

Lutra.

Statement of Intent
2022 to 2025

Lutra.

Contents

Message from Maseina Koneferenisi, Executive Director and Acting CEO 3

Our purpose 4

Natural environment 5

People and culture 6

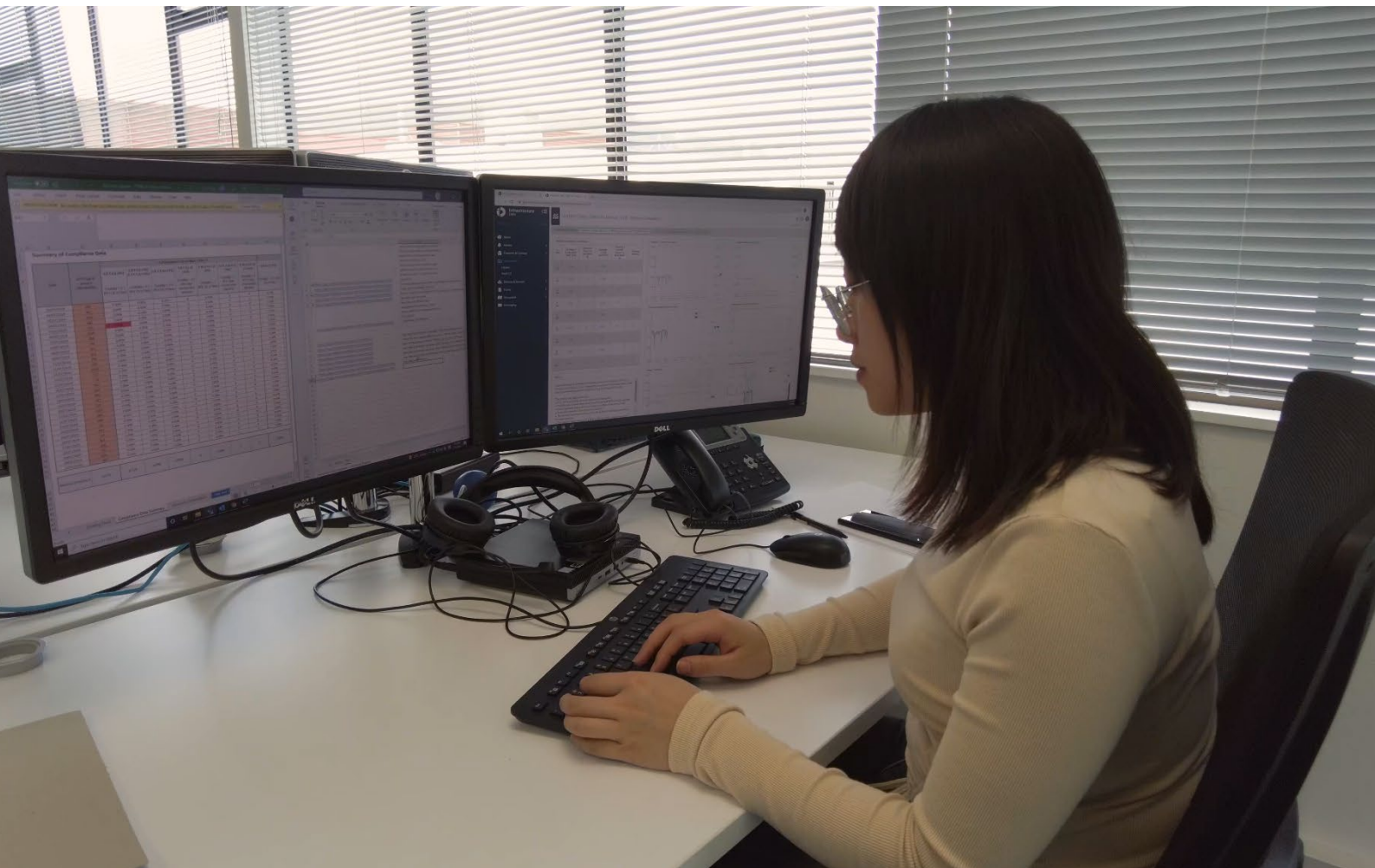
Customer relationships 8

Intellectual capital, our assets and infrastructure 9

Financial management 10

Appendix A: Our legislative framework 11

Appendix B: Governance and how we manage and measure our performance 12



Message from Maseina Koneferenisi, Executive Director and Acting 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 2022-2025

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 & Training - Preparing for 3Waters 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 develop relationships with key Iwi.
- We will work to become the most reputable provider for water and wastewater training and competency material throughout NZ.

3. Products & Solutions

- We will provide water and wastewater treatment plant solutions for small and neighborhood supplies.
- We will continue to provide Compass to clients needing to improve their plant process reliability through better control of coagulant demand.
- We will be known for bringing proven international solutions to the New Zealand water and wastewater industry.

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 Acting 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.





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 through the production of our Safewater solutions, including 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 are developing initiatives to reduce it.

Lutra is a member of the sustainable business network in NZ and is awaiting B Corporation certification.

This will show that we are a business that meets the highest standards of verified social and environmental performance, public transparency, and legal accountability to balance profit and purpose. B Corporation evaluates how we hold ourselves to account relating to our impact on our staff, customers, community, and the environment.

Measure	2021/22 Target/Actual	2022/23 Target	2023/24 Target	2024/25 Target
Number of consents managed in ID by Lutra	2,000/tbc	3,000	3,000	3,000
CO ₂ reduction per FTE*	tbc /51%	55%	56%	57%

*Compared to 2019/2020 baseline.



People and culture

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 Team Mood to assess the happiness of staff on a weekly basis and conduct internal culture surveys producing an employee net promoter score six monthly.

We develop our staff through coaching and training, make use of external resources, and our existing relationships with subject matter experts. We use LinkedIn Learning to bolster our in-house training.

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. Our staff are going through a training programme with provider Naia to provide them with the history and the knowledge to work with respect and confidence with 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 are in the process of establishing a scholarship which will accompany 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.

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

Staff involved in recruitment will be undertaking training in unconscious bias and we will be connecting with TupuToa to access Māori and Pacifica talent.

We have established a diversity, inclusion, and sustainability team. The purpose of this group is to assist in the evaluation of our practices that inform our decisions to improve or incorporate new initiatives. They help us create traction for our initiatives and provide support in gaining a more comprehensive view of how diversity and inclusion can be embedded in our services, and overall company values.

In 2022, we plan to recruit new staff across our business lines whilst retaining our current pool of talent. We are members of The Diversity Agenda and Diversity Works NZ and will continue to maintain a strong focus on our culture of inclusion.

Measure	2021/22 Target/Actual	2022/23 Target	2023/24 Target	2024/25 Target
Average safety training hours per employee per year	18h/tbc	19h	20h	20h
Average staff mood (Scale 1-10)	≥ 6.5 /tbc	>6.6	>6.7	>6.7
Significant health & safety incidents	NEW	<5	<4	<3

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 product solutions to smaller communities to give them access to safe drinking water.

We also 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	2021/22 Target/Actual	2022/23 Target	2023/24 Target	2024/25 Target
Number of treatment plants improved*	25/tbc	30	35	35
Total number of plants in ID	150/tbc	250	300	300

*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). We will undertake SUS surveys annually thereafter.

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	2021/22 Target/Actual	2022/23 Target	2023/24 Target	2024/25 Target
NPS for ID	>30/	>40	>45	>50
SUS for ID	NEW	>10	>15	>25

\$ Financial management

Value:

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

We will maintain liquidity by strict control of our budget.

Our work in the innovation space requires financial commitment in terms of both staff and materials, this will be attributed to capital development. Despite this, we plan to increase our revenue through growth in each of our business streams; ID, Engineering services and Safewater.

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

Measure	2021/22 Target/Actual	2022/23 Target	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
25 May 2022	Consider shareholder comments on draft SOI	Public notice
23 November 2022	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.

Note: Rebecca Chenery ex Watercare Services Limited Chief Digital Officer, held the position of Lutra Board Chair up to 10 May 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.



Lutra