests Register, which must be disclosed to the Board of the company.
- 2. Lutra Limited's Directors' Interests Register is set out below.

Director	Interest
Jamie Sinclair	Director and Shareholder – Sinclair Consulting Group Ltd
Maseina Koneferenisi	• Nil
Shayne Cunis	• Nil