

YARRA VALLEY FUTURE WATER

COMMUNICATION ON PROGRESS
UNITED NATIONS GLOBAL COMPACT

DECEMBER 2016



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Statement of Commitment

I am pleased to confirm Yarra Valley Water's ongoing support of the ten principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

We are also committed to advancing societal goals, and support the agenda set out by the Sustainable Development Goals (SDGs). During 2016, as well as developing our understanding of how the SDGs relate to our organisation, we have also contributed to the conversation about how to implement the goals – working with our partners in the water industry as well as through the Global Compact Network Australia to promote the SDGs and discussing how we can work together in support of the Goals. We have mapped our activities against the SDGs, and have embedded this into our corporate reporting, including our recent 2015/16 Annual Report.

This communication on progress sets out the practical actions that we have undertaken in relation to the four issues areas of the Global Compact principles, and the outcomes that we have achieved. Our latest Annual Report provides more detail to support this Communication on Progress and also illustrate how these align with the Global Compact and its principles as well as the SDGs.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Pat McCafferty', written in a cursive style.

Pat McCafferty
Managing Director

1. About Us

Yarra Valley Water is Melbourne's largest retail water utility, providing essential water and sanitation services to more than 1.8 million people.

We manage more than \$4.2 billion of infrastructure across approximately 4,000 square kilometres. Our service area covers most of Melbourne's northern and eastern suburbs, from Wallan in the north to Warburton in the east.

On 1 July 2012, Yarra Valley Water became a statutory corporation, incorporated under the *Water Act 1989*. Our activities are overseen by an independent Board of Directors, appointed by the State Government of Victoria.

Yarra Valley Water's obligations regarding the performance of its functions and the exercise of its statutory powers are defined in the Statement of Obligations, issued by the Minister in accordance with Section 41 (2) of the *Water Industry Act 1994*. Yarra Valley Water is required to monitor compliance with the obligations set out in the Statement, report on non-compliance and take remedial action in relation to non-compliance.

The Essential Services Commission is the economic regulator of the Victorian water sector. The Commission's role includes the regulation of prices, service standards and market conduct across the water industry in Victoria. Yarra Valley Water is subject to regulation by the Commission.

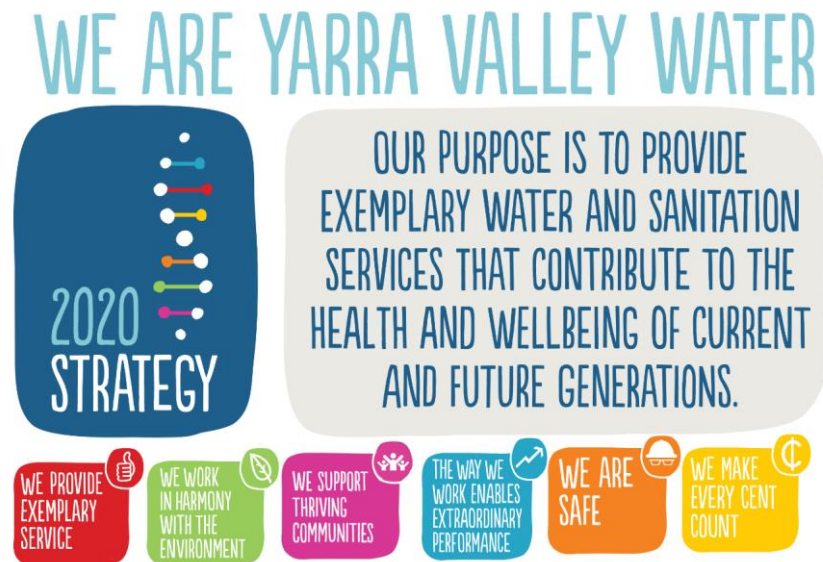
We buy bulk water from Melbourne Water for distribution to our customers. We are also responsible for removing and treating sewage. Most sewage is transferred to Melbourne Water's Eastern or Western Treatment Plants. The rest is treated at our nine regional plants, several of which recycle water for use in homes, sports fields and public spaces.

2. Our Approach

We provide exemplary water and sanitation services that contribute to the health and wellbeing of current and future generations.

Our Strategy

Our core purpose is to provide exemplary water and sanitation services that contribute to the health and wellbeing of current and future generations. This purpose anchors our 2020 Strategy, which at its highest level keeps the organisation focussed on what is most important.



Water and sanitation are essential services, and fundamental to a healthy, prosperous society. We rely on the environment and ecosystem services and are impacted by threats such as climate change. We recognise that we have an impact on the health of the environment through the delivery of our services. As a member of our community, including as a service provider and employer, we contribute to the health and wellbeing of current and future generations.

Alongside this, safety, workplace culture and capability, and sustaining our productivity and responsible management of our finances are fundamental to achieving our Strategy, underpinned by high standards of corporate governance.

Materiality Assessment

In early 2016, we undertook a comprehensive materiality assessment. This comprised feedback from 120 key stakeholders, analysis of existing customer research, interviews with senior management, together with an employee survey and a review of the regulatory environment and emerging policy. We also mapped our activities and strategy against the SDGs and their supporting targets using the SDG compass (a guide for business action developed by the Global Reporting Initiative (GRI), the UN Global Compact and the World Business Council for Sustainable Development).

The materiality assessment revealed the following key findings:

- Fundamental to all our stakeholder expectations of us, is the delivery of our core function of providing safe, reliable and affordable water and sanitation services in an environmentally responsible way. Ensuring that we can continue to deliver exemplary services into the future to support sustainable and liveable cities is also critical.
- A reinforcement that our 2020 Strategy is a strong foundation for a sustainability commitment – our purpose articulating what sustainability means for us, covering the three areas of people, planet and prosperity and reflecting many of the areas of the SDGs and their targets.

- Recommended areas of focus going forward included an emphasis of community access and inclusion, equity for vulnerable customers, community engagement and involvement in decision making (including Aboriginal people), resilience and elevated environmental stewardship, gender equality, a closer inspection of our supply chain, and transparent reporting.

During the year we updated our Strategy to include an emphasis on 'thriving communities that recognises a commitment to contribute to societal outcomes beyond the immediate delivery of water and sanitation services; and the commitment to a 'restorative' environmental approach which recognises that zero net impact is not enough to secure the planet's health.

We have also been exploring the value that we provide to our community, and produced our first integrated profit and loss account. This was developed in partnership with international environmental reporting experts, Trucost and sustainability consultancy GIST Advisory, and aims to quantify our environmental, social, employee and financial costs and benefits and impacts. It is a new way of evaluating what we do, and this work has been a useful start for the broader exploration of how we meaningfully communicate our performance. This is highlighted as a case study within our Annual Report.

3. Global Compact Principles

3.1 Human Rights

Principle 1 – Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2 – Make sure that they are not complicit in human rights abuses.

Over the last decade, Yarra Valley Water has invested in developing a strong, vibrant workplace culture with a focus on openness, collaboration and providing an inclusive workplace. In addition to this, workplace safety and wellbeing (physical and mental health) is a fundamental consideration in everything we do. These are reflected in two of our six strategic commitments 'the way we work enables extraordinary performance' and 'we are safe'. As a service organisation, we also aim to put customers and the community at the centre of everything we do. This means that we need to meet the evolving needs of our diverse community and continually seek to strengthen the way in which we consult and engage with our community.

We measure our safety performance using the Significant Injury Frequency Rate (SIFR). SIFR is the number of significant injuries (lost time injuries and medical treatment injuries) per million hours worked. We benchmark our safety culture using the Global Safety Index (GSI) Safety Culture Index (SCI).

As the holder of our customers' confidential and personal information, we are conscious of the need to ensure that this information is protected and to prevent unauthorised access to, and improper use of that information, in accordance with the Victorian Privacy and Data Protection Act 2014. We have a privacy policy, and code of practice in place for our employees, contractors and agency staff to ensure that customer information is protected.

Over the last year, we have undertaken a number of initiatives in relation to these commitments:

- With regards to safety and wellbeing, we have focussed on three key pillars – promoting a safety and wellbeing culture, providing appropriate systems and governance and ensuring a safe workplace. During 2015-16 we achieved an improvement in our safety culture results since last measurement in 2014, and that was up 80% from 2012. Our injury frequency rate at 30 June 2016 was 3.9, representing a small increase from 2015 (3.3), but a very large reduction of 63.2% in the SIFR from 2014, when our result was 10.6. During 2015-16 we have strengthened our focus on wellbeing as a key component of our commitment to safety. This has included carrying out a staff survey to understand what wellbeing means to them.
- Developing a Reconciliation Action Plan (RAP), which sets out the actions that we will take in order to build better relationships with Aboriginal Australians and contribute to reconciliation. This is a significant step forward for Yarra Valley Water. It has been developed through a collaborative process, involving staff, Aboriginal community members, Traditional Owners and other stakeholders and will be endorsed by Reconciliation Australia. We have developed a vision, statement of commitment and actions covering relationship, respect and opportunities which relate to our workplace and also how we engage with our community and provide opportunities to contribute to addressing inequalities. We plan to launch this in early 2017. As part of this, staff involved in the development of the RAP have had cultural awareness training.
- Implementing our diversity strategy (see below under Labour for more details)
- Our Supplier Code of Conduct includes expectations for our suppliers in relation to human rights issues in relation to their workforce and also in their supply chain. The Supplier Code of Conduct is used within our procurement processes, and key suppliers are required to self-assess against this annually. This process helps us to understand the way in which our suppliers manage their social and environmental impacts. We are exploring ways of improving how we engage with our suppliers and partners to encourage improvements and our level of understanding of our supply chain.

- Yarra Valley Water has been recognised as having best practice programs to support customers facing financial vulnerability, a strong practice of sharing this knowledge and experience with others, and working in collaboration to drive better outcomes. We recently convened Victoria's first cross-sector Vulnerability Roundtable. The Roundtable brought together 130 representatives from a wide range of sectors to co-create six collaborative projects that will make the biggest difference in our community. This is helping to develop cross-sector partnerships to address some of the complex issues underlying hardship and vulnerability.

Additional information:

- [Annual report](#)
- [Supplier Code Conduct](#)
- [Vulnerability Roundtable Report](#)

3.2 Labour

Principle 3 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4 - The elimination of all forms of forced and compulsory labour.

Principle 5 - The effective abolition of child labour.

Principle 6 - The elimination of discrimination in respect of employment and occupation.

Over the last decade, Yarra Valley Water has invested in developing a strong, vibrant workplace culture which includes a strong focus on candour, collaboration and providing an inclusive workplace. Alongside this, workplace safety and wellbeing is a fundamental consideration in everything that we do.

In the past year we have undertaken a range of measures aimed at creating an inclusive workplace and ensuring equality and fair treatment across the business. Our initial focus has been on gender and through our reconciliation action plan, developing actions to create a culturally safe environment for Aboriginal staff and also support employment opportunities.

Our recruitment processes have been reviewed in relation to diversity and now include mixed gender and age selection panels. Recruitment imagery has been updated to include diverse groups of people and backgrounds and will continue to be refreshed on a regular basis to highlight the diversity of our people. We have reviewed the selection process, with the aim of introducing recruitment techniques that further reduce conscious or unconscious bias, and are currently implementing changes. We have created a new General Manager Intern rotation which has provided opportunities for developing next in-line management.

We have included actions under our Reconciliation Action Plan to identify and support employment opportunities for Aboriginal and Torres Strait Islander people as well as creating a culturally safe environment.

In October 2015 we administered a Diversity Census to gain a better understanding of the composition of our workforce. Some key findings were:

- 29% of respondents are born overseas (48 women and 81 men) with 10% arriving in Australia in the last 5 years.
- Just under 4% of respondents identified as non-heterosexual.
- 4 staff identified as Aboriginal or Torres Strait Islanders (approx. 1%).
- 10% of respondents advised they have a disability. We are actively assisting a number of employees with their disability; some current arrangements include offering counselling services via the Employee Assistance Program and working with MS Australia and Vision Australia.

In the second quarter of 2016, all people managers and leaders underwent Unconscious Bias training, which involved building their awareness and identifying bias hotspots. All participants

completed an online assessment prior to the training, and the results of this and the discussions during the course identified areas of bias in Yarra Valley Water's management and suggested actions to overcome them.

We have recently hired an Inclusion Manager who will drive further actions in addition to the diversity strategy, including establishing employee working groups to focus on programs relating to gender, generation, LGBTI, disability and reconciliation.

Underpinning these is our Code of Conduct, which sets out the minimum standard of behaviour that we expect of each other, and the policies and guidelines we have in place to ensure these standards are met. It covers our policies covering fair treatment at work, including discrimination.

Yarra Valley Water employees within the officer and engineer classifications are covered by our Enterprise Agreement. This sets the wages and conditions of those employees for a period of up to four years. To come into operation, the agreement must be supported by a majority of the employees and it must be approved by an independent authority, the Fair Work Commission. We are currently negotiating the next agreement, which is expected to include improved entitlements around parental leave, family violence leave and commitments relating to diversity and inclusion.

Our Supplier Code of Conduct defines our expectations for our suppliers in relation to their workforce and also within their supply chain. The Supplier Code of Conduct is used within our procurement processes, and key suppliers are required to self-assess against this annually. We are exploring ways of improving how we engage with our suppliers and partners to encourage improvements and understand our supply chain.

Additional information:

- [Annual report](#)
- [Supplier code of conduct](#)

3.3 Environment

One of our six strategic commitments is 'We work in harmony with the environment'. This is driven by our understanding that the long-term wellbeing of our community and the strength of the economy is dependent on the environment. We are committed to ensuring that our environmental impacts never exceed the carrying capacity of nature and in 2016 have strengthened this by adopting a restorative approach, which moves beyond a reactive measure of harm prevention towards a proactive model where we aim to do 'more good, rather than less bad'.

We have long-term strategies and actions in place to address our key impacts:

- GHG emissions
- Water we take from the environment
- Discharges to waterways

In 2015-16 we stepped up our pledge to reducing GHG emissions by committing to being energy neutral by 2025. During this period, we commenced construction of an innovative waste-to-energy facility at our Aurora Sewage Treatment Plant in Melbourne's north. This will convert organic waste into biogas which will then be used to generate energy. We estimate that when operating at full capacity this plant will produce the equivalent of 25% of our total power consumption. Income from the facility will cover its construction and maintenance costs, and the profits will be used to keep

Principle 7 - Businesses should support a precautionary approach to environmental challenges.

Principle 8 - Undertake initiatives to promote greater environmental responsibility.

Principle 9 - Encourage the development and diffusion of environmentally friendly technologies

customer's water bill down. It will reduce greenhouse gas emissions, and divert approximately 33,000 tons of organic waste from landfill.

A fundamental priority is to ensure that our water and wastewater services are resilient to climate change, drought and population growth. We are proactively engaging with these challenges and developing robust strategies so that we can continue to ensure the resilience of our systems.

We strongly promote the benefits of drinking tap water over bottled water and other beverages through our successful Choose Tap campaign, which highlights the environmental benefits due to the reduction in plastic waste, as well as the health and affordability reasons for choosing tap water. The initiative has multiple aspects – sports partnerships, health programs, school programs, water refill stations and an Australian-first mobile app to locate nearest drinking fountain. We have openly shared this successful program with other Victorian, Australian and international water businesses - 12 Australian water utilities have joined the Choose Tap Coalition, and there are now over 35 partners.

We are also developing our ability to measure the value of our environmental, social, employee and financial costs by engaging Trucost and GIST Advisory to develop our first ever integrated profit and loss (IP&L) account. This analysis will help give us greater insight for planning and managing these impacts so that we can minimise our negative impacts and optimise the benefits we provide.

Additional information:

[Annual report](#)

[IP&L Report](#)

3.4 Anti-Corruption

Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.

We are committed to a high standard of governance, with the Yarra Valley Water Board having overall responsibility for corporate governance. We have a rigorous program of audits and internal processes to identify opportunities for improvement and ensure our ongoing compliance with the Acts of Parliament and government that we are obliged or encouraged to comply with. These include Victorian Government Purchasing Board Policy, Freedom of Information Act 1982, Protected Disclosures Act 2012.

Our Code of Conduct outlines to employees and contractors the requirements and obligations in relation to privacy and data protection, protected disclosures and freedom of information. This is available on our intranet, and included as part of our induction which is frequently updated.

During 2016, we completed a review of our strategic procurement and contract governance functions, which led to several recommendations and updates to our procedures, including refresher training for all staff and a consolidated procurement and contract governance manual which all staff must comply with. The internal controls framework for our procurement and tendering processes includes a Schedule of Delegations, which ensures that more than one person is involved in purchasing decisions above certain limits.

Within our Supplier Code of Conduct, we set out our expectations for our suppliers, and require our key suppliers to self-assess against this on an annual basis. This includes a section on governance, for which we use the ASX standard.

Additional information:

[Annual report](#) – main corporate governance practices in place during the 2015-16 financial year.