

Independent assurance statement



To the Board and Stakeholders of Melbourne Water Corporation:

Melbourne Water Corporation (Melbourne Water) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the non-financial content of this *Sustainability Report 2006/07*, including some supporting data on the web site (together hereafter referred to as the 'report').

The report presents Melbourne Water's sustainability performance over the period 1st July 2006 to 30th June 2007. Melbourne Water was responsible for the preparation of the report and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing our assurance activities is to the management of Melbourne Water alone and in accordance with the terms of reference agreed with them. Any reliance a third party may place on the report is entirely at the party's own risk.

Assurance Objective

The objective of the assurance process is to provide stakeholders of Melbourne Water with an independent opinion on the materiality, completeness and accuracy of the non-financial information presented in the report, and whether Melbourne Water is responsive to stakeholder concerns and adequately communicates those responses within the report. This is confirmed through a review of the claims made, underlying systems, processes and competencies that support the report, as well as the embeddedness of policies and strategies relating to sustainability.

Assurance Process & Limitations

Our approach to assurance provision is aligned with the *AA1000 Assurance Standard*. The assurance engagement was undertaken in September 2007 and involved the following:

- interviewing management and key internal stakeholders to ascertain their views on, and responses to, the material sustainability issues faced by Melbourne Water, and the communication of these issues. Four interviews were conducted, including an interview with the Chair of the Board;
- reviewing results of engagement with key external stakeholders by Melbourne Water;
- a review of Melbourne Water's key sustainability strategies (including Melbourne Water's sustainability framework, *Sustainable Water - A Strategic Framework*), policies, objectives, management systems, measurement and reporting procedures, background documentation and data collection and reporting procedures;
- a review of the report for any significant anomalies;
- an overview of the embeddedness of Melbourne Water's key economic, environmental and social policies;
- a series of interviews with key personnel responsible for collating and writing various parts of the report in order to ensure selected claims were discussed and substantiated;
- the examination of the aggregation and/or derivation of, and underlying evidence for, over 65 selected data points and statements made in the report; and
- a review of selected external media sources relating to Melbourne Water's sustainability performance.

Our scope of work did not involve verification of financial data, other than that relating to environmental, social or broader economic performance.

Our Independence

Net Balance was not responsible for preparation of any part of this report. Net Balance has not undertaken any commissions for Melbourne Water in the reporting period concerning reporting or data collection. Independence was ensured by selecting an assurance team that had no other involvement with Melbourne Water during the reporting period that could impair the team's independence or objectivity. The assurance team comprised of individuals with expertise in the water sector and in environmental and social performance measurement. The assurance team has collectively undertaken over sixty assurance engagements in Australia over the past ten years and is also led by a Lead Sustainability Assurance Practitioner (Lead CSAP) accredited by the Independent Register of Certified Auditors (IRCA UK).

Our Opinion

Based on the scope of the assurance process, the following represents Net Balance's opinion:

- The findings of the assurance engagement provide confidence in the reporting processes established. The level of data accuracy was found to be within acceptable limits, but some additional improvements to data management, including the reduction of manual aggregation and transcription processes are recommended to reduce potential for minor anomalies. Data trails selected were easily identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- The statements made in the report appropriately reflect environmental, social and economic performance achieved during the period.
- All suggested changes were satisfactorily addressed by Melbourne Water prior to finalising the report.

Independent assurance statement

Overall, the assurance provider is satisfied that the report is an appropriate representation of Melbourne Water's environmental, social and economic performance during the reporting period. The assurance provider is also satisfied of the progress and outcomes achieved in the reporting period as having appropriately reflecting stakeholder expectations, but it is recommended that additional stakeholder input be sought on the new reporting format. In our opinion the report has significantly improved as a communication tool, and the work carried out in this process is commended.

Conclusions and Recommendations

- **Materiality:** Issues material to stakeholders have been considered and communicated within the report. Material environmental, social and broader economic aspects of Melbourne Water's sustainability performance are also appropriately addressed. External stakeholder engagement around material sustainability issues is recommended in future reporting to ensure external perceptions are captured, particularly in view of the change of format of the report. Water resources, demand management, climate change, discharge impacts and environmental flow are key environmental issues for Melbourne Water and public health, attraction and retention of people and culture change are key social issues. Bushfire and trade waste reform are also considered key issues.
- **Completeness:** The report was found to be complete in addressing key environmental, social and economic performance as well as all operations of Melbourne Water. The response to our recommendation from previous years to progress to reporting against the Global Reporting Initiative's G3 Guidelines 2006 as a guide has been implemented by Melbourne Water this year. The GRI Content Index is a useful tool for cross referencing.
- **Responsiveness:** Based on our internal stakeholder engagement, we found the organisation's responsiveness to be high. Notwithstanding, some additional external stakeholder engagement around core sustainability issues, performance and reporting is recommended. This is a carry-over item from last year. We also recommend that Melbourne Water's stakeholder engagement results be communicated through future sustainability reporting.
- **Recommendations:** Net Balance has provided suggestions for further streamlining of reporting format, and reporting improvement in some areas, including developing procedures for data management. These have been outlined in a more detailed report presented to Melbourne Water management.

On behalf of the assurance team
25th September 2006
Melbourne, Australia



Director, Net Balance & Lead CSAP
(IRCA UK)