

Melbourne Water Annual Report

2025-26

VICTORIA State Government

Melbourne Water

Our vision

Enhancing Life and Liveability

Water is central to life. It sustains the natural environment we live in, the communities we value and the economy we depend on.

Aboriginal acknowledgement

Melbourne Water respectfully acknowledges Aboriginal and Torres Strait Islander peoples as the Traditional Owners and custodians of the land and water on which all Australians rely.

We pay our respects to Bunurong, Gunaikurnai, Wadawurrung, Wurundjeri Woi-wurrung and Taungurung peoples, their Elders past, present and future, as Traditional Owners and the custodians of the land and water on which we rely and operate.

We demonstrate our ongoing commitment to reconciliation through our partnerships with Traditional Owners and the broader Aboriginal and Torres Strait Islander community, as we work together to care for land and water now and into the future, while maintaining and respecting cultural and spiritual connections.

About this report

The *Melbourne Water Annual Report 2025-26* describes activities undertaken by Melbourne Water between 1 July 2025 and 30 June 2026 to meet our customers' needs, shareholder and regulatory obligations and contribute towards achieving our vision of enhancing life and liveability.

Melbourne Water is a Victorian Government-owned statutory authority.

All financial years within this Annual Report are represented as a date range. For example, 2025-26 refers to 1 July 2025 to 30 June 2026.

An online version and accessible text format of this report are available on our website[1]. A copy is available for viewing at Melbourne Water's office at 990 Latrobe Street, Melbourne. Printed copies are available on request.

If you would like a copy of this report in a different accessible format, please call Melbourne Water on 131 722 (within Victoria) or (03) 9679 7100 (outside Victoria), or email enquiry@melbournewater.com.au.

In accordance with the *Financial Management Act 1994*, we are pleased to present Melbourne Water's Annual Report for the year ended 30 June 2026.

[1] https://www.melbournewater.com.au/about/what-we-do/annual-report

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The year in review

Report from the Chair and Managing Director

Water is essential to Melbourne's prosperity, liveability and future growth. During 2025-26, Melbourne Water continued to deliver essential services and critical infrastructure while responding to the challenges of a growing population and changing climate. Providing safe, high-quality drinking water and protecting public health remain at the heart of what we do, alongside caring for waterways, catchments and the environment through effective sewerage, drainage and waterway management. Throughout the year, our focus has been on planning for future water supplies, enabling housing growth, managing flood risk and strengthening the resilience of Greater Melbourne.

These achievements would not have been possible without the dedication, expertise and commitment of our people. We thank Melbourne Water staff for their continued focus on delivering essential services, supporting our customers and communities, and embracing the challenges and opportunities associated with shaping Melbourne's future.

Planning for Melbourne's future water supply

Water supply planning remained a significant focus throughout the year. Working with Yarra Valley Water, South East Water, Greater Western Water, Barwon Water and the Victorian Government, we progressed initiatives aligned with the Central and Gippsland Region Sustainable Water Strategy and Water for Life.

Through the Accord partnership and the Victorian Government's Water Security Taskforce, Melbourne Water led technical investigations into future supply options for Greater Melbourne and Geelong, including detailed assessments to inform future government decisions.

We also worked with sector partners to prepare for dry conditions through coordinated scenario planning and community engagement on water storages, conservation and Melbourne's water supply system.

This work is helping ensure Melbourne remains one of the world's most liveable cities while maintaining reliable water services for future generations. Maintaining excellent drinking water quality and expanding fit-for-purpose water sources, including recycled water, will be essential to meeting future demand and strengthening resilience.

Enabling housing growth and development

Over recent years, we have transformed our approach to urban planning and development services to provide faster, clearer and more customer-focused support.

These improvements are helping Melbourne Water support the Victorian Government's housing agenda through timely planning, development approvals and infrastructure coordination.

During the year, Melbourne Water processed 19,005 applications, with more than 99 per cent of council-referred development applications assessed within service standards.

Our Housing Statement Roadmap has helped unlock development through faster and more consistent decision-making. We also worked closely with industry and government to improve drainage assessment tools and address land access and asset sequencing challenges.

By working closely with partners, we are helping unlock housing supply while maintaining environmental and flood management outcomes.

Supporting Victoria's economy

Melbourne Water invested $1.078 billion in capital infrastructure during 2025-26 to maintain essential services, enable housing growth and strengthen resilience. Our financial performance supported this investment while maintaining affordability and delivering long-term value.

Melbourne Water's 2026 Price Submission was informed by two years of customer and community engagement. The resulting Price Determination provides the foundation for more than $10 billion of investment over the next five years in water, sewerage, drainage and flood management infrastructure.

The broader infrastructure program will also support employment across engineering, construction, consulting, maintenance and supply chains, while our vulnerability program with our water retailer partners and the community sector will help respond to cost of living pressures.

Unlocking new opportunities

Innovation is helping Melbourne Water improve customer value, respond to emerging challenges and make better use of assets.

During the year, we explored opportunities in alternative water supply, resource recovery and the circular economy.

A key focus was expanding recycled water use by emerging industries and other large users. This could reduce demand on drinking water supplies while supporting economic growth and climate resilience. As Melbourne's wholesale water authority, we have a critical role in expanding recycled water as part of a diversified and resilient supply system for the future.

We also investigated waste-to-energy and resource recovery opportunities that could deliver additional value from our operations and contribute to Victoria's sustainability objectives.

Managing flood risk and building community resilience

We continued the rollout of the Greater Melbourne Flood Information Program, completing updated flood studies and mapping for eight local government areas.

This information is helping communities, councils and developers make better-informed planning decisions.

We also made significant progress on the Maribyrnong River Flood Mitigation Study, incorporating local knowledge and community perspectives into the assessment of mitigation options.

Riverine flood forecasting responsibilities were successfully transferred to the Bureau of Meteorology, supporting a more integrated approach to flood forecasting across Victoria.

Managing in a changing climate

Climate change is shaping how we plan, operate and invest in essential services and infrastructure.

We remain focused on meeting our target of net zero scope 1 and 2 greenhouse gas emissions by 2030 while delivering value for customers.

Melbourne Water now uses 100 per cent renewable electricity, and during this year we also invested in projects to better understand wastewater emissions, improve resource recovery and strengthen operational resilience. This included emissions monitoring, process optimisation trials and investigations into new treatment technologies. Through partnerships with utilities and research organisations, we are exploring technologies that can accelerate emissions reduction and increase renewable energy generation.

Strengthening partnerships with Traditional Owners

Building meaningful partnerships with Traditional Owners is central to Melbourne Water's work.

This year, we continued to implement our Stretch Reconciliation Action Plan, which for the first time spans our entire value chain and reflects an enterprise-wide commitment to reconciliation. Key achievements included initiating an Indigenous Data Sovereignty Program and strengthening connections between Traditional Owners and our Capital Delivery program, supporting more meaningful involvement in projects that affect Country.

We continue to strengthen strategic partnerships with all five Traditional Owner Corporations across the Country in which we operate, including progressing Partnership Agreements with Gunaikurnai and Wadawurrung Traditional Owners.

We are proud of the progress achieved and remain committed to supporting self-determination and creating positive outcomes for Traditional Owners, communities and Country.

Caring for our catchments

As the Catchment Management Authority for the Port Phillip and Western Port region, Melbourne Water works with Traditional Owners, Landcare groups, farmers, government and community organisations to improve the health of land, waterways and biodiversity. Through partnerships including Yarra4Life, Grow West and Living Links, we continued to improve habitat connectivity, waterway health and sustainable land management across the region.

During 2025-26, we supported 89 Landcare groups and approximately 500 community environmental organisations, and delivered 55 climate-smart agriculture engagement events involving more than 1,100 participants.

Major biodiversity initiatives included habitat restoration, seagrass and mangrove recovery in Western Port, and predator control on French Island, helping create healthier and more resilient catchments.

Looking ahead

The year ahead marks the beginning of a new regulatory period and a five-year investment program to strengthen Greater Melbourne's essential services and infrastructure.

We will deliver the commitments in our 2026 Price Determination while advancing priorities in water supply, housing, flood management, climate action and partnerships with Traditional Owners. We will also continue supporting the Victorian Government's assessment of future water supply options, including opportunities to expand recycled water use and diversify Melbourne's water sources.

Maintaining high standards of water quality, protecting public health and enhancing environmental outcomes will remain central to everything we do. Together with our customers, communities, partners, Traditional Owners and employees, we will continue taking practical action to support a thriving, sustainable and resilient Melbourne for generations to come.





Pat McCafferty
Chair

28 August 2026

Dr Nerina Di Lorenzo
Managing Director

28 August 2026

Melbourne Water's operating area

Figure 1: Melbourne Water's operating area



2025-26 Performance snapshot

Every five years, Melbourne Water develops a Price Submission for approval by the Essential Services Commission (ESC) that details our water, sewerage, flooding and drainage, waterways and catchment management services for Greater Melbourne. It outlines the cost of delivering our services and the prices we intend to charge customers.

As approved by the ESC, our 2021 Price Determination is underpinned by six customer outcomes, which were defined in collaboration with our customers and communities. These outcomes represent what our customers value and expect from our services. Our performance snapshot shows our outcome areas and relevant performance highlights for 2025-26.

Our full Customer Outcomes Report details our annual performance for 2025-2026 against these outcomes and is available on Melbourne Water's website[2].

Customer outcome	2025-26 Performance highlight
 Access to safe and reliable water and sewerage services	• **504 billion litres** of high quality water supplied • **368,341 million litres** of sewage treated at the Eastern and Western Treatment Plant
 Melbourne's environment, rivers, creeks and bays are protected and Melbourne Water's greenhouse gas emissions are minimised	• **25,865 dry tonnes** of biosolids reused and delivered to farms • **16.7 billion litres** of water delivered for the environment
 Melbourne remains liveable as it deals with the impacts of climate change and population growth	• **44,317 megalitres** of recycled water produced
 Melburnians are empowered to support the design and delivery of service outcomes	• **1016 projects** funded within the waterways and drainage incentives program • **6000** customers and community members engaged to understand priorities and investment expectations to develop the *2026 Price Submission*
 Easy, respectful, responsive and transparent customer service	• **Ranked second out of 54 organisations** in the utilities sector by Customer Service Benchmarking Australia for call quality and customer experience for six consecutive quarters
 Bills kept as low as possible	• **$2.3 million of net savings** in operating expenditure identified through new efficiency projects

[2] https://www.melbournewater.com.au/services/prices-and-charges/price-submission

About us

Melbourne Water is a Victorian Government-owned organisation responsible for managing all aspects of the water cycle essential to life across Greater Melbourne.

Melbourne Water is a Victorian Government-owned organisation responsible for managing all aspects of the water cycle essential to life across Greater Melbourne. Guided by our vision of enhancing life and liveability, we provide wholesale water supply, treat and transfer sewage, manage major drainage systems, reduce flood risk and care for rivers, creeks, catchments and bays and perform the role of Catchment Management Authority for the Port Phillip and Westernport region.

Our responsibilities are established under the *Water Act 1989* (Vic). As floodplain manager, waterway manager and drainage authority we play an important role in managing water supply catchments, supporting the treatment and distribution of drinking and recycled water in partnership with retail water corporations, transferring, treating and provision of beneficial use of sewage, and overseeing major drainage systems.

For more than 130 years, we have planned for and invested in the infrastructure and natural systems that support Melbourne's growth. Today, our work helps protect public health, support the natural environment, reduce flood risk and keep essential services reliable and affordable. We also play an important role in land use planning and development, helping guide sustainable growth and reduce flood risk for new and existing communities.

Through all that we do, we recognise that the Traditional Owners of the region have connections to, and hold, ancient knowledge of the land and water that are inseparable from their lives. Across Greater Melbourne and the Port Phillip and Westernport region, we partner with Traditional Owners, councils, government agencies, landholders, community groups and industry to support integrated catchment management, build water literacy and help communities better understand and care for the natural environment.

Climate change, population growth and urban development are placing increasing pressure on water resources, infrastructure and the environment. In response, we are adapting how we plan, invest and operate. We are working to strengthen system resilience, advance resource recovery and circular economy approaches, and help communities prepare for and respond to extreme weather events.

By protecting our water, supporting our environment and planning for the future, we are helping Melbourne remain liveable and resilient today, tomorrow and for generations to come.

Authorising environment

Melbourne Water is a statutory authority and a body corporate established under the *Water Act 1989* (Vic). Melbourne Water derives its authority to act from the *Water Act 1989* (Vic), the *National Parks Act 1975* (Vic), the *Catchment and Land Protection Act 1994* (Vic), for its functions relating to its role as a Catchment Management Authority (CMA), and the *Planning and Environment Act 1987* (Vic) (P&E Act) for its functions relating to its role as a Referral Authority.

Melbourne Water has one by-law established under the *Water Act 1989*: By-law No. 1: Water Supply Protection 2018.

Portfolio Minister

The Honourable Michaela Settle MP is the responsible Minister for Water (Portfolio Minister). She was appointed into this role on 4 August 2026, following on from the former Minister, the Honourable Harriett Shing MP.

Melbourne Water operates in accordance with three Statements of Obligations issued by the Minister for Water under section 41 of the *Water Industry Act 1994* (Vic) and the Statement of Obligations issued by the Minister under section 19 of the *Catchment and Land Protection Act 1994* (Vic). The statements provide direction to Melbourne Water and specify obligations in relation to the performance of our functions and exercise of our powers, providing a transparent means for government to give force to government policy. Melbourne Water is required to monitor compliance with the obligations set out in the three Statements of Obligations, report on non-compliance and take remedial actions, as required.

Melbourne Water also operates under a Letter of Expectations issued by the Minister for Water, which outlines the performance expectations and priorities for Melbourne Water in the 2025-26 financial year.

The Minister for Water has the power to delegate any power, discretion, function, authority or duty of the minister under section 306 of the *Water Act 1989* (Vic). The Minister for Water has delegated functions to Melbourne Water in relation to the allocation of water, take and use licences, works licences, the duty to maintain levees on Crown Land, and to enter details relating to works licences into the Victorian Water Register. The current Instrument of Delegation was issued on 10 May 2024.

Other ministers

The Minister for Water, the Minister for Environment and the Minister for Climate Action are jointly responsible for the *Catchment and Land Protection Act 1994* (Vic), while the Minister for Water is the lead minister relating to Melbourne Water's role as a CMA. The Honourable Lily D'Ambrosio MP was the Minister for Climate Action for the 2025-26 financial year. During the period that covers this report, the Honourable Enver Erdogan MLC was the Minister for Environment, commencing 15 April 2026, following on from the former Minister, the Honourable Steve Dimopoulos MP.

Shareholding Minister

The Honourable Jaclyn Symes MP was the responsible Treasurer (Shareholding Minister) from 1 July 2025 until 30 June 2026, the period that covers this report.

Regulatory agencies

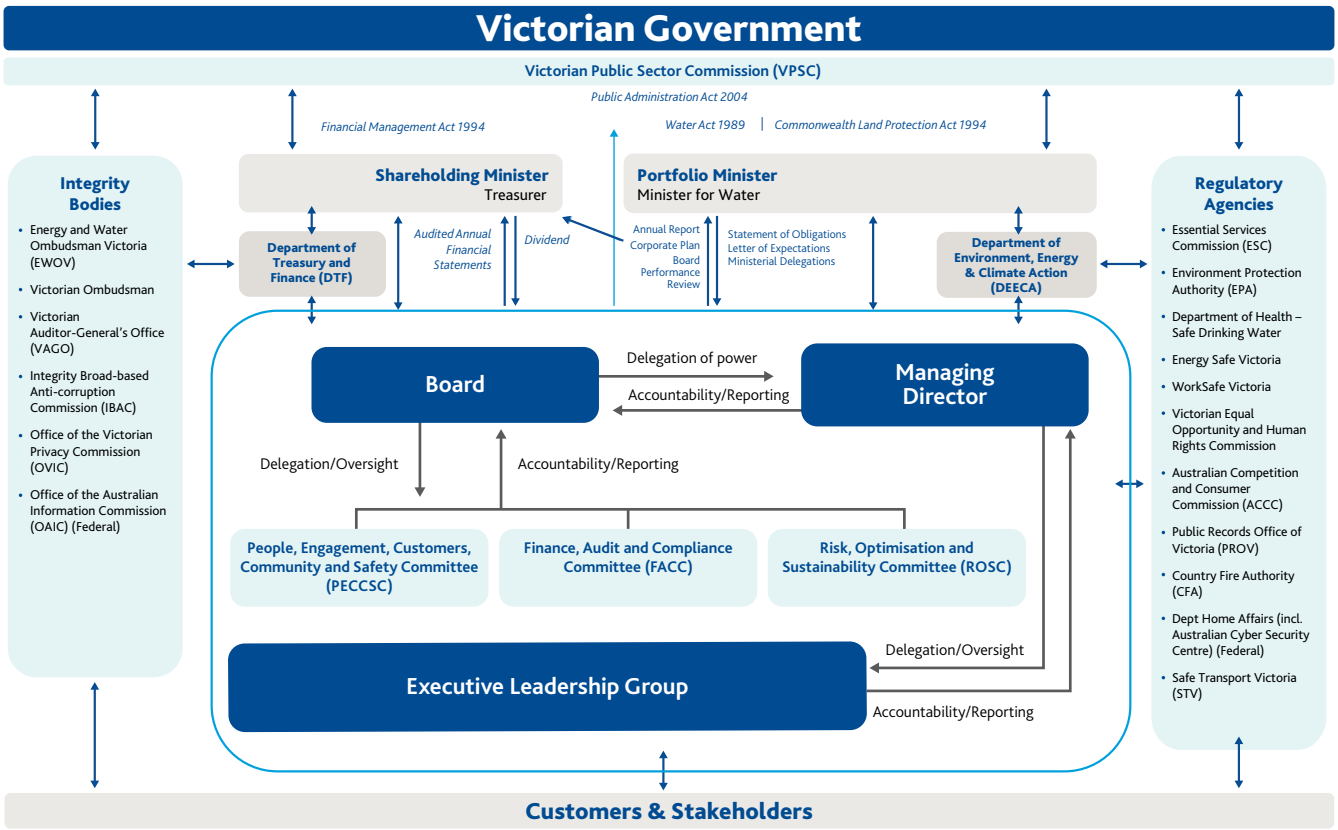
The Essential Services Commission (ESC) is Melbourne Water's economic regulator. It approves the prices we charge customers and regulates the standards of service we deliver. We are required to submit a Price Submission to the ESC every five years and to report annually on our performance. Our 2026 Price Submission was submitted to the ESC on 30 September 2025 following extensive community and stakeholder consultation.

The Department of Health is a regulator of drinking water quality under the *Safe Drinking Water Act 2003* (Vic).

The Environment Protection Authority Victoria (EPA Victoria) is the environmental regulator, protecting human health and the environment from pollution and waste. EPA Victoria plays an important role in the regulation of the discharge of wastewater, recycled water quality and the operation of sewage treatment plants under the *Environment Protection Act 2017* (Vic).

Melbourne Water's broad governance model is illustrated in Figure 2, below, and shows the relationships between government, Melbourne Water's Board and Melbourne Water management.

Figure 2: Governance relationships between the Victorian Government, Board and management





Yarra River, Melbourne city skyline

Our vision and strategic direction

Enhancing life and liveability

Melbourne Water's vision is to enhance life and liveability across Greater Melbourne and the surrounding region. We know that water is central to life. Water sustains the natural environment we live in, the communities we value and the economy we depend on.

Our three core values are integral to the way we work.

- **Make it count:** we plot a course for the future, focused on outcomes, and prioritise fiercely, to deliver the things that really matter.
- **Dive in:** we choose curiosity over comfort, lean into tough conversations, prioritise safety, and celebrate diverse perspectives.
- **Do what's right:** as caretakers of public resources, we care deeply about our community, customers and each other, taking personal responsibility for the performance and future of our business.

Melbourne Water is working towards achieving a set of aspirational strategic goals by 30 June 2027 (as shown in Figure 3) that aim to catalyse the change needed to capture opportunities and respond to the challenges of the next decade.

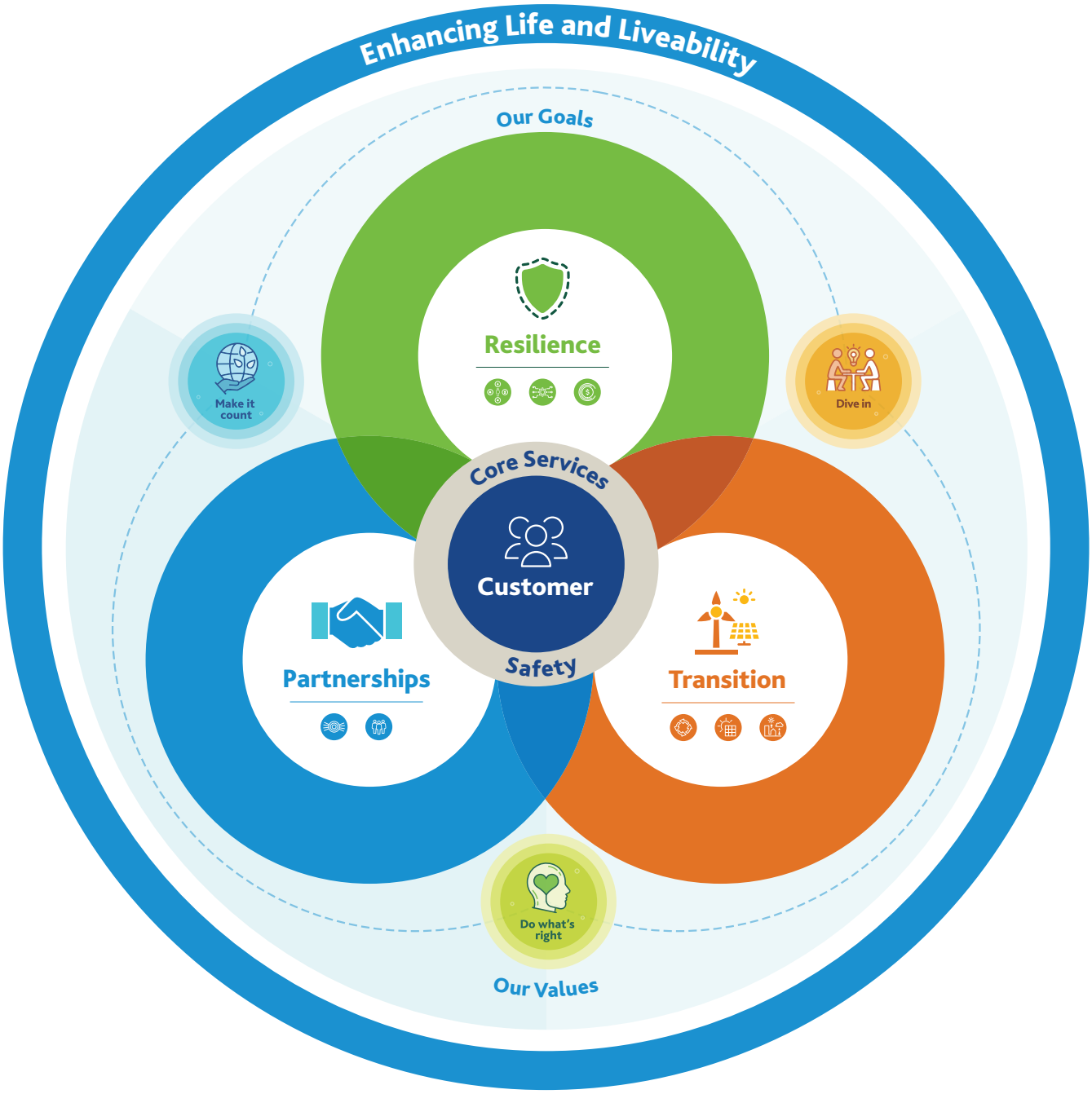
In addition, our strategic goals will drive our capability development, investment and performance over the coming years.



Make every drop count

Our strategy

Figure 3: Melbourne Water's Strategic Direction and Goals to 2027



Our Vision:
Enhancing Life and Liveability

Our Mission:
Water is essential to our way of life and so is the work we do. Our work sustains the community, the environment and the economy now and into the future.

Our Core Services

The work we do to deliver our essential services each and every day.

- Water
- Sewerage
- Drainage
- Waterways
- Catchment management

Our Strategic Goals

Resilience

The work we do to build resilience and strengthen our existing services.

- Keep our core services strong
- Fit for the future
- Financial strength

Transition

The proactive work we do, transforming our system to manage future demands.

- Play a stronger role in resource recovery and deliver more recycled water
- Boldly progress towards decarbonisation
- Focus on New Water and Integrated Water Management

Partnerships

The work we do with internal and external partners in support of a thriving community and country.

- We will walk Country together
- Building influential relationships

Our strategic context

Delivering the Victorian Government's plan for water

We are a Water Corporation and Catchment Management Authority operating across greater Melbourne established by the Victorian Government. The *Water Act 1989* (Vic) and the Statement of Obligations issued by the Minister for Water govern our organisation's activities. In addition, under the *Catchment and Land Protection Act 1994* (Vic) (CaLP Act), we hold the catchment management role for the Port Phillip and Westernport regions.

Water for Victoria is the Victorian Government's statewide water plan. The plan identifies priorities for managing water across the state, including Greater Melbourne. The plan drives improved outcomes for communities in the way water is managed and delivers shared benefits, while also addressing challenges such as climate change and population growth.

We work closely with the Victorian Government to deliver our services, which have been crucial in supporting Melbourne to grow into the city it is today. This Annual Report outlines our achievements in 2025-26 to meet the changing needs of the Greater Melbourne region and addresses priorities detailed in *Water for Victoria*.

Letter of Expectations

We are further guided by the Minister for Water's Letter of Expectations and the Ministerial Reporting Directions (MRDs) administered by Department of Energy, Environment and Climate Action (DEECA), which focus on:

- climate change and energy (LOE1)
- customer, community and engagement (LOE2)
- recognise Traditional Owner values (formerly Aboriginal values) (LOE3)
- recognise recreational values (LOE4)
- resilient and liveable cities and towns (LOE5)
- leadership, diversity and culture (LOE6)
- performance and financial management (LOE7)
- Compliance and enforcement (LOE8)
- Waterways and catchment health (LOE9)
- Water for Agriculture (LOE10).

In addition – the Minister requested additional focus on three new areas:

- cyber security
- the Housing Statement
- customer protection, including prevention of harm from family violence.

Sustainable Development Goals

At Melbourne Water, sustainability is about providing resilient services that enhance environmental, social, cultural and economic outcomes for current and future generations.

Melbourne Water is a signatory to the United Nations Global Compact, the world's largest sustainability initiative, which encompasses the Sustainable Development Goals (SDGs). To support communication of our contribution to sustainability, we have classified the SDGs across three tiers based on materiality to our region and our ability to contribute to the goal.

Tier 1 SDGs, such as SDG 13 (Climate Action) are strongly aligned with our core business and reflect areas where Melbourne Water is positioned to make a strong contribution and may experience the most impact to our region. Tier 2 and Tier 3 SDGs reflect areas where we seek to make a material contribution and take advantage of opportunities, but the goals are less closely aligned with our core business and may be delivered indirectly through partners.

Further information on the SDGs can be found at United Nations Department of Economic and Social Affairs Sustainable Development website[3].



[3] https://sdgs.un.org/goals

Our operating environment

Melbourne Water is operating in an environment changing across multiple dimensions at a pace exceeding what it has navigated in recent decades.

The relative stability that defined the post-war era is giving way to a more unsettled period, in which disruption is better understood as a defining condition than as a series of isolated shocks. Elements of the established global order are subsiding, while what will replace them has not yet come clearly into view.

Five converging dynamics give this environment its character. First, the international system is reordering. Great-power competition, regional conflict and trade fragmentation are reshaping supply chains, with consequences extending from energy markets to the cost of essential treatment chemicals, alongside heightened cyber risk to critical infrastructure. Yet the same fragmentation can redistribute advantage, easing some input prices and accelerating investment in renewables and resilience.

Second, a harsher physical environment is converging with tighter funding. Climate change and rising demand are increasing asset pressures and the frequency of acute events, while construction costs escalate and affordability constraints make pricing sensitive. This is driving efficiency, innovation and new pathways for sustainability-linked finance.

Third, artificial intelligence is emerging as both the sector's most significant productivity tool and a new source of operational and cyber vulnerability, rewarding deliberate governance over rapid adoption.

Fourth, new governance architectures are emerging. A wider set of voices now holds standing in decisions about water and land, through deeper partnerships with Traditional Owners and a broader role for environmental and community interests. Community expectations are reinforcing this, with stronger environmental concern creating a mandate for resilience investment and growing support for the institutions that deliver it.

Finally, however, many fundamentals still endure. Greater Melbourne's growing community still needs safe drinking water, reliable sewerage and protection from flooding, and the custodial obligation at the centre of the sector's purpose remains constant.

It is against that constancy that key imperatives for Melbourne Water come into focus: seeking out lead indicators of change in its operating environment, responding as early as practicable to these changes, and seeking to preserve choice and strengthen resilience.

2026 Price Submission

Melbourne Water's 2026 Price Submission has set out our expenditures and the prices we need to charge our customers to deliver the services they expect now and into the future. The Essential Services Commission (ESC) undertook a review of our submission over 2025-26 and have set our prices and the manner in which they will be calculated in our determination.

Our 2026 Price Submission described how Melbourne Water has engaged with customers to understand their priorities for our services (water, sewerage, waterways and drainage), our commitments to our customers and how those priorities informed our commitments, proposed expenditure and prices, the corresponding expenditures and prices to deliver on those commitments. For more information on the engagement process, refer to page 71.

Our 2026 Price Submission was prepared in the context of transition required to stay ahead of population growth and a changing climate, while making the best use of advancements in technology. To navigate these critical risks, we are planning for the future by:

- securing new water supplies
- transitioning to new sewerage treatment technologies
- preparing for more frequent and intense flood events.

Planning for this transition has balanced affordability with building resilient infrastructure, and ensuring we continue to make the changes needed now to prepare for our water future. The 2026 Price Submission was submitted to the ESC on 30 September 2025.

Following its review, the ESC published its final decision and final determination for new prices to apply from 1 July 2026.



Yarra River, South Yarra

The Accord

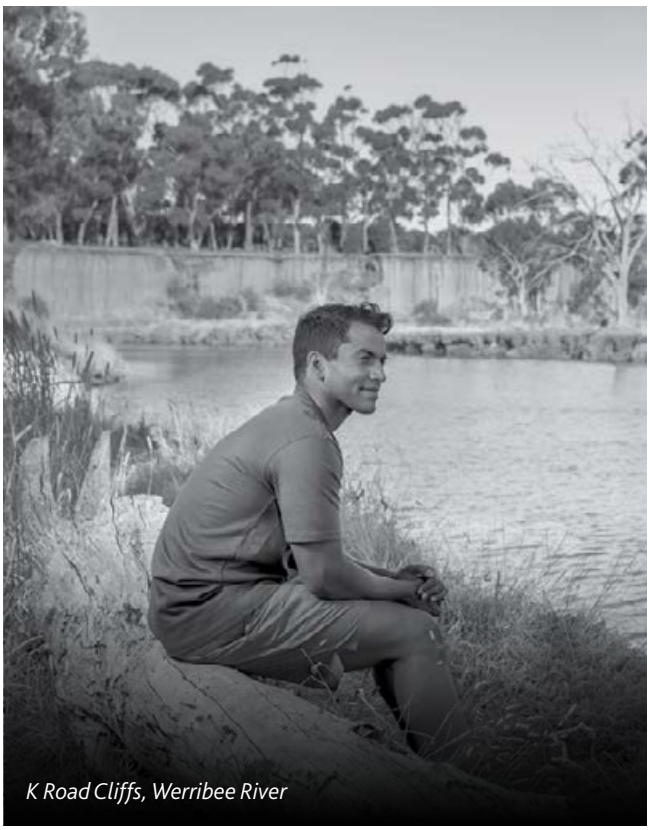
The challenges facing the water sector are complex and we cannot solve them alone. We understand we are more effective in meeting these challenges when we work together. Therefore, Barwon Water, Greater Western Water, Melbourne Water, South East Water and Yarra Valley Water have come together to form the Accord.

Enabling a shared vision for the sector, the Accord provides a set of agreed principles to govern how we work together through Accord-led strategic forums and working groups to deliver on key focus areas, including:

- water security
- the economic sustainability of the sector
- partnering with and delivering for Traditional Owners
- building and efficiency
- addressing the challenges posed by climate change resilience and transition.

The Accord commits us to collaboratively act in the best overall interests of our communities, supporting cost-effective, equitable outcomes today and for future generations.

Alignment at the senior leadership levels has facilitated significant progress in system augmentation for future water resilience, water sector Treaty readiness and financial security.



K Road Cliffs, Werribee River

Our commitment to sustainability

At Melbourne Water, sustainability is about providing resilient services that enhance environmental, social, cultural and economic outcomes for current and future generations.

It is critical for our services and our community that our business remains resilient to ongoing and emerging challenges, such as climate change and rapid urbanisation.

Melbourne Water aims to share information about risks and opportunities with stakeholders and the community to support an ongoing dialogue for how we might best adapt to these challenges, recognising there will be new costs or trade-offs to make, depending on the pathways chosen.

'Our Climate Transition Plan' documents Melbourne Water's ambition, challenges, actions and accountability to achieve our target of net zero scope 1 and 2 emissions by 2030, which has been established in alignment with the requirements of the Statement of Obligations (Emission Reduction) issued by the Minister for Water. It documents our reliance on carbon credits, largely due to unique challenges in reducing at source emissions in sewerage treatment and identifies potential pathways to gradually reduce emissions over time. Importantly, it recognises that decisions about the speed and scale of investments to reduce emissions at the source, will be made together with government, stakeholders and community.

We are working toward expanded disclosures informed by emerging best practice. A focus both globally and locally is on disclosures associated with climate change, such as under the Australian Sustainability Reporting Standard – Climate-related Disclosures (AASB S2). We will continue to work towards broader sustainability disclosures as new guidance in this area is developed. This year, we continued to mature our approach to climate transition through work to better integrate complex climate risk into our processes, including investigations into efficient investment for our services to increase climate resilience.

We are acutely aware that the scale of challenges facing our services related to the interacting risks of climate change, rapid urbanisation and population growth, and biodiversity loss will test our existing ways of operating and require us to adapt our approach over the next decade.



Solar Farm, Eastern Treatment Plant



Sugarloaf Reservoir

Our services

Overview

Melbourne Water manages all parts of the water cycle that are essential to our way of life today, tomorrow and for generations to come. From providing clean drinking water, treating sewage so we can recover and re-use our valued resources, working to reduce flood risk and keeping Melbourne's rivers, creeks and catchments healthy, we are committed to enhancing life and liveability for the greater Melbourne region.

In 2025-26, the 2021 Price Determination guided our water, sewerage, waterways and drainage services, and infrastructure projects, and the cost of delivering these services.

We also perform the role of the Catchment Management Authority (CMA) for the Port Phillip and Western Port region, making us responsible for promoting the integrated management of land, water, and biodiversity in each catchment and land protection region.

Water

A safe and secure water supply is essential to our way of life.


Make every drop count

Our approach

Melbourne Water manages catchments, water storages and the water transfer network to meet the needs of a growing city and the surrounding region. With our variable climate, we prepare for droughts, floods, bushfires and other weather events.

Melbourne Water supplies, treats and transfers drinking water to the city's three metropolitan water corporations and four other regional water businesses, which, in turn provide water to households and businesses across the Greater Melbourne and neighbouring regions.

Melbourne is one of only a few cities in the world that draws over half of its drinking water from protected catchments. These protected forested mountain catchments throughout the Yarra Ranges act as a vast natural filter, providing a high-quality, low-cost source of water that requires minimal treatment. This process underpins the affordability of our drinking water.

On average over the past 10 years, about a quarter of Melbourne's drinking water has come from open catchments, which incorporate mixed land uses, such as houses and farms, instead of being used exclusively to harvest water. Water from open catchments undergoes additional treatment processes to ensure it meets the same quality standards as water from protected catchments.

Greater Melbourne's water system also includes the Victorian Desalination Plant, which complements our catchments by providing a secure source of high-quality water that does not rely on rainfall. The Victorian Desalination Plant can provide up to 150 billion litres of drinking water each year and is a key component in ensuring long-term water security, building a buffer in our storages and taking pressure off our reservoirs during drier periods and droughts.

In 2025-26, we invested $157.4 million to safely manage the water production and supply for Greater Melbourne. Significant investments included the ongoing construction of a water treatment plant at Mt Evelyn, commencing the upgrade to Cardinia Dam and renewal of water transfer and treatment assets.

Figure 4: Greater Melbourne water storage levels (June 1996 – June 2026)

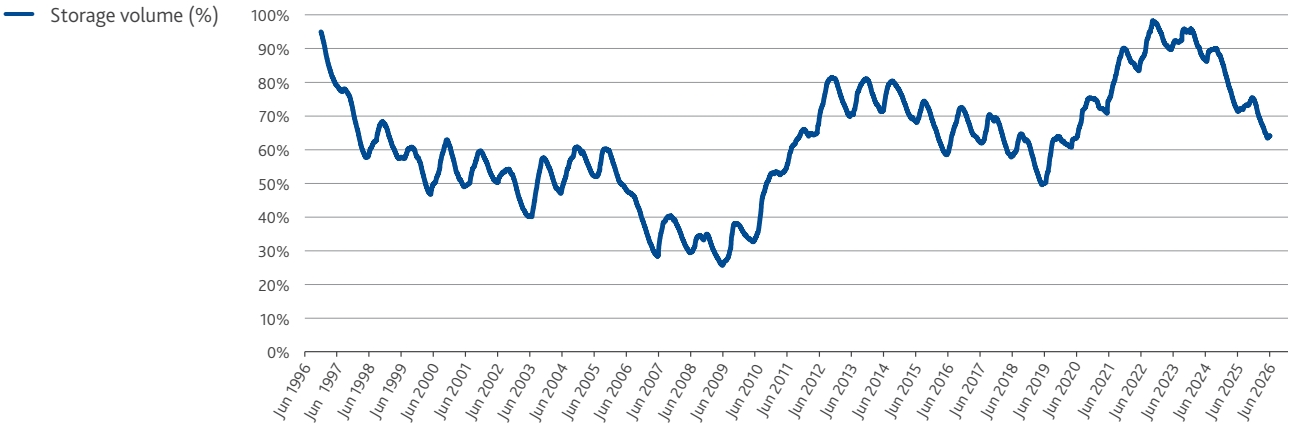


Figure 5: Long-term inflow to Melbourne's major harvesting storages (Thomson, Upper Yarra, Maroondah and O'Shannassy reservoirs)

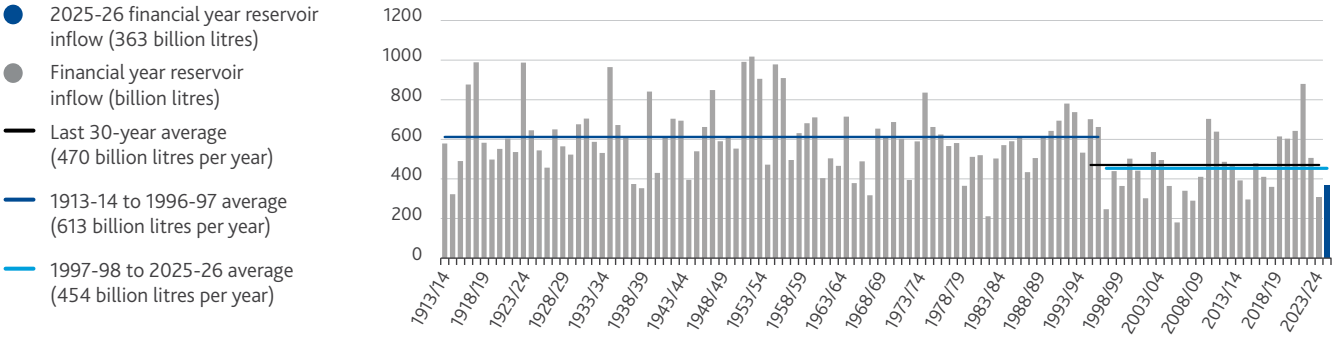


Figure 6: Monthly average rainfall to Melbourne's major harvesting reservoirs

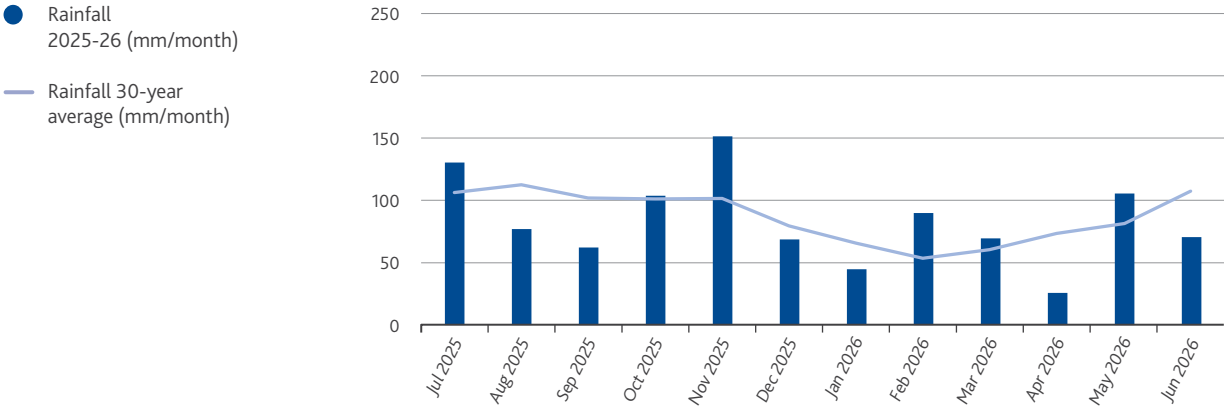
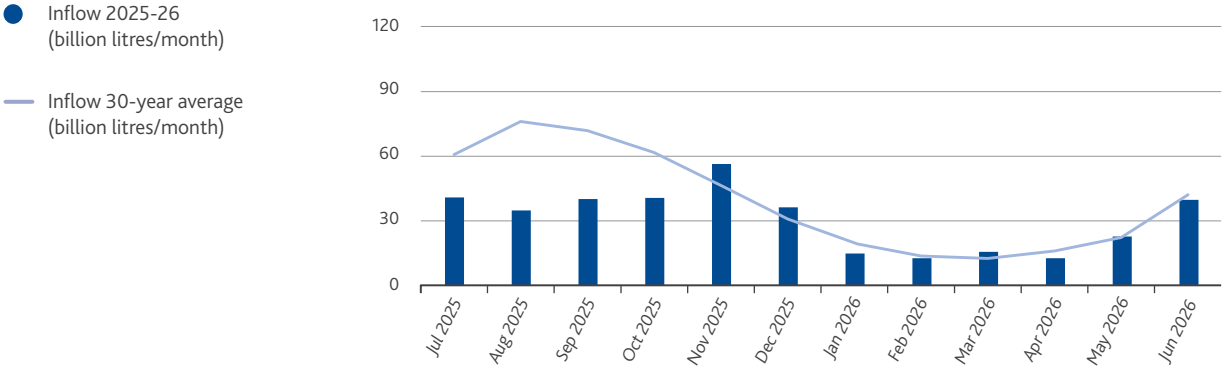


Figure 7: Monthly average inflow at Melbourne's major harvesting reservoirs



Managing water supply

At the beginning of 2025-26, Melbourne's 10 water storages were 71.5 per cent full (1295 billion litres). Storages increased to 75.5 per cent by December 2025. However, by 30 June 2026, they had reduced to 64.1 per cent (1,162 billion litres). This represents a decline of 7.4 per cent of total system storage over the year. Combined with the 15 per cent decline recorded in 2024-25, the last two years have seen the steepest storage decline since the driest years of the millennium drought.

In 2025-26, Melbourne's water supply catchments received 996 millimetres of rainfall - 4 per cent below the 30-year average. The monthly average rainfall across Melbourne's catchments varied from 25.5 millimetres in April 2026 to 151.2 millimetres in November 2025 (see Figure 6).

The 2025-26 total inflow to Melbourne's four major harvesting storages (Thomson, Upper Yarra, Maroondah and O'Shannassy) of 363 billion litres was 23 per cent below the 470 billion litres average of the last 30 years. This was 19 per cent below average for the period since 1997, which has been the benchmark period used to reflect recent streamflows. It was also 41 per cent below the long-term average of 613 billion litres for the pre-Millennium Drought period (1913-14 to 1996-97). See Figure 7 for more details.

Supplying our customers

To meet customer demand, Melbourne Water supplied 504 billion litres of water in 2025-26, which is 1 per cent less than the record high previous year, and 9 per cent higher than the average of the last five years.



Thomson Reservoir

Water consumption

Permanent water saving rules still apply across Victoria to ensure we use water wisely. Melbourne's residential water use in 2025-26 was 161 litres per person per day, which is 11 litres more than the Victorian Government's target of 150 litres. Note: these figures are preliminary only based on an estimate for Quarter 4 (April-June 2026) as actuals were not yet available at the time of preparing this report.

Melburnians averaged total use of 1.32 billion litres of water per day this year for all purposes (residential, non-residential and non-revenue water), 6 per cent more than the last five-year average, which was influenced by wet conditions from three consecutive wet La Niña years and the coronavirus (COVID-19) pandemic, as well as including last year's record high demand. With Melbourne's growing population, water consumption has generally increased over the past 10 years and is now approximately equal to the average during the 1990s.

Figure 8: Retail water consumption

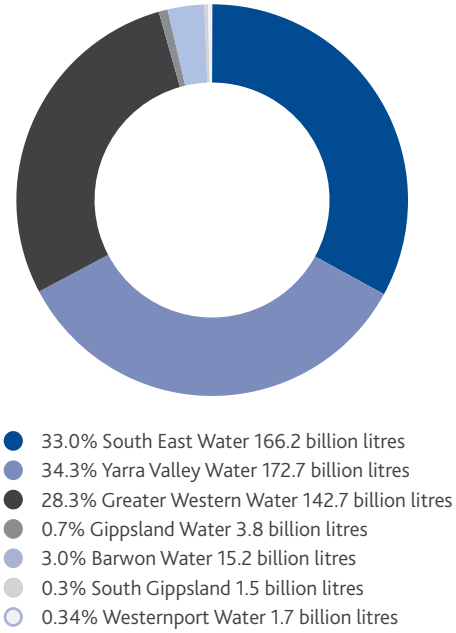
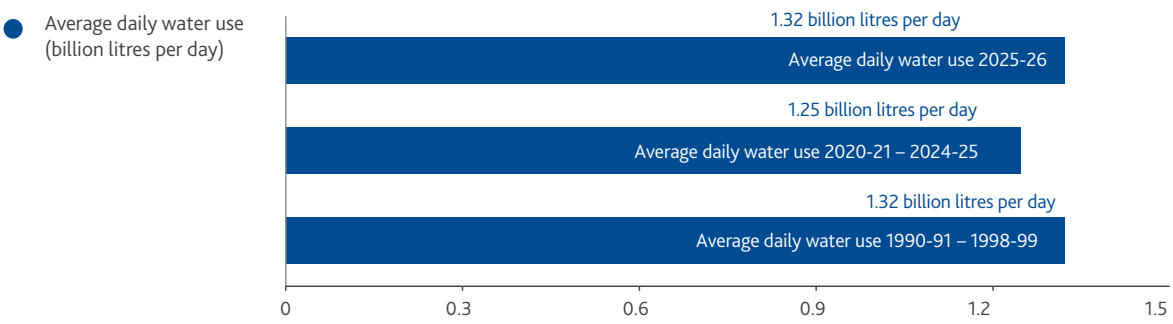


Figure 9: Average daily total water use for Melbourne, including non-residential



Water supply catchment management

Melbourne's water supply catchments cover around 158,000 hectares and provide 80 per cent of the region's drinking water. These catchments are supported by approximately 1500 kilometres of unsealed access roads. A rolling program of condition monitoring, maintenance and renewal ensures these roads remain safe and functional. During the year, key bridges damaged in previous storm events were successfully replaced.

The 2025–26 Season Works Program continued delivery of the Catchment Management Optimisation Program (CMOP), funded through the 2021 Price Determination. This program supports targeted investment to improve catchment condition, access, and long-term water supply resilience.

Managing bushfire risk

Bushfires present a significant risk to water quality, water yield, infrastructure and surrounding communities. Melbourne Water works closely with partner agencies to reduce this risk through coordinated prevention, preparedness, response and recovery activities.

We maintain the capability to respond quickly to fires within our catchments, helping contain them early. This is supported by fuel reduction programs, a network of fire breaks, and strategic bushfire planning. We work in partnership with Forest Fire Management Victoria (FFMVic) and contribute to the state's fire management planning processes to identify and mitigate risks in a coordinated way.

Each year, we prepare for the fire season by allocating resources across key works centres, including Healesville, Warburton, Woori Yallock and Thomson. This includes seasonal firefighting personnel and aerial support, with a helicopter based at Healesville to assist with rapid response, surveillance and access to remote areas. Melbourne Water also contributes to state and national fire preparedness forums and planning groups.

2025-26 fire season

The 2025–26 fire season followed an extended period of warm, dry conditions, increasing the risk of bushfires across Victoria. During the peak period in January 2026, catastrophic fire conditions were declared across several regions. Statewide, fires affected more than 400,000 hectares of land, as well as homes and communities.

Melbourne Water supported emergency response efforts, working alongside partner agencies and deploying personnel to fire grounds, control centres and planning teams. While some fires occurred within or near forested catchments and water infrastructure, there were no significant impacts on water supply or critical assets.

Catchment management outcomes

Over the past five years, targeted programs have reduced risks to water supply in key areas. For example, sustained efforts to control deer populations have significantly lowered risks in the Cardinia and Silvan catchments, as well as around critical infrastructure in other locations.

Bushfire agency arrangements

DEECA and Parks Victoria are the agencies responsible for land management in the main water supply catchments, which are within State Forests or National Parks. Melbourne Water manages risks to drinking water and water supply infrastructure within these catchments.

FFMVic, Fire Rescue Victoria (FRV) and the Country Fire Authority (CFA) are the statutory firefighting agencies in Victoria. If a fire within protected water supply catchments or on land owned or managed by Melbourne Water is not controlled at first attack by Melbourne Water resources, FFMVic or the CFA takes control and responsibility for fighting the fire. For major fires, the Emergency Management Commissioner is responsible and appoints a State Response Controller.

The CFA is the agency responsible for fire response on private land in the catchments.

Deer management

Melbourne Water participates in an active deer management program to control potential pathogens that could contaminate the water supply.

In 2025-26, the deer control program increased in the Armstrong Creek catchment and continued in Cardinia, Silvan and Upper Yarra catchments. Parks Victoria, co-funded by Melbourne Water and DEECA, also delivered an aerial deer control program across Upper Yarra, Armstrong, O'Shannassy and Bunyip State Forest/Tarago catchments. The aerial control complemented ground control to improve overall effectiveness of the programs.

Current data demonstrates a significant reduction in risk to water supply within Cardinia and Silvan catchments during the last five years as deer populations have reduced. The program has also been successful at creating asset protection zones in strategic locations, with noticeable reductions in deer numbers and impact.

In addition to reducing pathogen risks to drinking water supplies, deer management supports vegetation recovery and protects ecological values across priority catchment areas. By improving water quality outcomes while reducing browsing impacts on native vegetation, the program demonstrates Melbourne Water's integrated approach to catchment management, delivering benefits for water security, biodiversity and catchment resilience.

Security and asset protection

Melbourne Water has important responsibilities to protect water supply catchments under the Security of Critical Infrastructure Act 2018 and the Victorian Safe Drinking Water Regulations (2025).

In recent years, we have strengthened our approach to managing unauthorised access, which can increase risks such as bushfire and contamination. During 2025–26, this included proactive security patrols, remote monitoring, and assessments of gates and fencing at high-risk sites.

We also progressed improvements in surveillance and protection measures, including the introduction of drone technology, long-range CCTV, and upgraded perimeter fencing at key locations.



Yan Yean Reservoir

Sewerage

Ensuring the health and wellbeing of Melbourne's population and environment is dependent on a safe and reliable sewerage system.


Eastern Treatment Plant

Our approach

Since its establishment in the 1890s, the system has expanded and adapted with Melbourne for the ongoing protection of public health, wellbeing and the environment.

Melbourne Water's sewerage system is serviced by two large treatment plants: the Western Treatment Plant in Werribee and the Eastern Treatment Plant in Bangholme. These facilities, coupled with an extensive network of 400 kilometres of sewers and nine sewage pumping stations, efficiently transport substantial volumes of sewage across the city to be treated. In our long-term investment planning, we carefully consider external factors, such as population growth and climate change, to ensure the continuous evolution of our sewerage system to meet our obligations, under the *Environment Protection Act 2017* (Vic) and in compliance with our General Environmental Duty. The Melbourne Sewerage Strategy describes a 50-year transformation in our sewerage system from a mostly one-way process, which views sewage as a waste that must be collected, treated and discharged, to a circular process focused on the recovery, reuse and recycling of valuable resources like water, energy and nutrients, while ensuring Melbourne's sewerage service continues to protect public health and the environment.

In 2025-26, we invested $475.3 million to safely manage the sewage generated across Greater Melbourne. Significant investments included the continued construction of a $704 million Resource Recovery and Reuse Complex project and the completion of the Activated Sludge Plant upgrade for $342 million at the Western Treatment Plant. The Western Trunk Sewer Renewal and the Sludge Dewatering Project at the Eastern Treatment Plant have received Government approval to proceed.

Resource Recovery & Re-use Complex

Announced in 2023-24, Melbourne Water's Resource Recovery & Re-use Complex aims to improve the resilience of the Western Treatment Plant as Greater Melbourne's population grows and reduce greenhouse gas emissions from our current treatment processes.

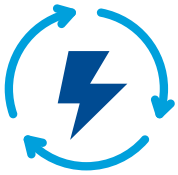
The Resource Recovery & Re-use Complex will include:

- new preliminary and primary treatment processes to divert raw sewage away from the heavily loaded anaerobic lagoons, reducing the frequency of odour intensive maintenance works
- improved solids handling and anaerobic digestion processes to divert sludge away from the heavily loaded aerated ponds, capturing carbon and improving safety
- a new receiving facility to receive and treat tankered waste from customers to manage environmental risk and fulfil Melbourne Water's obligations under the *Environment Protection Act 2017*
- a new liquid food waste facility to receive food and animal processing wastes from industrial customers as an additional feed to the digesters which will generate renewable energy.

Works are estimated to be completed in 2028, with the John Holland Design Joint Venture leading the design, construction and commissioning phases.

EASTERN TREATMENT PLANT

147,964
MILLION LITRES
SEWAGE RECEIVED



78,012 MWh
OF RENEWABLE ELECTRICITY GENERATED

Eastern Treatment Plant

In 2025-26, the Eastern Treatment Plant received 147,964 megalitres of sewage, generated 78,012 megawatt hours of electricity from renewable sources from its power station and solar farm (51 per cent of the plant's total electricity consumption) and produced 51,037 tonnes of biosolids for future reuse. The Eastern Treatment Plant also supplied 8369 megalitres of recycled water to residential third pipe, industry and agriculture users in the south-eastern suburbs.

The Eastern Treatment Plant hosts two power generation assets, harvesting power from renewable energy sources:

- A 19.38-megawatt solar farm comprised of 36,960 photovoltaic panels producing upwards of 32,000 megawatt-hours per annum.
- A 9.31-megawatt cogeneration biogas power station producing both heat used for wastewater treatment and electricity, with approximately 46,000 megawatt-hours per annum generated from biogas methane blended with a small amount of natural gas (less than 5 per cent) to optimise generator utilisation.

Sewage loads entering the Eastern Treatment Plant in 2025-26 have remained stable and below the elevated levels observed in recent years, supporting more consistent plant operations. Melbourne Water continues to engage with metropolitan water corporations through the Integrated Sewage Quality Management System to manage load growth and ensure source control compliance. Planned capital works will progressively increase treatment capacity over the next decade to meet forecast growth in customer demand.

Western Treatment Plant

The Western Treatment Plant received 220,377 megalitres of sewage in 2025-26, which was 3.76 per cent higher than the amount received in 2024-25. In addition, the Western Treatment Plant generated 58,959 megawatt-hours of electricity from renewable biogas sources harvested from the anaerobic lagoons. This represents 75 per cent of the plant's total energy consumption. The electricity production during 2025-26 was seriously impacted by an extended outage from Power Station A at the plant, which shut down in February 2025 for significant maintenance and upgrade works and returned to service in April 2026. Power Station A is now back online and performing well.

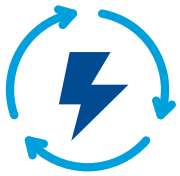
As part of the Port Phillip Bay Environmental Management Plan (2017-2027) and EPA Victoria nitrogen load target to Port Phillip Bay under the Environmental Reference Standard (2021), the Western Treatment Plant has a three-year rolling average limit of 3100 tonnes per annum of total nitrogen (TN) that can be discharged to Port Phillip Bay.

At 30 June 2026, Melbourne Water's three-year rolling average TN discharge was 3446 tonnes. This is higher than the 3100-tonne limit and is mostly attributable to higher nitrogen loads into the plant above treatment capacity and previous growth forecasts for the sewerage catchment. In 2025-26, the individual TN discharge was 3700 tonnes.

The new Activated Sludge Plant was commissioned and handed over to operations in June 2025. This asset is now performing very well and has made a significant improvement to the TN being discharged to the bay. Nevertheless, WTP is still exceeding its limit under the Environmental Reference Standard (2021) and will likely continue to exceed this limit until further augmentations in treatment capacity are made. An Interim Risk Management Plan has been developed to manage the risk associated with this exceedance and this has been shared with EPA.

WESTERN TREATMENT PLANT

220,377
MILLION LITRES
SEWAGE RECEIVED



58,959 MWh
OF RENEWABLE ELECTRICITY GENERATED

Flood and Drainage

Extreme flood events are expected to become more frequent as our climate changes over the coming decades. Melbourne Water has the opportunity to act now to enhance Greater Melbourne's future resilience by making flood information that takes future climate impacts into account readily available to planning authorities and communities. This information will support informed planning for flood events and help secure a resilient future through appropriate development.

Our approach

As the region's floodplain manager, in accordance with its functions under the Water Act 1989 (Vic), Melbourne Water plays a critical role in managing flood risk through:

- coordinating the development and delivery of the Flood Management Strategy for the Port Phillip and Westernport regions and drainage services in conjunction with local and state government agencies, emergency services, the insurance and private sectors, and the community,
- understanding the nature and extent of flooding within the region to support emergency planning, appropriate development, community awareness, and the investigation of infrastructure solutions and
- supporting land use planning and establishment of criteria for building and renovations that minimise flooding risk and drive water-oriented urban design, constructing, maintaining and upgrading drainage assets, including flood management infrastructure and multifunctional assets.

We also plan for and respond to flooding that may impact our waterways, drainage, water supply and sewerage systems and services. This includes using flood models and real-time monitoring to inform the design, operation and emergency response of critical infrastructure. Our work is guided by the *Flood Management Strategy – Port Phillip and Westernport 2021–2031*, the *Healthy Waterways Strategy*, *Drinking Water Quality Strategy*, *Sewerage Strategy* and asset risk assessments.

The Victoria State Emergency Service (VICSES) is the designated control agency for flooding in Victoria. Melbourne Water partners with VICSES to support awareness and preparedness in communities at risk of flooding to build community resilience.

Melbourne Water also develops flood information to inform and support the development of VICSES Flood Guides, which are available on the VICSES website, and Municipal Emergency Management Plans. This year we developed flood literacy videos to support flood awareness and preparedness, which are available on the Melbourne Water website. We also contribute to flood warning services, particularly through management of flood warning hydrographic infrastructure.

During 2025-26, $98 million was allocated to renewing and enhancing our drainage and flood protection assets including commencing the upgrades to the Elsternwick Main Drain. In addition, $239.7 million was allocated to create new drainage and stormwater quality assets (such as wetlands) to support the development of new land.

Review of October 2022 Maribyrnong River Flood, Parliamentary Inquiry and the Victorian Ombudsman's report

After the October 2022 Maribyrnong River flooding, Melbourne Water instituted an independent review (the Pagone Review) and participated in the Legislative Council Environment and Planning Committee Inquiry into the 2022 Victorian flood event.

Melbourne Water has been working to implement the 15 recommendations of the Pagone Panel, which concluded in early 2024. Ten of the Pagone Panel's 15 recommendations have been implemented.

Working with the Department of Environment, Energy and Climate Action (DEECA) and City of Melbourne, Melbourne Water has also taken the lead and have completed the recommendations 11 and 12 from the Ombudsman report (*When the Water Rises; Flood risk at two housing estates, November 2025*) into the 2022 Maribyrnong flood impacts on Kensington Banks and Rivervue. Melbourne Water has written to the Ombudsman outlining how we have acquitted these two recommendations, which were broadly to supply further information about flood to the residents of Kensington Banks and to investigate mitigation for that community which we are doing through our Maribyrnong Catchment Mitigation Study.

The whole-of-government response to the Parliamentary Committee's final report was tabled in Parliament on 6 February 2025. Melbourne Water continues to work with government to support related implementation activities, including delivery of our flood modelling program.

Our focus is now on progressing the Maribyrnong River Flood Mitigation Study and associated stakeholder and community engagement program (recommendation #15 of the Pagone Review).

Greater Melbourne Flood Information Program

Melbourne Water, with support from local councils, is delivering the Greater Melbourne Flood Information Program, to update flood modelling across the entire Port Phillip and Westernport region.

The program will provide communities, councils and emergency services with more accurate and up-to-date information about flood risk. By improving understanding of where and how flooding may occur, it will help communities make informed decisions, prepare for future flood events and strengthen resilience to a changing climate.

The program replaces legacy flood studies with contemporary, high-resolution models built using improved elevation data such as LiDAR, local and regional stormwater drainage asset information, and climate change assumptions to the year 2100.

Delivering updated flood information involves complex technical work, and we are working closely with communities throughout the process. A key focus of the program is helping people understand their flood risk while incorporating local knowledge and insights to refine flood maps and improve their accuracy.

In 2025-26, Melbourne Water completed six modelling updates for stormwater drainage networks across greater Melbourne and released draft flood maps for consultation. This included updates for Yarra, Darebin, Merri-bek, and Glen Eira councils in October 2025 followed by Banyule and Moonee Valley in June 2026.

Community engagement has been undertaken at an unprecedented scale to ensure communities understand proposed changes to flood information and have opportunities to contribute local knowledge. During the October release, the 12-week engagement program included letters to more than 123,000 properties in flood affected areas, a social media campaign reaching 2.85 million people, and more than 148,000 visits to the Let's Talk Flood Hubs.

Finalisation of the updated flood maps will provide communities, councils and developers with more accurate, consistent and up-to-date flood information, supporting emergency preparedness, safer planning and development, climate resilience and long term risk reduction across the region. Further information about the program is available on Melbourne Water's website[4].



Maribyrnong River

[4] https://www.melbournewater.com.au/water-and-environment/flooding-and-drainage/greater-melbourne-flood-information-program/flood

Waterways

The waterways of the Port Phillip and Westernport region form a complex network of interconnected and interdependent rivers, wetlands and estuaries, which collectively gather water from the landscape and carry this water to the bays and ocean. Across a network of more than 25,000 kilometres, the region's waterways provide habitat for over 1800 species of native plants and 600 species of native animals, as well as supporting the liveability of Greater Melbourne, providing water to homes and farms and special places to visit and recreate.



Our approach

Our waterways sustain a diverse range of life, including birds, fish, frogs, platypus, macroinvertebrates and vegetation. They provide places for people to gather, exercise and relax and are important sites of cultural significance. They support the growth and prosperity of the Port Phillip and Westernport region by providing drainage, flood mitigation and drinking water. They also provide economic benefits by supplying water for agriculture, recreational fishing, commercial industries and tourism opportunities.

Melbourne Water is the prescribed waterway manager under the *Water Act 1989* (Vic) for over 25,000 kilometres of waterways, wetlands and estuaries and undertakes work to protect and improve conditions to support environmental, social, cultural and economic values (as outlined in this section). We undertake maintenance and improvement of vegetation and habitat along waterways. We also build and maintain fishways and more than 2000 stormwater treatment systems, including constructed wetlands.

We work together with state and local governments, non-government organisations and community groups to enhance the environmental, social, cultural and economic value of our waterways and manage the impacts of climate change and population growth. We also support our partners and individual landowners to deliver works through the provision of incentives and partnerships, support the planning process by providing referral advice for planning permits, and actively enforce compliance measures.

The *Port Phillip and Westernport Healthy Waterways Strategy*[5] is a shared strategy across Melbourne Water, state and local government, water corporations, Traditional Owners and land management councils, non-government organisations and the community. The strategy provides shared regional and catchment-specific visions for the health of rivers, estuaries and wetlands in the Port Phillip and Westernport regions and contributes to delivery of the *Port Phillip and Westernport Regional Catchment Strategy (2021–2027)*[6] (Regional Catchment Strategy) and *Victorian Waterway Management Strategy*[7].

Our community engagement has highlighted the value of waterways for people in Greater Melbourne, through their contribution to environmental health and overall quality of life. In 2025-26, Melbourne Water invested $66 million in capital expenditure on waterway management. This includes:

- $61 million to protect our waterways from a variety of threats such as urbanisation, climate change, stormwater and pests
- $2 million to protect biodiversity on Melbourne Water's land associated with waterways
- $3 million in providing community connections to recreational opportunities and enjoyment of waterways.

[5] https://www.melbournewater.com.au/about/what-we-do/publications/healthy-waterways-strategy
[6] https://www.melbournewater.com.au/about/what-we-do/publications/regional-catchment-strategy
[7] https://www.water.vic.gov.au/waterways/victorian-waterway-management-program/victorian-waterway-management-strategy

Waterways and Drainage Implementation Plan

Our 2026 *Waterways and Drainage Implementation Plan* (WDIP) is currently in preparation. The WDIP is an obligation on Melbourne Water as set out in the Statement of Obligations (General) as issued by the Minister for Water. It will have regard to our *Water Act 1989* functions. This plan details our statutory responsibilities, goals, service levels, and proposed investments for our waterway management and drainage services over the five-year period from 2026 to 2031. The WDIP aligns with our commitment to enhancing life and liveability across the region and supports our responsibilities to protect and improve waterway health, provide regional drainage services, work with partner organisations to reduce flooding impacts, and manage river diversions.

The Waterways and Drainage charge, paid for by our customers (households and businesses), funds waterways and drainage activities, alongside other charges (developer charges, direct fees-for-service). The ESC has recently released its 2026 price determination for Melbourne Water. This determination sets the maximum prices we can charge for the Waterways and Drainage charge. The WDIP investment commitments will reflect this determination.

As required by the Victorian Government's Statement of Obligations, the WDIP includes key performance indicators (KPIs) that describe how progress with our performance against our waterways and drainage investments is measured over the five-year period. These KPIs represent the range of waterways and drainage services that are funded by the Waterways and Drainage charge. Melbourne Water performs an annual independent assessment of our progress against these KPIs.

In 2025-26, we continued to deliver on the KPIs relating to community engagement, education and capacity building. This included the delivery of stormwater capacity building initiatives through our Clearwater program, community education and engagement events.

We also continued to identify ways to improve our performance against any unmet targets over the past three years, including our target to increase stormwater harvesting and infiltration capacity.

More detailed information, including our annual performance against individual KPIs, can be found on our website[8].

Waterways research

This year, we continued to address key research areas, deliver communications activities and work collaboratively to achieve the Healthy Waterways Strategy performance objectives relating to waterways research. Initiatives included:

- partnering with the University of Melbourne in the Melbourne Waterway Research-Practice Partnership to conduct research into:
    - prioritisation tools for stream and wetland works
    - application of real-time-control technology for the management of stormwater to protect waterway health, including threatened platypus, in the Monbulk Creek catchment
    - improved methods for monitoring waterway health
    - management of deer impacts on vegetation and water quality
    - understanding the relationship between stream channel form and ecological health
    - approaches to increase the resilience of streamside vegetation in a changing climate
    - development of techniques for restoring aquatic plants in streams
    - understanding and improving the social value of waterways.
- collaborating with RMIT University in the Aquatic Pollution Prevention Partnership (A3P) to conduct research into pollution management in waterways to:
    - develop a decision support framework to prioritise water quality management actions
    - identify cost-effective solutions for pollutants from industrial catchments
    - identify and manage emerging contaminants
    - understand the ecological impacts of wastewater inputs in waterways
    - assess risks of contaminants to environmentally significant sites
    - understand climate change impacts on water quality
    - identify continuous improvement opportunities for vegetation management near waterways
    - manage pollution in estuaries and bays.
- undertaking work with Deakin University to explore enhanced methods for propagation and planting of seagrass to restore critical habitats in Western Port and Port Phillip
- continuing collaborative research with Traditional Owners on billabong watering and deer management along the Birrarung (Yarra) River (with Wurundjeri Woi-wurrung), seagrass restoration in Western Port and Port Phillip (with Bunurong and Wadawurrung), and Port Phillip biodiversity assessments with environmental DNA (eDNA) (with Bunurong and Wadawurrung)
- commencing a national research collaboration led by Queensland University of Technology with over 40 partner organisations, the Australian Research Council funded Research Hub in the Internet of Things (IoT) for Water. This Research Hub is focussing on the development and application of digital technologies for improved water services.

[8] https://www.melbournewater.com.au/services/prices-and-charges/waterways-and-drainage-charge/waterways-and-drainage-investment-plan

Catchment management

Located on the traditional lands of the Wadawurrung, the Wurundjeri Woi-wurrung and the Bunurong Peoples, the Port Phillip and Westernport region is Victoria's most diverse and complex natural resource management area by virtue of its location, geography, land use and population.



Our approach

As the region's Catchment Management Authority (CMA), Melbourne Water has specific roles, responsibilities and obligations, enabling us to adopt a more comprehensive and integrated approach to catchment management. Melbourne Water's statutory functions, powers and responsibilities as a CMA are set out in the *Catchment and Land Protection Act 1994* (Vic).

As a CMA, we are responsible for the integrated planning and coordination of land, water, biodiversity, coasts and marine environments throughout the region. This also involves extensive collaboration with diverse stakeholders and communities.

Covering an area of almost 13,000 square kilometres, our region extends from the You Yang Ranges and volcanic plains in the west, across the Macedon Ranges and the Kinglake Plateau in the north, through the Yarra Valley to the foothills of the Baw Baw Plateau in the east and south to the Bass Coast. The region also includes Port Phillip Bay and Western Port, and Victoria's two largest islands, French and Phillip Islands.

Across five distinctly different major catchment systems (Werribee, Maribyrnong, Yarra, Dandenong and Westernport) the region's land and waterways form a complex network of interconnected and interdependent catchments, rivers, wetlands and estuaries, which flow to Port Phillip Bay and Westernport.

Through our CMA service, we deliver a wide range of natural resource management programs and projects across the Port Phillip and Westernport region. This includes working with farmers and industry on sustainable agriculture, supporting Landcare and community groups, enabling place-based collaborations such as Grow West, Living Links and Yarra4Life, and delivering biodiversity conservation projects that protect and improve catchment health.

For the full Catchment Condition Report, see Appendix E.



Sustainable agriculture

In 2025–26, Melbourne Water continued delivering the Sustainable Agriculture Facilitator role as part of our Regional Delivery Services, supported by the Australian Government through the Natural Heritage Trust under the Climate-Smart Agriculture Program. The role supports innovative, best-practice approaches to sustainable agriculture with a focus on climate resilience, productivity, and environmental outcomes delivering presentations on carbon farming, dung beetles and farm biodiversity and completing 11 demonstration site stewardship plans.

The Carbon Farming Outreach Program (CFOP) region concluded in 2026, exceeding delivery targets with 18 training courses delivered to 376 participants. Through workshops, events and information resources, the program successfully supported farmers to build their understanding of carbon farming, with 94% of participants reporting they felt more informed and better equipped to make decisions about carbon farming practices on their farms.

Through the National Soil Monitoring Program, 12 farms across the region were sampled to assess soil health across different soil types and land uses. The project contributed to a national dataset, improving understanding of regional soil condition and supporting evidence-based land management and future monitoring efforts.

Melbourne Water partnered with RMIT University to deliver a 12-month Floating Wetlands project, investigating the ecological benefits of floating wetlands in farm dams. The project established two pilot farm dam sites for monitoring and research, while also delivering a community awareness campaign, including RMIT's educational video showcasing the role of floating wetlands in supporting farm dam health, water quality and biodiversity.

We continue to deliver Project Ag-Resilience (Australian Government Climate-Smart Agriculture project) alongside six project partners in priority agricultural areas. In 2025-26 we delivered 55 engagement events with 1164 participants, and 47 farmers have signed up to an environmental stewardship or certification process.

Landcare support

Melbourne Water's Regional Landcare Coordination program provides support to 14 Landcare Facilitators, 89 Landcare groups, 14 Landcare networks and approximately 500 other community environmental groups across Port Phillip and Westernport through the delivery of project and support grants, fostering connection and learning, encouraging action and celebrating the value of community effort.

The 2025 Victorian Landcare Grants awarded $514,750 including 32 Project Grants and 83 Support Grants. Among the projects supported were new groups undertaking environmental restoration projects such as Friends Below the Lake, Macedon and Mt Macedon Landcare Group, Friends of the Platypus and Upper Plenty Merri Catchments Landcare Group.

In 2025-26 Melbourne Water partnered with Corangamite CMA to launch a Native Nursery Community of Practice with more than 100 practitioners connecting and strengthening their knowledge. A subsequent online knowledge sharing session and tour to Cranbourne Botanic Gardens with 60 attendees followed.

Three regional capacity building forums were held with Landcare Facilitators and Chairs including a cultural site visit to Mt William Stone Axe Quarry to build Aboriginal Cultural knowledge. Two on Country experiences with Wadawarrung and Wurundjeri Woi Wurrung Registered Aboriginal Parties were delivered to 50 participants funded by DEECA's Greenlinks program to improve understanding of culture and Country.

The Regional Landcare Coordinator delivered the Caring for Landcarers' mentoring program with 10 pairs completing the nine-month program which supports newcomers to the sector.

Films from the From the Ground Up film project celebrating the value of Landcare volunteers were screened at the inaugural Landcare Film Festival at the National Landcare Conference at the Gold Coast in September 2025. The films were also screened over the four-week Reset Festival at Federation Square.

Melbourne Water's Landcare Program also supported the inaugural Planting Festival at Federation Square in partnership with Landcare Victoria. Nine community planting events were run across the catchment featuring 364 volunteers, many of them new to Landcare who then converged on Federation Square for an environmental festival to conclude.

Catchment collaborations and on-ground action

Through our long-standing catchment collaborations, we continue to work in partnership with communities, Traditional Owners, government agencies and environmental organisations to deliver integrated catchment management outcomes across the region.

Key long-term collaborations —Living Links, Grow West and Yarra4Life—continue to demonstrate the strength of a coordinated, place-based approach contributing to long-term goals for biodiversity, waterway health and sustainable land management through shared investment, knowledge and action.

Habitat restoration projects: Supported by the Victorian Government through the *Our Catchments, Our Communities* and *Faunal Emblems* programs, along with key partners, significant progress has been made across habitat restoration programs in the Mid Werribee, Mid Yarra and Mid Dandenong catchment landscapes.

Early on-ground works, planning and strong partnerships have established a solid foundation for long-term restoration. Weed control and site preparation are now well advanced across all areas, enabling the transition to large-scale revegetation, pest management and ongoing stewardship activities.

Strong partnerships with Traditional Owners, local government and community organisations continue to underpin delivery—from collaborative planning through to biodiversity monitoring and community engagement.

Restoring Westernport program: Melbourne Water and the Western Port Ramsar Site Coordinating Committee delivered significant landscape-scale outcomes in 2025–26 through the *Restoring Western Port* program.

Key achievements included targeted pest control to protect internationally significant shorebird populations, alongside mangrove and seagrass restoration works showing encouraging early signs of recovery and natural recruitment. These outcomes were supported by strong collaboration across government, Traditional Owners, researchers, and community groups.

Major milestones included completing the Western Port Ramsar Site Management Plan and implementation of a Communications and Engagement Plan. Cultural and knowledge initiatives progressed through a Bunurong-led assessment at Rhyll Inlet and BirdLife Australia workshops for Traditional Owners on waterbird identification.

Additional investment boosted avian influenza preparedness through increased pest control and targeted communications. Looking ahead, Melbourne Water's Internal Biodiversity Fund will support ongoing saltmarsh enhancement from 2026–28, strengthening the site's long-term resilience.

Regional Delivery Partners Program

Melbourne Water continued its role as the Regional Delivery Partner for the Port Phillip and Westernport region under the Regional Delivery Partners Program — an initiative supported by the Australian Government to advance environmental, biodiversity and sustainable agricultural outcomes.

In 2025–26, this role included partnerships with Wadawurrung Traditional Owners Aboriginal Corporation, landholders and the Corangamite CMA, to restore the endangered Natural Temperate Grasslands of the Victorian Volcanic Plains and support habitat restoration for the Victorian Earless Dragon.

Melbourne Water also launched the Climate-Smart Agriculture Program, an initiative to support more than 500 farmers to improve soil health, farm productivity, biodiversity and catchment outcomes. The program delivers on-farm trials, workshops, peer learning and decision-support tools to help farmers adopt evidence-based practices that strengthen resilience to changing climatic conditions. By supporting farmer-led innovation and collaboration, the initiative aims to improve water quality, reduce nutrient loss and erosion, and promote sustainable food production while protecting the region's natural assets.

French Island is a priority place for conservation action, with Melbourne Water leading a multi-agency initiative to establish the island as one of Australia's few predator-free wildlife sanctuaries. Over the past year, the project has rolled out new Felixer technology, ensuring that the full suite of available control techniques is being deployed together to maximise the chance of achieving eradication within the life of the project. Data collected to date indicates that this integrated approach is already delivering positive results. Populations of threatened species, the Eastern Barred Bandicoot and Long-nosed Potoroo, as along with other native wildlife on the island, are beginning to recover as cat numbers decline.





Photo: Doug Gimesy

Our environment

The Port Phillip and Westernport's unique environment, which encompasses waterways, forested mountain catchments and parkland, is central to our region's life and liveability.

Melbourne Water relies on nature and biodiversity to provide essential services to the community, including:

- closed catchments to provide water filtration and reduce the cost of high-quality drinking water to communities
- floodplains and headwater streams to provide flow regulation that decreases flooding impacts
- Port Phillip Bay to receive treated wastewater, enabling safe management of the region's sewage.

Provision of our services also impacts our environment, both positively and negatively. For example:

- the release of water for environmental purposes results in improved waterway health and better habitat for flora and fauna
- sewage treatment processes release greenhouse gases, contributing to climate
- change building new infrastructure can remove vegetation and habitat, impacting biodiversity.

In alignment with our strategic goals and direction, Melbourne Water aims to reduce the impact of our operations on the environment and contribute to a secure water future for Greater Melbourne[9].

[9] https://healthywaterways.com.au/resources/mid-term-review

Our strategies

Central and Gippsland Region Sustainable Water Strategy

Melbourne Water contributed to the development of the *Central and Gippsland Region Sustainable Water Strategy*[10] (CGRSWS), released by DEECA in 2022. The Integrated Water Management Framework for Victoria is a collaborative approach launched in 2017 to manage the entire water cycle including water supply, wastewater and stormwater. The intent is to maximize community value, water security and environmental health. The CGRSWS established the path towards greater use of manufactured water, the delivery of more water for the environment, an increased uptake of IWM and the creation of water entitlements for Traditional Owners.

This year, we have continued to participate in actions to secure more water for the environment and have worked closely with state and local governments to enable IWM at a city scale, which will help protect waterways from stormwater pollution while retaining more water for the urban natural environment.

Melbourne Water also continued to work with government and other water corporations to improve water sharing arrangements for towns in the central region connected to the Melbourne Supply System. This resulted in the Minister for Water revoking ten bulk entitlements, granting eight new bulk entitlements and amending four bulk entitlements to deliver on Action 9-3 of the CGRSWS to create new South-Central Pool entitlement arrangements. The new arrangements came into effect from 1 July 2026.

Greater Melbourne Urban Water and System Strategy – Water for Life

To prepare for our needs over the next 50 years, Melbourne Water and the three metropolitan water corporations launched the *Greater Melbourne Urban and Water and System Strategy - Water for Life (Water for Life)*[11] in 2023.

Water for Life identifies the best mix of actions to supply water to our towns and cities via an adaptive plan that includes several short and long-term options and pathways to manage the water supply deficit by incorporating climate resilient or manufactured water.

The adaptive plan demonstrates the likelihood that new water supplies will need to be added to our existing system within the next 10 years, as well as several system augmentations over the next 50 years. As most options take years of planning and investment, Melbourne Water is already planning and undertaking readiness activities now. The implementation of actions in *Water for Life* are aligned with those in the CGRSWS and require a coordinated delivery effort.

Melbourne Water and the three metropolitan water corporations are reviewing the information in the strategy *Water for Life*. Melbourne Water will publish a Melbourne Water System Strategy, with an updated 50-year view of water supply and demand planning in 2027 as a result of this review to ensure alignment with the actions.



Photo: Doug Gimesy

[10] https://www.water.vic.gov.au/our-programs/long-term-water-resource-assessments-and-strategies/sustainable-water-strategies/central-and-gipps-sws
[11] https://www.melbournewater.com.au/media/23686/download

Healthy Waterways Strategy

In 2025-26, co-delivery of the *Healthy Waterways Strategy* continued to focus on areas identified in the 2024 mid-term-review of the Strategy, with key roles for Melbourne Water in improving streamside vegetation and management of agricultural runoff, delivering environmental water and investigating ways to deliver more water for the environment and boost stormwater management in urban growth areas.

Healthy Waterways partnership projects have also continued to expand, with learnings on collaboration and co-delivery put into practice through active, place-based partnerships where agencies and community members work together to achieve shared waterway objectives. Key place-based collaborations under the Healthy Waterways Strategy that Melbourne water is actively involved in include Chain of Ponds[12] in the Moonee Ponds Creek catchment and the Gardiners Creek (Kooyongkoot) Regional Collaboration[13].

In 2025-26, Melbourne Water also worked closely with Wurundjeri Woi Wurrung Cultural Heritage and Aboriginal Corporation, DEECA, the Maribyrnong River and Waterways Association, Greater Western Water, the City of Moonee Valley, Hume City Council and the Shire of Macedon Ranges to set the foundation for establishing of formal partnership to address severe waterway pressures in the Maribyrnong catchment.

The Healthy Waterways Regional Leadership Group met four times, working together to address issues and realise opportunities to support implementation of the Healthy Waterways Strategy, developing agreed Strategic Actions to guide the group's focus, and in response to the Healthy Waterways Strategy mid-term review.

The Regional Leadership Group comprises representatives from across state and local government organisations and is independently chaired by Annie Volkering.

In December 2025, the governance model for Healthy Waterways Strategy and Regional Catchment Strategy was reviewed, seeking efficiencies and removing the duplication of representatives across both models.

Planning commenced to re-instate the CMA Catchment Partnership Agreement and establish a Catchment Leadership Group that would take on an integrated catchment and waterway focus, and broadening the member organisations participating. This group commenced in 2025-2026. The Regional Leadership Group wrapped in December 2025, in preparation for establishment of the new Catchment Leadership Group.

Melbourne Water also published the detailed 2025 Healthy Waterways Strategy annual progress report. This report and the mid-term review can be found on the *Healthy Waterways strategy* website[14] .

In addition work has commenced preparing a new Regional Waterway Strategy, which will build on the Healthy Waterways Strategy that finishes in 2028. The Regional Waterway Strategy is being developed alongside the other CMAs to support a consistent statewide approach, in line with the draft Victorian Waterways Management Strategy released in mid-2026 which provides the statewide policy and strategic framework for waterway management.

Regional Catchment Strategy

The *Regional Catchment Strategy* is a guide to conserving our region's land, waters and biodiversity so they continue to sustain and enrich life, economies, health and social wellbeing for this and future generations.

Under the *Catchment and Land Protection Act 1994*, CMAs are required to prepare a *Regional Catchment Strategy* for the region and to co-ordinate and monitor its implementation. Developed with over 120 organisations, the Regional Catchment Strategy builds on 25 years of collaboration, since its first iteration in 1995, and highlights the interconnectedness of land, water and biodiversity in the region.

It emphasises the important roles and plans of various stakeholders, including councils, government agencies, Traditional Owners, non-government organisations, industry bodies and community organisations, showcasing their contributions to the conservation efforts of the broader region.

Work has commenced to refresh the *Regional Catchment Strategy*, alongside development of the new *Regional Waterway Strategy*.

[12] https://chainofponds.org/
[13] https://www.gckcollab.org/
[14] https://healthywaterways.com.au/resources/mid-term-review

Burndap Birrarung burndap umarkoo (Yarra Strategic Plan)

Melbourne Water is the appointed lead agency for Burndap Birrarung burndap umarkoo (BBBU / the Yarra Strategic Plan), under the *Yarra River Protection (Wilip-gin Birrarung murron) Act 2017* (Vic). The Plan is a 10-year, multi-partner plan that places the health of the Birrarung (Yarra River) and its lands at the centre of land use planning and decision-making, recognising the river corridor as one living and integrated natural entity. It also establishes a collaborative governance model between Traditional Owners, state and local government agencies.

As lead agency, Melbourne Water coordinates implementation of the Plan, facilitates the Yarra Collaboration Committee, monitors and reports on progress, supports funding and partnership opportunities, and works to strengthen the role of Traditional Owner corporations in decision-making.

During 2025–26, Melbourne Water progressed key elements of Plan implementation, including:

- finalising a three-year implementation plan (2026–28), developed with delivery partners through the Yarra Collaboration Committee. The plan identifies four strategic priorities:
    - supporting Traditional Owners as decision-makers and partners
    - embedding a net gain for Country
    - strengthening collaboration for greater collective impact
    - enhancing communication and shared understanding.
- advancing delivery of the Plan's actions and priority initiatives, including the 40 actions and five priority projects
- progressing the Yarra Collaboration Committee's transformative projects:
    - Greening the Birrarung – aligning vegetation investment and activities for greater collective impact
    - Birrarung Parklands – defining and enabling an integrated approach to managing the river and its parklands, including supporting Traditional Owner decision-making on Country.
- supporting the Birrarung Valley Walk, led by Birrarung Valley Walk Inc, which was officially launched in June 2026
- meeting statutory reporting obligations, including submission of the annual implementation progress report to the Birrarung Council (September 2025), with reporting subsequently tabled in Victorian Parliament (November 2025).

Port Phillip Bay Environmental Management Plan

The Port Phillip Bay Environmental Management Plan 2017-2027 (EMP) operates under the *Marine and Coastal Act 2018* (Vic) and sets out priority goals and actions for taking care of Port Phillip Bay.

The EMP is the result of a coordinated effort by DEECA in partnership with Melbourne Water and EPA Victoria to protect the Bay's health. Melbourne Water contributes to the EMP through its annual maintenance program of stormwater wetlands, which includes over 225 stormwater quality treatment systems across the Port Phillip and Westernport region. We also have a capital rectification program to remediate these stormwater assets to improve effectiveness and sustain their ongoing contribution towards pollutant load targets for the bay.

Melbourne Water has continued its ongoing partnership with RMIT University to support collaborative research on pollution impacts to waterways from emerging contaminants, pesticides and other toxicants in the Port Phillip and Westernport region. The Aquatic Pollution Prevention Partnership (A3P) aims to investigate sources of pollution in both urban and rural environments and translate these findings into priority actions for protecting the health of waterway and bay ecosystems.

In 2025-26, an A3P project is further increasing our knowledge of contaminants in estuaries and bays through comprehensive chemical screens conducted on samples from over 30 monitoring sites across the region. This included broad-scale screening of over 40,000 chemicals across estuaries flowing into Western Port and Port Phillip.

Melbourne Water's *Liveable Communities, Liveable Waterways* program invests in a wide range of activities, such as revegetation, weed control, fencing, and stormwater management, in partnership with our customers and the community. Grants are available to councils and landholders to support on-ground works and strategic projects that improve waterway health and water quality flowing into the bays. In 2025-26, 53 stormwater and rural land management projects were funded by the program across the catchments of Port Phillip and Westernport.

Resilient and liveable cities and towns

In collaboration with our partners, Melbourne Water plays a significant role in ensuring that Greater Melbourne continues to remain resilient and liveable.





Our approach

Melbourne Water is uniquely placed to lead water-oriented and community-driven design that supports a water resilient future as our city grows and transforms.

As Melbourne's population is set to increase to 8 million by 2051[15], the combined pressures of growth and climate change will affect the entire water cycle, including increased demand for water, generation of more stormwater in the urban environment and reduction in water captured by our water supply catchments.

Subsequently, our need for increased drinking water supply and sanitation services, including additional sewerage infrastructure, waste treatment and resource recovery, is also growing. Likewise, climate change will also reduce the natural recharge to waterways and landscapes, impacting biodiversity health and survival. Melbourne Water is committed to investing in critical infrastructure to support this growth and to sustain the health of waterways and environment.

Our Strategies - Water for Life, *Melbourne Sewerage Strategy*, *Flood Management Strategy*, *Port Phillip and Westernport Regional Catchment Strategy 2021-2031*, *Healthy Waterways Strategy 2018-2028* - each take an integrated approach to the water cycle, particularly in relation to how we respond to future growth and climate change. This integrated approach to planning and delivering our services will assist us to provide improved value for the community and better outcomes for the environment over the long term.

With over 32,000 hectares held by Melbourne Water within our service area, land is one of Melbourne Water's most significant assets. Optimising our use and management of land can deliver a significant benefit to our communities' quality of life. As part of our Waterways and Drainage Investment Plan, we have committed to investing $73 million in community access, involvement and recreation across our five-year price period[16] – our Price Determination will confirm the level of investment. During 2025-26, 37 hectares of open space was activated at Greenvale Reservoir Park and are working towards more activation for Tarago and Yan Yean Reservoir Parks. Planning and design activities undertaken in partnership with key stakeholders has also progressed the future delivery of a further 23.7 hectares of open space across Melbourne Water retarding basin and water supply pipetrack landholdings, with implementation scheduled for 2026-27. Melbourne Water has invested in our Reimagine Your Creek programs for Moonee Ponds, Eumemmering and Tarralla Creeks, including securing $9.8 million from the Australian Government. Further details can be found in Recognise recreational values.

[15] https://www.planning.vic.gov.au/__data/assets/pdf_fi le/0022/703453/DTP0552-Victori-in-Future-2023-report.PDF
[16] https://healthywaterways.com.au/resources/mid-term-review

Urban water efficiency

Melbourne Water, together with the urban water retail companies, runs water efficiency programs, including Make Every Drop Count and Target 150, which encourages Melburnians to limit their water use to 150 litres per person per day. Melbourne's water use, compared against this target, is reported each week on Melbourne Water's website. The target links to the industry's long-term plan outlined in Water for Life and the CGRSWS.

The Make Every Drop Count campaign is a statewide campaign to build community understanding of water security challenges and encourage simple, everyday water saving behaviours. It aims to shift awareness beyond short-term conservation and foster a broader appreciation of long-term water sustainability and was delivered collaboratively by Barwon Water, Greater Western Water, Melbourne Water, South East Water, Yarra Valley Water and DEECA. The campaign also expands the focus from basic conservation to long-term water security outcomes, supporting the Victorian Government's Water Security Plan and its Target 150 objective.

Melburnians are continuing to use less water per person than approximately 25 years ago with residential use down from 247 litres per person per day in 2000-01 to 161litres per person per day in 2025-26. Note: this figure is preliminary only based on an estimate for Quarter 4 (April – June 2026) as the actuals were not yet available at the time of preparing this report.

Recycled water and reliability

Melbourne Water produces recycled water at the Western and Eastern Treatment Plants, providing recycled water to customers for a range of non-drinking purposes.

Recycled water production at the Western Treatment Plant was again significantly impacted during 2025-26 by a blue green algal bloom. Supply to customers was interrupted for 116 days between 31 December 2025 and 22 April 2026.

Unfortunately, the Western Treatment Plant has no current method for controlling blue green algae which results from natural processes. Therefore, Class A supply was forced to cease while the bloom was in progress and wait for it to subside, again by natural processes, before resuming supply.

This interruption to supply at the Western Treatment Plant, during a dry summer and autumn, led to complaints from our main recycled water customer, Southern Rural Water, and consequently a failure to meet our Risk Appetite Statement metric for *Safe and reliable supply of recycled water in line with customer expectations*. Our risk appetite statement is a document that defines the amount and type of risk we are willing to accept to reach our goals.

We continue to explore new opportunities to increase recycled water use and improve quality and reliability at the Western and Eastern Treatment Plants in close collaboration with our customers. Recycled water volumes used onsite and supplied to our customers in 2025-26 are shown in Table 1.

Table 1: Recycled water produced for 2025-26

Item	Volume (ML)
Western Treatment Plant	
Agricultural supply (On-site MPH use)	24,262
Non-agricultural supply	62
Subtotal	24,324
Supply to Southern Rural Water	
Werribee Irrigation District	1841
Werribee Tourist Precinct	51
Subtotal	1892
Supply to City West Water	
Werribee Employment Precinct	0
MacKillop College	5
Water tankers / standpipes	0
WWDS (non-residential)	0
WWDS (residential/commissioning)	550
Subtotal	555
Western Treatment Plant total	**26,770**
Eastern Treatment Plant	
Onsite recycling	9178
Supply to Water Infrastructure Group	
Eastern Irrigation Scheme	6465
Supply to South East Water	
South Eastern Outfall	1904
Eastern Treatment Plant total	**17,547**
Total recycled	**44,317**
Treated wastewater available for recycling	220,441
Conservation flows at Western Treatment Plant	8967
Total including conservation flow	**53,284**



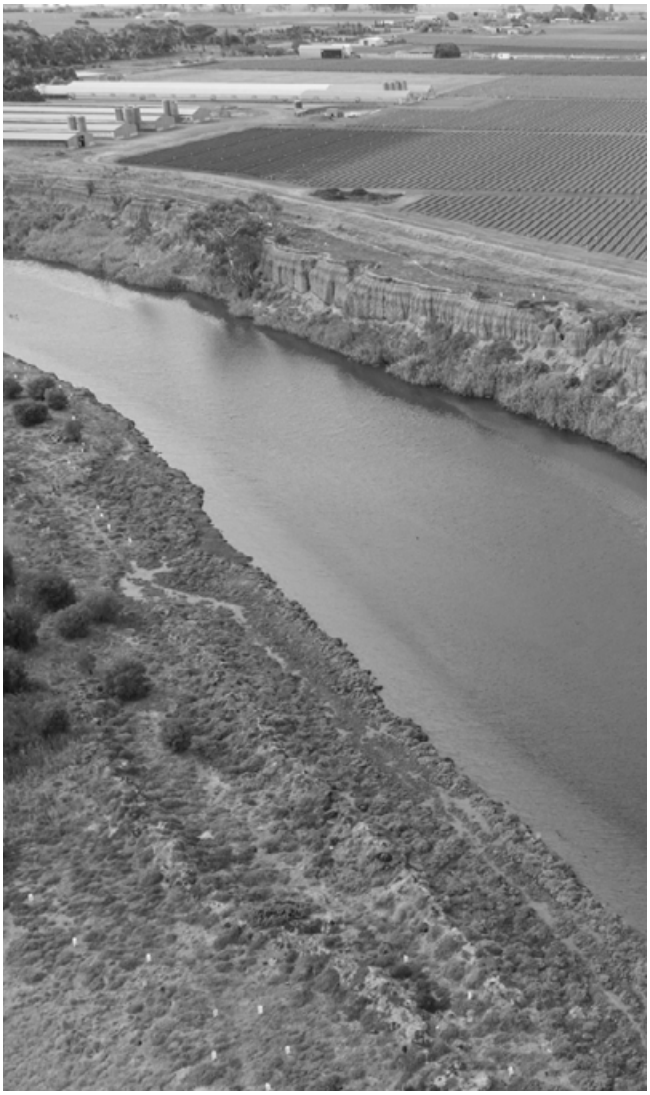
Western Treatment Plant

Water conservation

Clearwater

Clearwater works with the Victorian water industry to deliver training that supports participants to build the knowledge, skills and connections to adapt to complex water challenges and implement integrated water management practices. Clearwater is hosted and funded by Melbourne Water, with co-funding received from DEECA.

In 2025-26, Clearwater launched a refresh of its brand and website with a modern design, mobile responsiveness and a platform aligned with current web standards. The site maintains the trusted resources and familiar structure users rely on, while making it easier for new users to understand Clearwater's purpose and offerings and access water-sensitive urban design knowledge and tools. The refreshed website strengthens Clearwater's role as a knowledge hub for industry, councils and practitioners and provides a foundation for future development.



Clearwater continued to provide 19 training initiatives and events to over 500 industry professionals and broadened IWM awareness with LinkedIn engagement to over 1700 followers with 67 posts, attracted over 40,000 visitors to the website and issued two seasonal newsletters to over 2600 subscribers. Our strong history in delivering industry leading training with our valued partners and stakeholders continued with new initiatives trialled and expansion of content and locations to adapt to emerging trends including:

- partnering with DEECA to pilot seven regional Water Sensitive Urban Design (WSUD) Asset Management and Maintenance trainings across new locations including Warrnambool, Traralgon, Wangaratta, Bendigo, Ballarat, Yarrawonga and Geelong, to over 47 organisations and 233 industry professionals
- delivered the Constructed Waterway Manual Design Reviewer training to Melbourne Water staff to support best-practice waterway design and implementation
- re-launched Clearwater Hot Topics webinar series including; "Scaled Stormwater Strategies for Healthy Streams" event, delivered as part of a research to practice partnership with the University of Melbourne. The webinar touched on multi-dimensional aspects including water quality, stream ecological function, community engagement, design and construction of stormwater treatment assets
- partnered with DEECA to produce a webinar and video interviews on DEECA's 2025 Stormwater Quality Offset Scheme Guidance with dissemination to local councils
- supported delivery of the First Nations Water Leadership workshop for Accord members
- design of a new IWM webinar series to support Victorian stakeholders in the planning and implementation of strong IWM outcomes. The webinar series will launch in the financial year 2026-27, in partnership with DEECA
- development of a new training course for local government and wider industry professionals on WSUD assets design for stormwater harvesting, infiltration and quality improvements
- partnered with the Melbourne Water Stormwater Team in Service Futures for a panel session, titled "Stormwater & Healthy Waterways Panel: Assets moving beyond pollution and drainage" to share research and best practice on emerging WSUD assets to meet stormwater flow reduction targets.

Clearwater continued to invest in building connections across the IWM sector while commencing research to support a fit for purpose, future-focused program. This included sponsoring the 2026 Stormwater Victoria Conference in Lorne themed Cloud to Coast, highlighting the interconnected nature of stormwater management and the importance of collaboration across the entire water cycle. The conference attracted 270 delegates with Clearwater further connecting with participants through an exhibition booth and engagement survey.

Delivering water for the environment

Rainfall totals were below average across the region in 2025-26, with above average temperatures, soil moisture deficits, and elevated evaporative stress experienced across all catchments. This represented a continuation of conditions experienced in 2024-25 year. As a result, operations continued under the *dry* scenario (Seasonal Watering Plan 2025-26[17]).

Protracted dry, warm conditions meant catchment rainfall and unregulated flows made minimal to no contribution toward achievement of flow targets across the river systems. In the Yarra system, careful management of release demands from Maroondah reservoir was necessary due to a lack of inflows into Maroondah and low storage levels in Sugarloaf reservoir over the previous year. Where possible, releases were aligned with scheduled pump shutdown maintenance at Yering Gorge, and forecast rainfall events.

Environmental water was used to deliver 24 environmental watering actions using 16.7 gigalitres of environmental water as shown in Table 2.

See the Victorian Environmental Water Holder website[18] for more information on the terminology used to describe the types of flows in environmental watering.

Table 2: Environmental water delivered for 2025-26

River	Volume delivered (ML)	Outcomes
Yarra *(Birrarung)*	13,146	Water for the environment was actively delivered to achieve one winter/spring fresh, one summer/autumn fresh, and one autumn high. Two periods of low flow supplementation were also delivered during summer/autumn to support reach six (Lower Yarra – Alphington). This was necessary to mitigate flow stress impacts on aquatic fauna. Low flow targets for reach six would have been significantly lower in the absence of these deliveries. The environmental water release for the winter/spring fresh and summer/autumn fresh aimed to improve aquatic habitat and channel form, maintain bank vegetation and provide opportunities for fish movement. The autumn high was targeted at providing a downstream migration cue for endangered Australian Grayling. Water for the environment was delivered to wetlands, including Bolin Bolin Billabong in November (to promote migration of resident eels), and Yering Backswamp July – November, and April 2026 (to maintain high-quality vegetation communities). Catchment rainfall and unregulated flows helped to achieve four summer/autumn freshes during the reporting period.
Tarago and Bunyip	2672	Water for the environment was actively delivered to achieve one winter/spring fresh, three summer/autumn freshes, and one autumn high. These releases helped to enhance habitats, maintain vegetation communities and facilitate movement and spawning of various fish species, including the endangered Australian Grayling. Two periods of low flow supplementation were delivered during summer/autumn. This was necessary to support the health of reach two (Tarago River – Drouin West) in light of declining water quality and the need to mitigate flow stress impacts on aquatic fauna (Australian Grayling). Summer/autumn low flow achievement would have been significantly lower in the absence of these deliveries. Protracted dry, warm conditions meant catchment rainfall and unregulated flows only achieved one watering actions – an additional autumn high.
Werribee *(Wirribi Yaluk)*	240 EE 463 Shares Total released: 703	Water for the environment was actively delivered to Pyrites Creek (reach six) to partially achieve a spring continuous low flow and fully achieve three spring/summer freshes. These flows maintain channel form, habitat and vegetation, and allow for fish movement between pools. In the lower Werribee River, below Melton Reservoir (reach eight and nine) and into the estuary, water for the environment was actively delivered to achieve three summer/autumn freshes. Delivery of these freshes improves habitat, maintains vegetation, mitigates blue-green algal bloom, and supports fish and frog populations. The lower Werribee also benefited from enhanced releases through Southern Rural Water's bulk entitlement – 10 megalitres per day from Werribee Diversion Weir (January to June 2026). Protracted dry, warm conditions meant catchment rainfall and unregulated flows made little to no contribution toward achievement of low flow targets.
Maribyrnong *(Mirrangbamurn)*	302	In 2025-26, 302 megalitres of environmental water was secured by the Victorian Environmental Water Holder through temporary trade of unused irrigation allocations. Water for the environment was actively delivered from Rosslynne reservoir to Jacksons Creek (reach six Gisborne and seven Sunbury) to achieve five summer/autumn freshes and summer/autumn low flows targeting improved water quality and connectivity between in-stream habitats. Available water volumes and operational constraints limiting the maximum release from the reservoir meant full achievement of all targets (other than summer/autumn freshes) was not possible. Catchment rainfall and unregulated flows helped to achieve some watering actions, including partial achievement of summer/autumn low flow targets in reach 7 (Sunbury).

As storage operator and delivery partner, Melbourne Water delivered 16,169 megalitres from Thomson Reservoir to the Thomson River as water for the environment in 2025-26. This was achieved in partnership with the West Gippsland CMA and on behalf of the Victorian Environmental Water Holder.

[17] https://www.vewh.vic.gov.au/annual-planning-and-reporting/seasonal-watering-plan
[18] https://www.vewh.vic.gov.au/water-for-the-environment/what-is-water-for-the-environment

Sustainable and resilient water services systems

Securing Melbourne's drinking water supply during extreme weather

Melbourne Water has commenced construction of a new $29 million disinfection treatment plant at Mount Evelyn. The new plant will work in tandem with the existing Silvan Water Treatment Plant, treating water sourced from Silvan Reservoir and feeding into three major underground mains that supply metropolitan Melbourne.

The new Mount Evelyn Water Treatment Plant will provide critical backup activity during planned maintenance or emergencies to support the wider network.

Construction commenced in 2025 on a Melbourne Water pipetrack site within an established residential area. Unlike the Silvan Water Treatment Plant, which is located in a more isolated setting, the Mount Evelyn WTP is in close proximity to neighbouring homes. Recognising this, the project team has undertaken extensive consultation with residents and worked closely with the local community to coordinate works, minimise construction impacts, and reduce disruption to daily activities wherever possible.

Water quality testing and commissioning activities are scheduled to commence ahead of the targeted completion date of March 2027.

Olinda Mitcham water main renewal program

The renewal of ageing water mains through the installation of 4.5 kilometres of dual DN1350 pipeline as part of the Olinda Mitcham Stage 1 water main renewal program was completed in early 2025. The $93 million project upgraded the century-old asset, ensuring water supplied to up to 365,000 water corporation customers remains reliable into the future. .

During the project, Melbourne Water collaborated with the community to reshape open community parkland and reinstate a shared user path along the 4.5-kilometre pipe track pathway, which is now open to the public.

Melbourne Water is currently developing Stage 2 and Stage 3 renewals which are planned for delivery over the next decade.

St Albans Bypass Pipeline

Melbourne Water constructed and commissioned the St Albans Bypass Pipeline in October 2025. The $7.9 million project was designed to provide up to 200 ML/d to support population growth and increasing water demand in Melbourne's western areas, complying with Melbourne Water's Bulk Water Supply Agreement (BWSA) obligations.

The bypass pipeline supplies water from Melbourne Water's Greenvale and Winneke Reservoirs to Greater Western Water's Greek Hill and Cowies Hill Reservoirs via gravity. This also supplies Barwon Water, who have recently constructed the Melbourne to Geelong Pipeline that connects Geelong's water supply networks with Cowies Hill.

Furthermore, the pipeline enhances network resilience by reducing the risk of supply disruptions from outages affecting the St Albans Reservoir tanks.

Water from the Victorian Desalination Plant

In April 2026, with two years of dry conditions, the Victorian Government announced a 150 billion litre desalinated water order for the 2026-27 period. This is the first time the maximum annual volume has been ordered. The previous highest volume was 125 billion litres which has been ordered in 2019-20, 2020-21 and 2021-22.

Since 2017, 517 billion litres of water have been supplied from the Victorian Desalination Plant. This volume is slightly more than one year's full supply to Melbourne. Without regular desalinated water orders, Victoria would not be able to meet the increase in demand over the long term. In a severe drought, storage levels can drop by 20 per cent in a year, which is why Victoria's water supply must be responsibly managed to avoid challenging water restrictions, such as those experienced during the Millennium Drought.

An increasing population, expanded supply area and changing climate means desalinated water is required to help deliver water needs now and to prepare for future dry periods. As indicated in the CGRSWS, desalinated water is part of our strategy to ensure that the water supply system is more resilient to climate change and increased demand. The Victorian Desalination Plant also provides a critical element of operational flexibility during significant events, such as storms or bushfires, when parts of the system may be taken offline to manage water quality and protect the delivery of essential services.

Non-revenue water attributed to leakage

Melbourne Water annually reviews the rate of leakage and water loss from its water supply system in line with our retailer Bulk Water Supply Agreements, our corporate strategic goals and the ESC's requirements.

The scope of this review includes:

- raw water loss from aqueduct leakage
- leaks on pipelines, valves and fittings
- wastage from tank draining to enable cleaning and condition inspection
- operational water usage for outages to enable planned works and for other purposes.

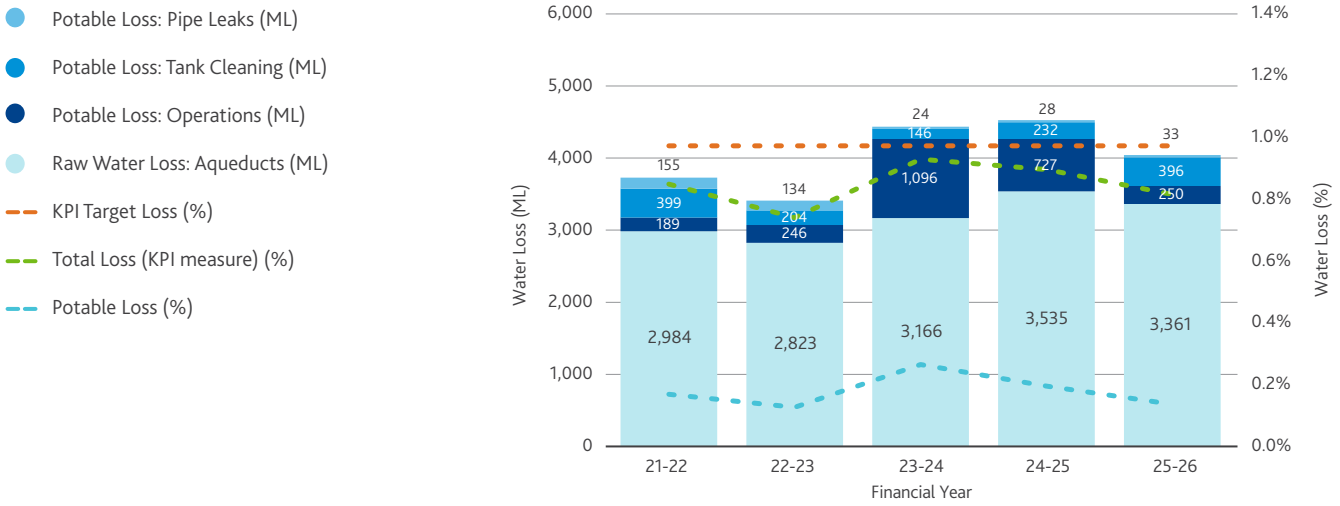
Several other losses are not included, such as reservoir evaporation, dam seepage and environmental flows.

Melbourne Water has met its KPI target of maintaining transfer losses to less than 1 per cent of water delivered to metropolitan retail water companies during 2025-26. Melbourne Water recorded 4,040 megalitres of total water loss that represents 0.84 per cent of water supplied to metropolitan water retailers. The losses from potable and raw water systems were 679 megalitres (0.14 per cent) and 3,361 megalitres (0.70 per cent) respectively. Figure 10 summarises Melbourne Water's transfer losses and performance to achieve this KPI over the past five years.

Melbourne Water continues to reduce and better account for water loss in the trunk water network through:

- utilising a dedicated in-house pipe repair crew
- cathodic protection of tanks and pipelines
- renewal of aqueducts and water mains
- flow meter validation
- other best practice asset management activities.

Figure 10: Melbourne Water's water loss KPI performance over the past five years



Integrated Water Management

Integrated Water Management (IWM) is a planning approach where government, the water sector and community work together to plan and manage the water cycle. IWM considers how the delivery of water, wastewater, stormwater services, land and waterway management contribute to water security, community and environment health and urban amenity to deliver greater community value.

Since 2017, the Victorian Government, through the IWM Framework for Victoria, has worked collaboratively with the water sector (water corporations, local government, CMAs and Traditional Owner groups) and multiple government departments to implement IWM in water and land use planning.

Integrated Water Management Forums

The DEECA-led IWM Forums facilitate collaborative water planning and management to maintain and enhance liveability, prosperity and resilience. The IWM Forums collectively developed a shared vision, strategic outcomes, measures of success and IWM plans for each catchment. More information is provided on the IWM Forums[19] website.

In 2024, the Catchment Scale Integrated Water Management (CSIWM) action plans for Melbourne's five catchments (Werribee, Maribyrnong, Yarra, Dandenong and Westernport) were released, representing over six years of work by Melbourne Water and partner agencies, including local governments, water corporations, the Victorian Planning Authority, DEECA and Traditional Owner groups.

The CSIWM action plans outline over 135 actions that contribute to the IWM visions, strategic outcomes, targets and measures agreed to in each catchment's Strategic Direction Statements. Melbourne Water is a key delivery partner across all five catchments and is committed to working with partners and stakeholders to progress the CSIWM action plans over the next 10 years and update them as necessary.

Melbourne Water is the delivery lead for 14 priority actions, a partner on the delivery of another 51 actions led by other organisations, as well as 15 systemic actions. The systemic actions are how we can support policy changes to help transition from conventional water management to IWM.

These actions range from local projects to regional IWM opportunities. See following box for more information.

In 2025, DEECA marked 12 months since the CSIWM action plans were implemented – with the delivery of the MERI (Monitoring, Evaluation, Reporting and Improvement) progress report[20] in late 2025.

Realising IWM opportunities in emerging urban developments in Metro Melbourne

In 2025-26, Melbourne Water led a new priority action to coordinate Water Oriented Precinct rapid assessments of the 60 activity centres and IWM plans for six suburban rail loop precincts with IM Forum partners (engaging with over 100 participants across 19 organisations).

This planning approach integrates whole-of-water-cycle management into urban planning and design at a precinct and region scale. It addresses community benefits such as addressing flood risk, water security, high-amenity, cool, and green natural spaces through whole-of-water-cycle approaches.

This work is continuing to advance IWM interventions like green streets, stormwater harvesting associated with the Activity Centres and Priority Precincts with Councils, Water Retailers and Traditional Owners throughout metropolitan Melbourne.

Werribee System Reconfiguration Project

The Werribee System Reconfiguration Project (WSRP) is a key commitment of the CGRSWS and Water for Life and explores alternative ways to use and share water in the Werribee system, including greater use of recycled water and subsequent return of river water to the environment, Traditional Owners and urban users.

Melbourne Water in collaboration with DEECA, Southern Rural Water, Greater Western Water , Wurundjeri Woi-Wurrung and Wadawurrung Traditional Owners (via the DEECA facilitated Traditional Owner Partnership) had developed a Preliminary Business Case for the Werribee System Reconfiguration Project (WRSP). A joint application by the partners with support from the Werribee Irrigation district growers, for federal funding for the development of a detailed business case in the last year has unfortunately been unsuccessful.

The partners will continue to seek funding opportunities to progress this important project.

[19] https://www.water.vic.gov.au/our-programs/integrated-water-management/iwm-forums
[20] https://www.water.vic.gov.au/our-programs/integrated-water-management/iwm-forums

Circular economy outcomes

Recycling in construction projects

The Resource, Reuse and Recovery Centre (RRRC), Victoria's largest water infrastructure construction project, has set an ambitious target to achieve a 20 per cent reduction in Scope 3 carbon emissions against a baseline design while embedding Melbourne Water's Sustainable Construction Framework behaviours across project delivery.

Sustainability on the RRRC project has been embedded well beyond construction activities, influencing the day-to-day behaviours of more than 400 Melbourne Water, Service Provider, and subcontractor personnel. Circular economy principles were integrated into site operations, with a focus on reducing waste, maximising material reuse and improving resource efficiency throughout the project lifecycle.

To overcome the water sector's limited capability in accurately measuring and managing scope 3 emissions, the project team developed the Cost and Carbon Tracker. The tool delivers accurate, auditable and repeatable process-based carbon accounting, enabling data-driven decision-making, forecasting and reporting that aligns with emerging industry requirements, including AASB S2, the DEECA Water Sector Emissions Transition Plan and Melbourne Water's Climate Transition Plan.

The tracker also provides greater visibility of construction materials, waste streams and resource consumption, helping the project team identify opportunities to reduce emissions, minimise waste and strengthen circular economy outcomes, throughout the project lifecycle. By combining robust carbon measurement with practical resource management, the RRRC has established a scalable approach that supports both immediate project performance and the future decarbonisation of water infrastructure delivery.

Biosolids reuse program

In 2025-26, Melbourne Water safely applied biosolids from the Western Treatment Plant to suitable broad-acre farmland in Victoria's west. These biosolids are applied as a soil supplement and can contribute nutrients, carbon and trace elements, often scarce in Australian soils.

The 2026 biosolids reuse program delivered 25,865 dry tonnes of biosolids to eight farms. This is approximately 63 per cent of the annual solids production at the Western Treatment Plant.

The three-year rolling average for biosolids reuse for Melbourne Water is 61 per cent.

Melbourne Water worked with LOOP Organics and its partner, Mahony's Transport, to deliver biosolids to farmland from January to March 2026. No incidents or complaints were reported during the transport period. Farm machinery was used to spread and incorporate the biosolids into the land to maximise nutrient improvement.

Melbourne Water continues to work with EPA Victoria, the water industry, customers and community to implement measures that are considered as the best available techniques or technologies to meet its General Environmental Duty.

Environmental statutory obligations

Drinking water quality

Melbourne's safe and trusted water supply system is central to our customers' experience and perceptions of Melbourne Water. Our obligations are set out in the *Safe Drinking Water Act 2003* (Vic) and the *Safe Drinking Water Regulations 2025* and are enforced by the Department of Health.

As a provider of essential services, Melbourne Water takes its responsibility for public health extremely seriously and regularly seeks to improve our water supply system and quality management controls.

Opportunities to improve our system controls are underway or in planning, incorporating thinking about climate and other resilience pressures so our system can adapt. To ensure a coordinated and risk-driven response, these opportunities have been collated into a single Drinking Water Quality Improvement Program, spanning Melbourne Water's planning, delivery and safety groups. Focus areas include improvements in foundational activities, core business processes, short and long-term risk interventions and emergency response.

This year, we continued to implement our *Drinking Water Quality Strategy*. This strategy maintains and builds on the achievements and legacy assets of the past, while planning approaches and solutions suitable for the future.

Effective catchment protection remains a cornerstone of our approach to managing drinking water quality risks for our existing water supply catchments, hence Melbourne Water's continued implementation of the Catchment Management Optimisation Program (CMOP). Our CMOP is a data driven framework used to plan, target and sequence environmental interventions within a water basin to achieve water quality, ecological and efficiency goals. However, going forward, our reliance on sophisticated, engineered treatment barriers will grow as we source increasingly large volumes of manufactured water as climate change, a growing population and other factors drive an evolution in our supply sources.

To ensure we are prepared for the challenges and opportunities of the future, the Drinking Water Quality Strategy describes four strategic goals:

- **Continuity of supply:** We continuously improve our systems, processes, people and infrastructure to enable us to do the basics of drinking water quality risk management brilliantly.
- **Source management:** We take a robust multiple barrier approach to managing drinking water quality risks, ensuring that drinking water from all existing and potential future sources are equally safe.
- **Trust, innovation and leadership:** Our customers, stakeholders, and regulators value and trust our leadership and innovation in managing our drinking water supplies.
- **Resilience of safe supply:** Potential threats are anticipated, and appropriate measures are in place to enable supply to continue during and after extreme events with minimised impacts on customers.

To support the realisation of these strategic goals, Melbourne Water proposed investment of $542 million in our 2026 Price Submission, which we will be delivering over the coming five years.

Melbourne Water also proactively monitors per and polyfluoroalkyl substances (PFAS) in our water supply catchments, ensuring the production of safe and secure high-quality drinking water for our customers and communities. Our 2024-2026 testing has not detected PFAS in the source water supply (PFOS, PFHxS, PFOA and PFBS were all less than 2 nanograms per litre). As concentrations of PFAS are below drinking water health-based guideline values, this water is considered safe to drink from a PFAS perspective.

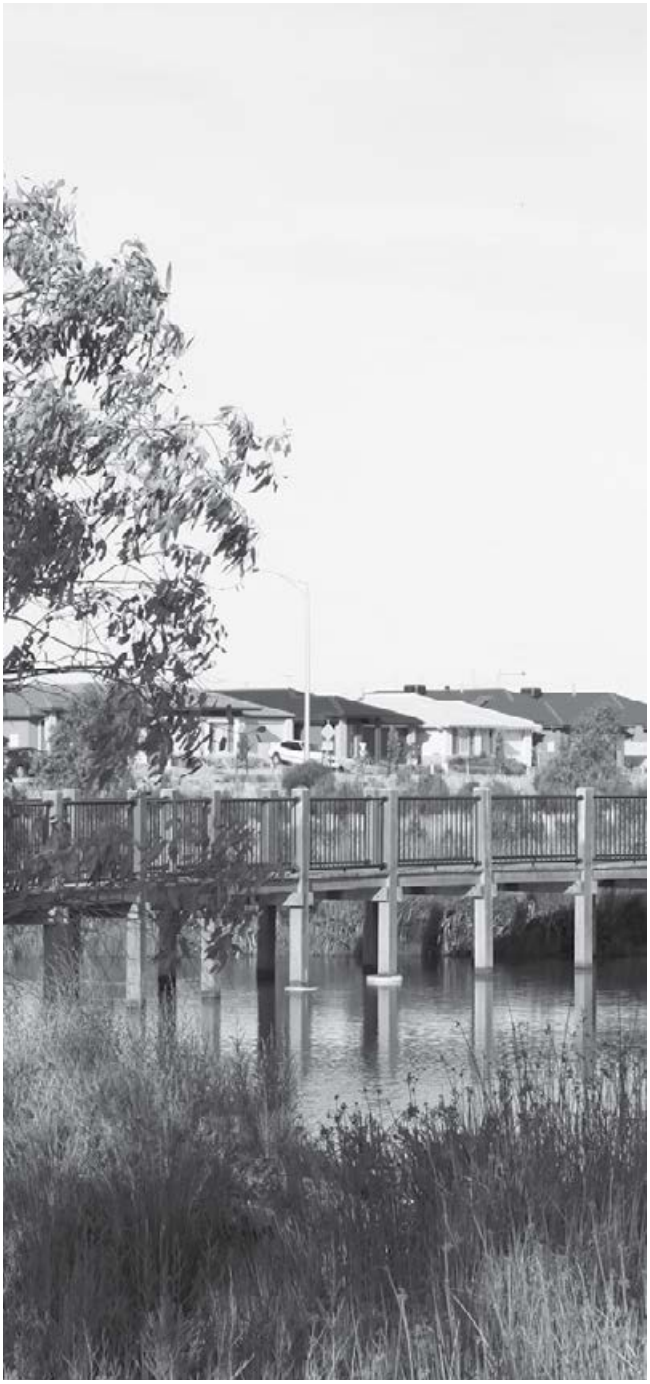
Plan for Victoria (Housing Statement)

Since the release of Plan for Victoria in February 2025, the Victorian Government has continued to deliver new levers to support delivery of housing. This has included making substantial progress on the development of new planning controls informed by flood risk ratings, introduced new zones and assessment criteria to support delivery of townhouses and mid-rise development and substantially completed the roll out of all 60 Train and Tram Activity Centre plans.

Under the *Planning and Environment Act 1987* (Vic), Melbourne Water has a significant role to play as a referral authority in unlocking Melbourne's housing potential in growth and urban areas. To ensure our work program meets the expectations of our stakeholders, we engage with state agencies, local government, the development sector and decision-makers through a range of forums.

We have continued to deliver on our *Housing Roadmap*, including:

- maintaining delivery decisions for our urban planning applications above the 90 per cent benchmark
- completed engagement with four communities on updated flood models (Darebin, Glen Eira Merri-bek and Yarra and commenced conversations with a further two communities (Banyule and Moonee Valley)
- delivered internal and external training to support application and decision making of our Afflux Practice Note
- developed and implemented an adaptive decision-making framework for urban development in Southbank.



Development applications performance

Table 3 highlights Melbourne Water's strong performance in managing statutory and non-statutory urban planning and development applications during 2025–26. Nearly 10,000 applications were processed across a range of planning, drainage and development approval services, while maintaining service performance above 90 per cent across all application types.

This performance was delivered while implementing significant system and process improvements to enhance service efficiency and customer outcomes.

Table 3: Development applications performance

Application type	Activity	No. New applications	Applications Processed *FY25-26*	Service Standard (calendar days)	% Completion within service standard
Statutory: Planning Permit – Subdivision Proposal	Referrals from Council or a Responsible Authority. Melbourne Water assess drainage works requirements and may consent, consent with conditions or object.	6,622	5,988	28 days	99%
Statutory: Planning Permit – Development Proposal	Referrals from Council or Responsible Authority Melbourne Water assess flood risk / drainage works requirements and may consent, consent with conditions, or object.	2,490	2,180	28 days	94%
Non Statutory: Stormwater Management Strategy	The proposed approach to drainage is submitted directly to Melbourne Water for the proposed subdivision / development. Melbourne Water ensures drainage and flood risk manage associated risks appropriately.	190	119	Standard 45 days Complex 90 days	91%
Non-Statutory: Engineering Requirements	Developer submits a request directly to Melbourne Water for advice regarding required drainage / flooding works to enable the subdivision/development to proceed.	1,078	822	Standard (NWOs) 28 days Standard (WOs) 60 days Complex (NWOs) 120 days	97%
Non-statutory: Design Approval	Developer submits any designs requiring Melbourne Water endorsement directly to Melbourne Water. Melbourne Water approval enables construction of assets to commence.	178	116	Standard 28 days Complex 90 days	94%
Non-statutory: Works Complete	Developer submits confirmation that works are complete directly to Melbourne Water. Outcome is agreement that a Statement of Compliance can be issued to enable lot titles to be issued, and sale of lots finalised.	957	722	7 days	98%

Note: Melbourne Water annual KPI is that 90 per cent of applications are completed within the service standard.

Enhancing biodiversity

Melbourne Water plays a unique role in enhancing biodiversity across the Port Phillip and Western Port region. As the Catchment Management Authority, we adopt a whole of catchment approach that connects headwaters, waterways, floodplains and coastal environments, enabling coordinated, landscape scale conservation outcomes. This strategic role is complemented by our responsibilities as the manager of designated waterways in the region, where we protect and improve biodiversity in rivers, wetlands and estuaries through waterway management activities, supporting habitat quality, ecological function and connectivity.

Melbourne Water is also a major delivery organisation for on-ground biodiversity conservation projects funded by State and Federal Government agencies and one of the largest land managers in the region. Managing extensive networks of open space, waterways and natural assets, Melbourne Water directly implements restoration works, pest plant and animal control, and revegetation programs.

In addition, Melbourne Water is the host agency for catchment-scale programs, including Grow West, Yarra4Life and Living Links, contributing to the enhancement of catchment biodiversity, protection of threatened species and creation of biolinks. Melbourne Water also develops and implements strategies to protect native biodiversity, including the:

- *Corporate Biodiversity Conservation Action Plan 2024*.
- *Port Phillip and Westernport Regional Catchment Strategy*.
- *Port Phillip and Westernport Healthy Waterways Strategy*.
- *Port Phillip and Westernport Emergency Preparedness and Response Plan (2024)*.
- Sites of Biodiversity Significance program (including management of Ramsar listed wetlands of international importance).

Melbourne Water is also the host agency for catchment-scale programs, including Grow West, Yarra4Life and Living Links, contributing to the enhancement of catchment biodiversity, protection of threatened species and creation of biolinks.

During 2025-26, Melbourne Water undertook the following activities to enhance biodiversity across our region:

- delivered the following projects and regional services funded by the Federal Department of Climate Change, Energy, the Environment and Water (DCCEEW):
    - creating a safe haven for native wildlife on French Island through introduced predator control
    - working in partnership with Wadawurrung Traditional Owners Aboriginal Corporation to improve the condition of grasslands of the Victorian Volcanic Plains
    - supporting management of the Victorian Grassland Earless Dragon re-discovery site.
- delivered the following projects and regional services funded by the Department of Agriculture, Fisheries and Forestry:
    - ongoing employment of our Sustainable Agriculture Facilitator who supports farmers in our region to drive agricultural growth while adopting sustainable on-farm practices
    - a Climate Smart Agriculture project to be delivered in partnership with Landcare and industry partners across the region.
- continued to implement the Growling Grass Frog Masterplan Program in Melbourne's urban growth areas
- convened a *Pseudophryne Toadlet* working group of experts to stimulate coordinated regional action to enhance the understanding and protection of these threatened amphibians with much of the on-ground work funded by money received from the sale of vegetation credits
- commenced the process of renewing the next Regional Catchment Strategy and developing a new Regional Waterway Strategy. Both strategies will identify priority areas for biodiversity conservation and management.

Ramsar Wetlands

Melbourne Water is the Ramsar site coordinator for both the Edithvale-Seaford Wetlands and Western Port Ramsar sites, as well as a key land manager at the Western Treatment Plant (which forms roughly half of the Port Phillip Bay (Western Shoreline) and Bellarine Peninsula Ramsar site extent). All three Ramsar wetlands within our region fall under our Sites of Biodiversity Significance Program, ensuring appropriate planning, management and monitoring.

Western Port

In partnership with the Western Port Ramsar Site Coordinating Committee we delivered coordinated, landscape-scale outcomes in 2025-26 through the DEECA-funded Restoring Western Port program.

Key achievements included targeted pest animal control to reduce predation on internationally significant shorebird populations, alongside mangrove and seagrass restoration works showing encouraging early signs of recovery and natural recruitment. These outcomes were enabled through strong collaboration across government, Traditional Owners, research, and community partners.

The year also saw completion of the Western Port Ramsar Site Management Plan (awaiting final approval from DEECA) and a site-wide Communications and Engagement Plan. A cultural values assessment (CVA) at Rhyll Inlet was undertaken by Bunurong Land Council. BirdLife Australia delivered a series of well-received waterbird identification workshops for Traditional Owners, with a focus on Ramsar sites.

Additional investment supported H5N1 preparedness activities, including expanded pest predator control and targeted communications to help protect shorebirds and wetland species. Melbourne Water's Internal Biodiversity Fund will further support ongoing saltmarsh enhancement to be delivered 2026-27 – 2027-28, strengthening the long-term protection and resilience of the Western Port Ramsar site.

Importantly, Melbourne Water acquired Rhyll Inlet Wetland on Millowl (Phillip Island) adjacent to Western Port which will provide a useful buffer to the Ramsar site, allowing some wetland vegetation migration in response to an expected rising sea level. The property was independently assessed beforehand and supports significant vegetation communities including 50 ha of EPBC Act listed Subtropical & Temperate Coastal Saltmarsh and patches of FFG Act listed mangrove community. The area is culturally important to Traditional Owners and provides opportunities for Bunurong Land Council to have an active role in future management.

Edithvale-Seaford Wetlands

These wetlands are the largest remaining part of the former Carrum Carrum Swamp and home to many bird species, including the endangered Australasian Bittern. Works at the site in 2025-26 included:

- continued on-ground delivery of targeted habitat management works, including vegetation maintenance and weed control across both sites to improve the overall ecological condition
- implemented ongoing infrastructure maintenance and minor upgrades (e.g. tracks, fencing, water control assets) to support wetland operations and public access
- delivery of the tall marsh management and slashing program in March 2026, as part of the on-going site habitat creation, increasing the overall area for migratory bird to access and for foraging
- undertaking a review of the current Ramsar Management Plan implementation across both sites, focusing on delivery of primary objectives, adaptive pest animal control, and reprioritisation of works to maximise in field work crews efficiency and outcomes for the sites
- ongoing partnerships and engagement initiatives to support coordinated wetland management, including delivery of a World Wetlands Day event with Friends of Edithvale Seaford Wetlands Inc., planned reopening of the upgraded education centre for school groups, and installation of new nest boxes in collaboration with the Dingley Men's Shed
- continuing research with RMIT University into water and sediment quality at both Edithvale and Seaford wetlands, aimed at improving our understanding of water quality and flow-on effects to prey populations for shorebirds, with a recent focus on pollution sources
- continued monthly bird surveys by Birdlife Australia with an annual report assessing our bird community against the site's Limits of Acceptable Change to evaluate effective of our wetland management.

Western Treatment Plant

The Western Treatment Plant is a critical component of another Ramsar wetland, the Port Phillip Bay (western shoreline) and Bellarine Peninsula Ramsar site. The large property supports a wide range of significant biodiversity values, including coastal saltmarsh and temperate grasslands with some associated threatened species, such as the Orange-bellied Parrot and Spiny Rice-flower. In addition to these natural habitats, lagoon-based sewage treatment and dedicated habitat ponds provide critically important habitat for large populations of waterfowl, migratory shorebirds - several of which are listed as threatened - and the endangered Growling Grass Frog.

In alignment with an EPBC Act controlled action held by Melbourne Water for land use change at the Western Treatment Plant, we report annually to the Commonwealth Department on the delivery of environmental flows and monitoring of waterbirds, Growling Grass Frogs and Straw-necked Ibis populations, as well as our research and on-ground management actions. These have included:

- minor capital project to install floating pontoons to create additional nesting and roosting habitat for Pied Cormorants. Up to 117 newly constructed nests were observed on the pontoons during annual monitoring in 2025-26
- pest management:
    - Finalised integrated pest animal management plan for the whole of the WTP.
    - The development of improved monitoring plans for foxes, feral cats and rabbits.
    - Rabbit harbour removal – 38 hectares of weed control for rabbit harbour in tree shelterbelts bordering the Werribee River Regional Park.
- hosted 14 students this year from RMIT University's Environmental Science and Biotechnology Undergraduate and Masters Programs to undertake various field monitoring programs to assess habitat function in conservation ponds
- Scent Detection Dog (SDD): Melbourne Water has invested in training a SDD over the last three years to detect above ground plants and underground dormant bulbs of an emerging weed, the South African Weed Orchid. In 2025, the first year of deployment, the SDD detected a total of 6,490 individual weeds over 19 days at one conservation grassland
- a 12-month contract was signed and works commenced with Wadawurrung Traditional Owners Aboriginal Corporation's Gobata Dja (Caring for Country team) to complete on country natural resource management works at Ryan's Swamp - a site of significant cultural and biodiversity value at the WTP
- continuation of avian disease monitoring program to detect for birds affected by diseases/illnesses such as avian influenza and avian botulism, from September to April during the migratory shorebird season. This involves collaboration with stakeholders such as Agriculture Victoria, Melbourne University and Zoos Victoria.
- supported research projects such as:
    - Australian National University & Arthur Rylah Institute: development of bio acoustic monitoring tools for Orange-bellied and Blue-winged Parrots
    - Arthur Rylah Institute: satellite tag monitoring of Sharp-tailed Sandpiper and Australasian Shoveler
    - Melbourne University: development of passive sampling tools to monitor for Avian Influenza such as air sampling and soil sampling
    - Game Management Authority: continuation of Waterfowl Wounding study to determine rate of wounding in game duck species in Victoria, and use of the WTP as a survey site for annual abundance and distribution of Stubble Quail surveys across Victoria.

Melbourne Water is supporting revision of the Ramsar site's management plan. We also continued to refine contingency planning in coordination with other agencies for an outbreak of highly pathogenic Avian Influenza at this critically important waterbird site.

Other Sites of Biodiversity Significance

Our Sites of Biodiversity Significance program identifies Melbourne Water properties supporting listed threatened species or vegetation communities (currently 40 sites apart from the Ramsar sites, with an additional six properties that meet the criteria awaiting approval) and ensures a higher level of management and monitoring at these sites to protect their biodiversity values. During 2025-26 effective management of these sites was continued and management plans revised for three sites.



Western Treatment Plant

Climate change and energy

Our approach

Climate changes amplify existing challenges and create new ones for all of Melbourne Water's services, the natural environment, and the liveability of our region. There are opportunities to adapt our services and support climate resilience in the wider region. How we adapt and change will be guided by the input and priorities of stakeholders and the community.

Melbourne Water is positioned to help navigate a path that meets the region's water needs, optimises use and reuse of resources, preserves our natural environment, and sustains the liveability of our region. The adaptation and resilience investments will be overseen by environmental and economic regulators and guided by engagement with our customers and overall community willingness to pay.

Melbourne Water is required to regard climate change and adaptation in the design and planning of all its services (Minister's Letter of Expectations).

Under the Victorian *Statement of Obligations (Emission Reduction)* set down by the Victorian Minister for Water, Melbourne Water must:

1 reduce or net our annual reportable scope 1 and 2 emissions (as estimated under National Greenhouse and Energy Reporting (NGERS) to 204,380 tonnes CO2-e a year from 2024-25 (which represents a 50 per cent reduction from our 408,760 tonnes CO2-e baseline, which was calculated from our average annual emissions between 2011 and 2016),

2 source 100 per cent of our consumed electricity from renewable sources by 31 December 2025, and in all years following the target year of 2025 and

3 reduce our annual reportable scope 1 and scope 2 emissions to net zero by 2029-30.

To ensure consistency with the language used in the Statement of Obligations (Emission Reduction), Melbourne Water currently uses the words 'net zero' rather than 'carbon neutral' to describe how we expect to meet our 2030 target. We expect to achieve scope 1 and scope 2 emissions of 'net' zero primarily through retiring carbon credits and renewable energy certificates, and where possible, though at-source emissions reduction activities. Melbourne Water currently uses a market-based approach when calculating our net scope 2 emissions. Supply chain emissions (scope 3) are not currently included in our emissions targets. Carbon credits are required to meet emissions targets for at least the medium term to allow time to transform our treatment systems to lower emissions technology.

Melbourne Water is required to report annually on a range of specific indicators relating to our scope 1, 2 and 3 emissions, electricity use and energy consumption to DEECA through 'Ministerial Reporting Direction 01 – Climate Change and Energy' and to Department of Treasury and Finance (DTF) through 'Financial Reporting Direction 24 - Reporting of environmental data by government entities'. These indicators can be found in this section of the report and in Appendix F – Environmental Disclosures.

Governance

Our approach to climate governance and reporting of significant risks and opportunities is informed by Ministerial and Financial Reporting Directions.

Climate risk governance within Melbourne Water

The Board of Melbourne Water approves the capital plans through which major investments are made to sustain services, and over time, address our most material climate risks and opportunities. The Board also notes service strategies, which guide long term planning for core functions, and identify the most critical climate risks and opportunities. Management develops, executes and publishes these strategies for sharing with stakeholders.

Melbourne Water's Board Committee structure consists of the following:

- **a Risk, Optimisation and Sustainability Committee (ROSC),** which has oversight of the Enterprise Risk System, Strategic Risk Profile, and corporate governance frameworks, this committee has carriage of urbanisation, sustainability and climate-related risks and opportunities.
- **Finance, Audit and Compliance Committee (FACC),** which has oversight of the Public and Environmental Health Framework and has oversight of Melbourne Water's 10-year Capital Plan.
- **People, Engagement, Customers, Community and Safety Committee (PECCSC),** which has oversight of safety and customer and community engagement.

The Board and committees provide overarching governance of the overall Enterprise Risk Universe, including climate-related risks.

The Executive Leadership Group validates, and monitors risks and controls included in the Enterprise Risk Universe and reports the status of risks to the Board and committees. Each risk is allocated to a member of the Executive Leadership Group as accountable and to a member of their Senior Leadership Group as the individual risk owner responsible for overseeing the approach to implementing controls and regular reporting. Strategic oversight and ownership of climate risk falls to the General Manager Service Strategy.

Adapting to climate change

Climate change impacts the entire region, the environment in which Melbourne Water operates and all our services. Therefore, the impacts of climate and future resilience of Melbourne Water's services are being considered aiming to ensure security and reliability of the services Melburnians depend and rely on.

Strategy, material risks and opportunities

Understanding and preparing for climate risks is a critical and on-going component of Melbourne Water's long-term service strategy.

We explore a range of climate scenarios and other influences, such as potential population growth, technology and regulatory change, to continually improve our understanding of how physical and transition risks may affect resources, operations, services and stakeholders. Melbourne Water uses its service strategies as a key pathway to share the results of climate research and modelling and other anticipated future changes. These strategies are developed in collaboration with stakeholders, published on our website, and help inform communication on climate topics.

Decisions and assumptions made now are based on the best available information we have today. The actual impacts of emerging risks in the future, particularly over the long term, may vary, and therefore climate risk planning and adaptation account for uncertainty.

Melbourne Water and the services we provide are highly dependent on nature. The financial impacts of climate change often focus on costs related to infrastructure and services; however, the impacts of climate change on the environment, including waterways, catchments and the bays are also material. As of 30 June 2026, Melbourne Water considered climate-related risk in the preparation of the annual financial statements as summarised. Refer to Note 1 of the Financial Statements.

Melbourne Water's approach to climate resilience includes working to understand and prepare for:

- Physical hazards arising from the impacts of climate change,
- Transition risks that may arise from the regulatory, economic, financial, technological and social changes involved in Australian transition to a low-carbon economy (noting that we expect there would be greater risks if the economy does not transition to a lower-emissions state).

These risks affect the entire organisation, all services, and the greater Melbourne and Westernport regions. The timing and severity of climate impacts are potentially far-reaching, complex and uncertain, creating challenges to our ability to adapt.

Our approach to understanding risks and developing adaptation options is guided by best practice and mandated guidance including:

- guidelines for assessing the impact of climate change on water availability in Victoria, DEECA, 2025
- Central and Gippsland Region Sustainable Water Strategy, DEECA, 2022
- guidelines for the Adaptive Management of Wastewater Systems Under Climate Change in Victoria, DEECA, 2022
- Australian Rainfall and Runoff: A guide to flood estimation, Commonwealth of Australia (Geoscience Australia), 2019
- Victorian Climate Projections 2019 and 2024; DEECA, 2019 and 2024
- Climate Change in Australia Climate information, projections, tools and data; CSIRO, various years.

A summary of overarching risks and opportunities associated with climate change and Melbourne Water's responses are outlined in the following section. Further information in relation to our functions and the services we deliver is contained throughout this report.



Solar Farm at Eastern Treatment Plant

Physical risks

Declining rainfall and increasing heat creating risks for water security and transfer systems

Description	Projected long-term decline in rainfall and the potential for increased variability, such as longer, more severe droughts, are expected to decrease the drinking water supply available and alter water quality from existing natural sources. Increasing hot weather and other extremes may increase peak water demand or add other stresses to supply systems.
Potential impacts to Melbourne Water, strategy and service delivery	• Increased costs associated with the need to manage and augment water supply systems if supply from rain-dependent sources needs to be supplemented with more expensive energy intensive water sources. • Increased costs associated with managing treatment and transfer systems to meet higher water demands and maintain water quality. • Increasing reliance on water treatment processes and new water sources may increase overall energy consumption and associated costs. • Increased temperatures may increase risks to water quality, with flow-on impacts such as restrictions or additional costs for treatment.
Opportunities	• Ensuring that new water sources are less reliant on rainfall and less exposed to climate hazards, including supply chain risks. • Developing and embedding IWM practices and system resilience as we work with others to plan for urban growth and upgrade ageing infrastructure, aiming to make the most of all potential water resources across the region.
Risk identification and responses	• Long term water resource modelling completed over the past decade has used RCP 8.5, a 'high change' climate projection in line with the previous state guidelines. The newly updated Victorian Guideline for Assessing the Impact of Climate Change on Water Availability in Victoria (2025) provide guidance on using newer 'high change' scenarios,SSP 2-4.5 to SSP 3-7.0, to assess water supply to 2075. Melbourne Water is undertaking new modelling to add these scenarios to our future strategy. • As part of planning for current and future water security, Melbourne Water participates in water sector working groups focused on water security, resource and supply system modelling, system augmentation, and strategy and regulation. In addition, we are exploring the potential for new climate independent water supply sources (such as desalinated and recycled water), while managing potential greenhouse gas emissions, particularly from higher grid electricity use. We are also supporting government and councils to explore statewide and local adaptations, such as increased water transfer between Victoria's supply regions, more rainwater tanks and water sensitive urban design. • Water transfer networks have been assessed for capacity to carry 'peak' demands during future heatwaves and as populations grow. This information is shared with regional water authorities to support future water supply network planning. • Our Greater Melbourne Water Urban and Systems Strategy 'Water for Life' and our Drinking Water Quality Strategy communicate strategic climate risks and help us engage with stakeholders on adaptation options. • Key metrics for understanding medium- and long-term risk to water supply include the point in future when declining supply and increasing demand mean that additional water supplies may be necessary. Current modelling shows that additional supply may be needed by 2030. This metric is published in the Water for Life Strategy. • Metrics for understanding and managing short term risk to water supply and triggering adaptive responses include storage levels. If storage drops to 60 per cent full, this triggers maximised use of desalinated water and preparation for potential low water levels. If Storage drops to 45 per cent emergency supply options and water restrictions may be enacted. Water storage and supply management for this year is outlined in Our Services - Water.

Declining rainfall and increasing heat creating bushfire risks	
Description	Rising temperatures and extreme heat or dry spells have the potential to increase the frequency and scale of bushfires or grass fires near land and infrastructure used for water services. If bushfires occur in catchment areas, they are expected to increase the risk of debris-flow contamination of water supplies. In other locations, bushfire or grassfire may affect the operation or lifespan of water, sewerage or other assets.
Potential impacts to Melbourne Water, strategy and service delivery	• Costs associated with additional water treatment and transfer activities to address water quality impacts after fire events (e.g. ash and debris contaminating reservoirs). • Operational disruptions due to asset damage or safety risks to personnel. • Costs associated with making assets more resilient or repairing damage from extreme fire events.
Opportunities	By proactively investing in adaptation and resilience there may be opportunities to reduce impacts and costs from fire events.
Risk identification and responses	• Recognising that fire hazards are a significant driver of water supply and quality risk, and may be amplified by climate change, we operate ongoing catchment fire risk management programs in partnership with the DEECA, Parks Victoria and the Country Fire Authority. Refer to the 'Water supply catchment management' section of this report for more details on how we prepare and plan. • Bushfire hazard and impact studies for drinking water explore at least the next 30 years and draw on climate scenarios prescribed for water resource projections and possible increases in the frequency of Forest Fire Danger days that may occur with hotter weather. • The Greater Melbourne Water Urban and Systems Strategy 'Water for Life' and the Drinking Water Quality Strategy communicate strategic climate risks and help us engage with stakeholders on adaptation options.

Increasingly severe rainfalls creating risks of flooding and sewage discharges	
Description	More frequent and intense rainfalls are expected to increase the likelihood of flooding. They may place growing pressure on existing drainage and sewerage systems, some of which were not designed for current or future rainfall intensities, leading to more overflows in drainage and sewerage networks, treatment plants, and into waterways. Continued urban development in flood-prone areas further amplifies these risks. Flooding and overflows can cause property damage, disruption to communities, public health, and environmental harm.
Potential impacts to Melbourne Water, strategy and service delivery	• Increasing community impacts and public costs associated with emergency management, response and repairs from extreme flooding events. • Costs associated with managing and cleaning up sewage spills. • Increase in costs associated with augmentation of drainage and sewerage transfer and treatment infrastructure. • Increased costs associated with drainage and flood monitoring and alerts to community.
Opportunities	• Mapping and sharing information on potential future flood risks to inform safe and appropriate urban planning and design, including locating new buildings outside of flood risk areas. • When existing buildings are renovated or replaced, they can be designed in a way that increases resilience and safety when floods occur. • Embedding IWM practices in urban planning, design and asset management enabling more infiltration, capture and re-use of stormwater to reduce smaller floods, improve urban greening and cooling, and deliver other local benefits when drainage and other infrastructure is developed or renewed.

Increasingly severe rainfalls creating risks of flooding and sewage discharges (continued)	
Risk identification and responses	• We work with the Department of Transport and Planning (DTP), Victorian Planning Authority (VPA), the Bureau of Meteorology and councils to understand changing flood hazard as flood models are updated. Flood maps and related information are developed collaboratively with government stakeholders and, when complete, will be used to inform decisions. In 2025 new stormwater flood maps for Merri-Bek, Darebin, Yarra and Glen Eira municipalities were released for public consultation, and inclusion in local Planning Schemes. These maps included the effects of climate change to 2100. Through 2026, Melbourne Water plans to release climate-inclusive flood maps for Banyule, Moonee Valley, Brimbank and Hobsons Bay. These flood maps can assist in enabling adaptation measures for flood risk through appropriate planning and building design. • Melbourne Water's performance target for flood mapping includes updating maps across Melbourne every 10 years, inclusive of climate change information. Progress against this target is shared in annual Waterways and Drainage Investment Plan reports. • A key metric used to understand current and potential future-climate flood impacts and costs across our region is 'Annual Average Damage' (AAD) cost of floods. An AAD cost assessment for the Lower Maribyrnong has recently been completed using Australian Rainfall and Runoff technical guidance and SSP3-7.0, a 'high change' climate projection. The annualised cost of damages from riverine flooding may be in the order of ~$45 million in 2030 and could increase to over $120 million by 2100 under a high-change climate. More information on climate projections is included on page 55. • In accordance with the Flood Management Strategy Implementation Plan, we have prepared the *Climate change in flood information and land use planning guideline* to confirm the climate settings to be applied through flood modelling and flood hazard planning scheme amendments. • A new Strategic Urban Planning Climate Risk Assessment Framework has been prepared to help us assess potential climate change flood risk as part of land use and infrastructure decision making, using both existing and updated flood information. We are now working with the VPA on land use planning for the Housing Statement precincts to understand flood hazard and guide development to safer locations. • The potential for spills from Melbourne Water's sewage transfer network has been modelled using high-change climate projections RCP 6 and RCP 8.5, looking forward to 2070. This information is made available to stakeholders and community through an online Network Outlook explorer. Future capacity requirements including climate-linked increase in stormwater ingress is used as a design metric for sewer transfer construction and refurbishment. • Melbourne Water has also used the *Guidelines for the Adaptive Management of Wastewater Systems Under Climate Change in Victoria* (2022) and *Australian Rainfall and Runoff: A Guide to Flood Estimation* (2019) to explore rare storm events and sea level rise scenarios to understand risks to sewer 'emergency relief structures' which help direct sewage spills away from private properties into safer locations Long term permanent base flow and level monitoring and routine asset condition inspections contribute to the management of sewerage assets and flow containment in dry and wet weather. • The Port Phillip and Westernport Flood Strategy outlines how climate change may affect rainfall and flooding across the region, and how Melbourne Water aims to support adaptation working in collaboration with the many other stakeholders involved in flood planning, response and recovery. • The Melbourne Metropolitan Sewage Strategy outlines the strategic risk of climate change alongside growth and other future changes to existing wastewater services and sets out a vision for transforming our systems from waste disposal to resource recovery. This strategy helps shape our engagement with stakeholders and customers stakeholders on sewage service transformation.

Sea level rise and changing coastal process affect assets and ecosystems	
Description	Sea level rise, changing coastal storm and wind patterns, storm surges and the movement of salt water in estuaries may damage coastal communities, public assets and ecosystems.
Potential impacts to Melbourne Water, strategy and service delivery	• Increased costs for emergency repairs. • Costs associated with the potential relocation of infrastructure from coastal areas. • Increased sewage spills in coastal areas could create risks the health of beaches and bays. • Cost to replace and maintain stormwater infrastructure impacted by corrosion due to seawater ingress into the stormwater system. • Damage to Ramsar Convention wetlands on Melbourne Water land, which support migratory birds, managed by Melbourne Water.
Opportunities	By investing in adaptation and resilience ahead of sea level rises, there may be opportunities to reduce impacts and costs and enable conservation of biodiversity values.
Risk identification and responses	• To understand coastal hazard risks and adaption options at the Western Treatment Plant (WTP) we have conducted coastal hazard and risk assessments, covering sea level rises of up to 1.4 metres beyond year 2100. This indicates that rising sea levels will increasingly affect WTP's assets and services and that the site will not be able to function in its current form over the long term. In response, we have developed options for adaptation pathways through to 2100, which include long term coastal retreat in low-lying areas, and are used to inform the WTP Coastal Hazard Adaptation and Resilience Plan (CHARP). As part of developing the CHARP we are working together with the Wadawurrung Traditional Owners Aboriginal Corporation (WTOAC) through the 'Wunggurwill Ngitj (Strong together) Partnership Agreement. • In parallel, on-ground works are underway along the WTP coastline to protect areas at immediate risk from coastal erosion. These works use nature-based and engineering solutions to protect critical infrastructure and enhance coastal ecosystems. These are part of the long-term adaptation plan identified in the WTP CHARP and can be adapted as future conditions change. These projects range from concept design through to sites that will start construction in the next financial year. • We partner with DEECA and others on 'Adapt West', a Port Phillip Bay Western Shoreline Regional and Strategic Partnership to develop a coordinated regional approach to managing coastal hazards from Geelong North to Williamstown. • We have updated our regional Sea Level Rise Guidelines for inclusion in the State Planning System, following planned stakeholder engagement. The update provides increased guidance on responding to changing flood hazard and information on how Melbourne Water will consider land use and development applications in its role as a Referral Authority for urban planning. • We are also developing new stormwater flood maps that show current day and year 2100 flood extents considering a 0.8 metre and a 1.1 metre sea level rise that will help inform safe and appropriate land use and development that responds to the identified flood risk.

Increasingly extreme weather may cause asset and operational damage or disruption	
Description	More extreme weather may damage assets, create disruption to power and other essential supplies and affect the safety or continuity of operations. This could lead to the interruption of service to customers.
Potential impacts to Melbourne Water, strategy and service delivery	• Costs associated with making infrastructure safer, more resilient or repairing damage from extreme events. • Impacts to infrastructure or the safety of personnel may lead to service disruption to customers in the future.
Opportunities	As population growth and ageing assets drive expansion and renewal of systems, we have opportunities to design new investments in a way that helps them function under future conditions.
Risk identification and responses	• Our current knowledge on climate risk is captured in strategic planning for all services to help inform asset-scale investments for population growth and service resilience. • Melbourne Water is participating in a Victorian Water Sector working group exploring best practice approaches to using future climate scenarios for asset strategy and planning. • A pilot study is in progress to explore the types of climate impact that may arise from multiple extreme events occurring at once or in a short space of time, and how climate effects cascade through systems of connected assets. This pilot aims to enable more complex climate impact assessments across our region in future.
Declining rainfall, increasing heat and increasing extreme weather events impact waterway, catchment and biodiversity values	
Description	Climate change may lead to temperature increases in water and air, reduction in average rainfall and waterway flow volumes, increased storm and flood intensity and frequency, increased bushfire risk extent and severity, increased frequency of coastal storms and sea level rise. The Healthy Waterway Strategy identified climate change as a key threat expected to significantly impact waterway health across the region over the next 50+ years.
Potential impacts to Melbourne Water, strategy and service delivery	Decline in habitat suitability for valued fauna and vegetation species, which in turn can potentially reduce the effectiveness of existing investment options such as revegetation to preserve natural habitat and refuges for biodiversity species survival in face of climate change.
Opportunities	• Managing the pressures posed by urbanisation and invasive species can maximise the resilience of nature and help preserve opportunities for ecosystems to adapt to a changing climate. • Preserving green spaces and water across catchments can increase the opportunity for survival and adaptation of species and eco-systems as well as providing amenity, cooling and minor flood reduction benefits for communities.
Risk identification and responses	• The Port Phillip and Westernport Healthy Waterways and Regional Catchment Services Strategies and associated plans (such as Biodiversity Conservation Action Plan 2024-2028) outline Melbourne Water's strategic understanding of, and responses to the threats posed by climate change to waterways and biodiversity and aim to support collaboration across the many stakeholders supporting catchment and waterway health in our region. • A range of data, models, and expert input are used to understand how waterway and catchment values may be affected by these threats and to guide waterways and catchment service programs to best respond to such risk. These include: o The Healthy Waterways Strategy mid-term review which uses habitat suitability modelling to better understand climate risk to key values across the region. o Research, in partnership with universities on the impacts of climate on fauna and vegetation and on new technology that could support resilience. o Research and testing to identify how vegetation communities will be affected by climate and how revegetation and conservation programs can adapt in response. o A pilot project to measure and understand the services and economic value that healthy catchments and waterways contribute to the community. o Collaborations with other CMAs to develop adaptation strategies, and with First Nation groups to explore opportunities for partnership on land management activities.

Transition risks

Regulatory and stakeholder expectations

Description	New and developing regulations may impose requirements associated with transitioning to a lower carbon economy or limiting the impacts of climate change, which affect how we plan and invest for the future services, and the costs of providing services. Community expectations may change as climate impacts are experienced, but willingness and ability to pay for adaptation and recovery from extreme weather may be limited.
Potential impacts to Melbourne Water, strategy and service delivery	• Introduction of carbon prices or stronger emissions regulations may impact the costs associated with meeting obligations or the costs of using carbon credits. • Costs of climate preparedness may likely increase if investment in resilience is delayed, which could lead to sharp rise in services costs.
Opportunities	• As ageing assets are repaired, replaced, or upgraded and expanded for a growing population, they can be designed to reduce greenhouse gas emissions and meet new and anticipated standards. Identifying and researching uncertain aspects of how emissions are created from treatment processes can improve the information we use to meet targets and plan-ahead. • Engagement and discussion with customers and stakeholders on potential adaptations, and costs for current and future resilience will better inform how to invest fairly for this generation and the next.
Risk identification and responses	• An emissions research, direct measurement and options development program is underway to develop the science of exactly how emissions arise from wastewater in treatment, and how they can be addressed. This work is progressing in partnership with universities and water authorities in Australia and around the world. Case studies are provided in the sections below. • We are engaged in ongoing dialogue with stakeholders to understand potential changes to regulations and contribute to the evidence base that informs change. Transparency on climate risks helps stakeholders to participate in determining a pathway forward. • Melbourne Water has joined the Zero Emissions Water Carbon Offsets initiative with other Victorian water corporations investigating options to create carbon credits within Victoria, aiming to increase our options and help manage costs for all Victorian water customers. • In 2026 we published a Climate Transition Plan that outlines our commitments, progress to reduce emissions, and work underway to meet future targets.

Climate risk management

Melbourne Water's Risk Management Framework

Climate change is captured as an overarching strategic enterprise risk and as a driver of service, operational and business risks:

- Melbourne Water's overarching Risk Management Framework (RMF). This aligns with ISO 31000 and the Victorian Government Risk Management Framework requirements, and articulates the governance structure for effective risk management at Melbourne Water. Strategic and state significant risks, inclusive of climate, are reported to DEECA. The design and implementation of our RMF is regularly reviewed. Our risk management framework is underpinned by our:
    - **Risk Management Policy**, which assists Melbourne Water to meet its organisational objectives by articulating its commitment to risk management and defining the organisation's risk management principles.
    - **Risk Appetite Statement**, which defines the amount of risk that Melbourne Water is prepared to take in the pursuit of delivering services and our vision of enhancing life and liveability.

Melbourne Water seeks to continuously improve and mature its approach to climate risk identification and management, aiming to minimise disruptions and identify improvement opportunities.

Climate risk assessment approach

Melbourne Water's climate risk exploration and assessment is ongoing, taking into account new information as it becomes available, and the intrinsic uncertainties involved with looking ahead to potential futures.

Scope

We continue to assess the potential impacts of climate change on our business, region, service strategies and across all service delivery areas including water supply, sewage treatment, drainage, waterways and catchment management.

Approach

Climate risk identification and assessment includes:

- identification of overarching climate risks drawing on available science and modelling, and expert knowledge
- detailed risk assessment and modelling for priority climate risks to inform strategy, adaptation options, and future investments
- ongoing research and modelling programs to further identify, explore and evaluate the potential impacts of climate change on different aspects of the water cycle and services, and the potential effectiveness of adaptation options
- horizon scanning, trend analysis and scenario planning to support future plans and decisions in areas where there is deep uncertainty, long timeframes or limited control.

Climate risks are captured at enterprise level in our Risk Management Framework. This aligns with ISO 31000 and the Victorian Government Risk Management Framework requirements, and it articulates the governance structure for effective risk management at Melbourne Water. A board-approved annual compliance attestation is undertaken, with strategic and state significant risks, inclusive of climate, reported to DEECA.

Climate scenarios

Melbourne Water identifies and tests the impacts of climate change on regional water resources, our business and services under a range of climate scenarios drawing on information from the Intergovernmental Panel on Climate Change (IPCC) as well as Australian and local sources. Extensive research and modelling have been completed using IPCC Representative Concentration Pathways (RCPs) including RCP 8.5, a very high-emissions and high-change scenario. As the newest IPCC Shared Socio-economic Pathway (SSP) scenarios are incorporated into Australian climate models and Victorian climate guidance, we are adding additional research and modelling using SSP 3-7.0, another high-change scenario. These scenarios help us understand the full breadth of climate changes that could occur. In some cases, we also carry out detailed modelling for additional climate scenarios representing a lower-emissions and lower-change future when that type of information is useful for planning. Melbourne Water also uses other information about future impacts such as research into potential changes to biodiversity or household water-use, and general narratives that describe the types of extreme weather that could occur in future.

Case study: Integrating transition and risk management

Melbourne Water has progressed the development and implementation of its adaptive plans for both the Western Treatment Plant and Eastern Treatment Plant. These plans were used when developing investment programs for the next five-years as detailed in Melbourne Water's 2026 Price Submission, as well as identifying the knowledge that will be required to develop future infrastructure projects at the plants. Planning for coastal hazards at the Western Treatment Plant is progressing with completion of the Coastal Hazard Adaption and Resilience Plan expected by the end of 2026-27.

These plans outline how Melbourne Water's systems must adapt in response to forecast growth in sewage demands, the need to minimise harm to the community and environment in line with EPA obligations, respond to climate risks including sea level risk and coastal erosion, and support water security through provision of recycled water services.

The adaptive plans identify how our currently high greenhouse gas emitting sewage treatment processes could be transitioned to lower emission alternatives, in conjunction with meeting the requirements of population growth, renewal and compliance. The pace of transition to lower emissions will be developed with stakeholders, mindful of customer preferences, water prices and ability to deliver an expanding capital investment program within operational site and workforce constraints.

Emissions reporting

Melbourne Water is responsible for greenhouse gas emissions, primarily through our use of energy and sewage treatment processes. We are progressing toward our target of net zero scope 1 and 2 emissions by 1 July 2030 in line with the Statement of Obligations (Emission Reduction) and the Victorian Government's long-term target of net zero greenhouse gas emissions by 2050.

Our Eastern and Western Treatment Plants are also subject to scope 1 emission caps under the Federal Safeguard Mechanism. Melbourne Water's emission reduction requirements under the Statement of Obligations (Emission Reduction) and Safeguard Mechanism are complementary.

Scope 1 and 2 emissions

A breakdown of our greenhouse gas emissions by service delivery and electricity consumption from different sources for 2025-26 is provided in Table 4. All figures are calculated using NGERS carbon accounting methodologies. For additional breakdowns of our energy and emissions metrics, refer to Appendix F – Environmental disclosures.

In 2025-26, our overall total scope 1 and 2 emissions prior to netting were approximately 10 per cent higher than the previous year. This was driven by an 18 per cent increase in scope 2 emissions resulting from increased pumping, and an approximately 5 per cent increase in scope 1 emissions from sewage collection, treatment and recycling. In accordance with the Victorian Statement of Obligations (Emission Reduction), the annual reportable net (after carbon credit and Renewable Energy Certificate retirement) scope 1 and 2 emissions were reduced to 204,379 tonnes CO2-e for 2025-26 (which represents a 50 per cent reduction from our 408,760 tonnes CO2-e baseline).

Melbourne Water's major sources of self-generated electricity are solar and biogas, with an aggregated 53.36 megawatts of installed generation across three of our largest sites (Eastern Treatment Plant, Western Treatment Plant and Winneke Water Treatment Plant). During 2025-26, these assets have contributed to greater or sustained proportions of behind-the-meter energy production and continued to reduce our dependency on grid imports, despite major production outages incurred due to urgent maintenance of our Western Treatment Plant biogas power station.

Production from our hydro generation portfolio has been operating mostly as expected across 2025-26, with a late summer desalinated water order for 150GL impacting production for those hydro assets aligned with desalinated water distribution and storage pathways. Total hydro production has improved over 2024-25 results mainly due to the return to full production of assets impacted by essential servicing and upgrade works in the previous year.

Table 4: Total scope 1 and 2 emissions reporting

Service delivery category	Scope 1 and 2 Emissions (t CO_2-e)					Variance (%) between previous and current Annual Report	Commentary
	Previous Annual Report Totals	Previous year final totals after NGERS report	Current AR Year Scope 1 and 2 Emissions				
			Scope 1 emissions	Scope 2 emissions	Total emissions		
Water treatment and supply	47,613	47,338	16	70,072	70,088	47.20%	More river water pumping due to reduced rainfall in catchments
Sewage collection, treatment, and recycling	345,033	345,030	245,428	116,525	361,953	4.90%	Emissions variance due to higher reported fugitive emissions at Western Treatment Plant
Transport	2,104	2,104	1,643	0	1,643	-21.90%	More trips made in EVs
Waterways (MW Only)	826	3,098	2,003	729	2,732	230.72%	Unexpected increase in contractor fuel usage
Other (e.g. offices, depots, etc.)	339		27	342	369	8.88%	Due to increase in electricity at head office
Total emissions (after REC retirement) (a)	**395,916**	**397,645**	**249,116**	**0**	**249,116**	**-37.08%**	**Scope 2 reduction due to renewable energy compliance actions**
Carbon credits (self-generated) retired	0	0	0		0	0	
Carbon credits (non-self-generated) retired	191,537	193,266	44,737		44,737	-76.85%	**See below**
Total offsets [carbon credits] retired (b)	**191,537**	**193,266**	**44,737**		**44,737**	**-76.85%**	**Fewer carbon credits were required this year as 100% renewable electricity use significantly reduced emissions**
Net carbon emissions (after offset retirement) (a-b)	**204,379**	**204,379**	**204,379**		**204,379**	**0%**	

Scope 3 emissions

Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the Melbourne Water's value chain, including both upstream and downstream emissions. Melbourne Water does not currently have any obligation to manage scope 3 emissions. We are in the early stages of scoping a strategic approach to understanding and managing our scope 3 emissions profile.

We currently track and report certain contributors to scope 3 emissions, as required under the Ministerial Reporting Directives. As outlined in Table 5, this year, our total scope 3 emissions relating to waste disposal and commercial air travel increased, which can be attributed to an increase in emissions from waste disposal due to more staff working at our head office site. A slight increase in commercial air travel emissions was also seen due to an increase in the number of flights taken in 2025-26. These were calculated through travel data from our travel agent, waste figures from our building manager and published emissions factors.

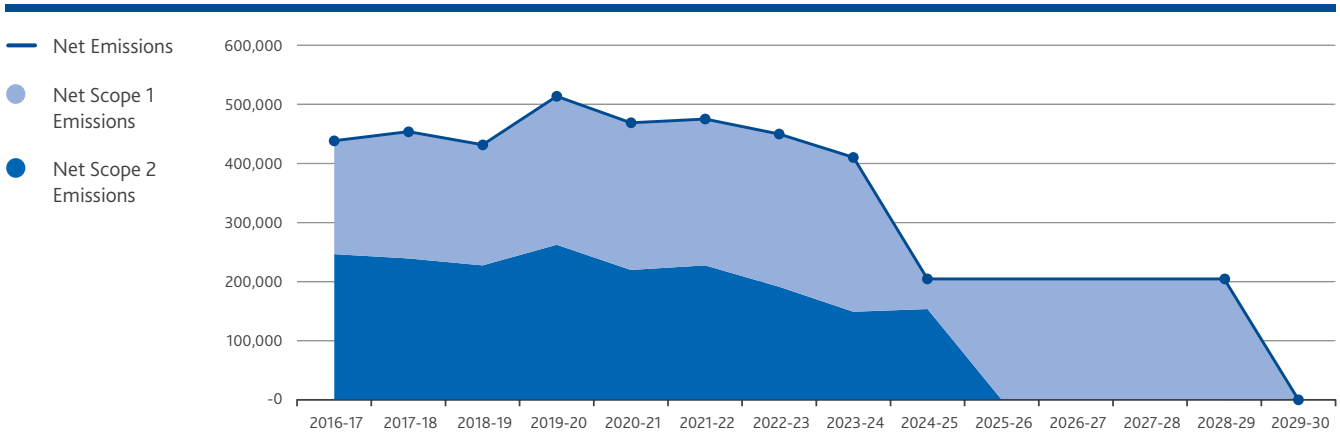
Table 5: Reporting scope 3 emissions

Scope 3 emissions source	Scope 3 emissions (t CO_2-e)	Commentary (including calculation methodology and inclusions)
Commercial air travel	63.5	As per ANZ methodology.
Waste disposal	30.2	As per building management services.
Any other scope 3 sources assessed (categorised as appropriate)	0	No further sources assessed for reporting
Total reported Scope 3 emissions	93.7	

Emissions reduction

Figure 11 shows the trajectory of net emissions from Melbourne Water's emission baseline (408,796 tonnes CO2-e, defined as an annual average for the five-year period between 1 July 2011 and 30 June 2016) to the achievement of net zero in 2029-30.

Figure 11: Trajectory of new emissions for baseline year (2016-17) to achievement of 'net zero' in 2029-30 (based on NGERS carbon accounting methodology)



Projects to understand and reduce emissions

Improving our understanding of our greenhouse gas emissions

Melbourne Water has established a proactive emissions measurement program, bolstered by the support of local and international partners. This program aims to enhance our emissions reporting, ensure greater transparency of actual emissions, and identify opportunities for emissions reduction across our treatment plants.

Through the development and validation of monitoring protocols targeting major emission sources of nitrous oxide and methane, we aim to contribute to the development of new standards for measurement accuracy and predictive modelling in sewage treatment facilities. A major focus has been on nitrous oxide emissions from nutrient removal processes, which represents the most significant gap in global knowledge of wastewater treatment-related emissions.

Nitrous oxide emissions monitoring program

Melbourne Water's industry-leading nitrous oxide monitoring program, developed in partnership with the University of Queensland (UQ), has generated fundamental knowledge into nitrous oxide emissions from biological nitrogen removal systems.

Modelling by UQ, using data gathered over two years as part of the nitrous oxide monitoring program at the Western Treatment Plant, suggests that nitrous oxide emissions could be reduced by up to 40 per cent through a combination of process control optimisation and retrofitting to modify feed sewage source. These results indicate that the current low-carbon feed sewage was limiting process efficiency and leading to higher emissions.

As current infrastructure does not allow for feed modification, Melbourne Water is currently undertaking full-scale trials focused on operational changes alone, targeting emissions reductions of 15 to 20 per cent, based on the modelled scenarios. Results to date have been inconsistent, reflecting both the dynamic complexity of the biological system and the early stage of model development, which is still evolving in accuracy and maturity.

Further investigation is planned to refine and validate the models to support the next phase of emissions reduction trials.

Melbourne Water's nitrous oxide program now forms a core part of a multi-utility initiative led by UQ and supported by the Australian Research Council. The project brings together 15 industry partners from across the Australian and New Zealand public and private water sectors, including 12 water utilities participating in direct nitrous oxide monitoring across 20 full-scale biological nitrogen removal plants.

This world-first cohort of monitored plants was selected to represent a broad spectrum of process designs and operating conditions. By applying consistent monitoring, analytical, and modelling methods across all sites, the project aims to benchmark emissions performance, compare the impact of different nitrogen removal configurations, and identify both high-emission systems and the conditions that support low-emission outcomes. Project outcomes and insights will be used to inform national reporting improvements through more accurate estimation methods and support the development of a standardised protocol for full-scale nitrous oxide emissions monitoring.

Aerobic lagoon methane emissions monitoring

The Resource Recovery and Recycling Centre (RRRC) project aims to increase treatment capacity and is expected to also assist the reduction of scope 1 greenhouse gas emissions, particularly methane (CH_4) generated from anaerobic processes at WTP. The most significant emissions reduction is expected from 55E Pond 1 due to reduced:

- solids loading to lagoon systems
- volumes of waste activated sludge (WAS) entering anaerobic conditions
- fugitive methane generation from lagoons.

Melbourne water is implementing performance tracking of this new wastewater infrastructure to help assess emissions benefits and inform further effort.

In 2025-26, we trialled a new methane monitoring camera and data interpretation process in partnership with the University of Queensland. Building on the trial, a three-year methane camera monitoring project will commence in late 2026 to capture actual emissions from selected construction, commissioning and operation stages of the treatment capacity and process upgrades being delivered at the Western Treatment Plant.

Collaborative emissions projects

Sewer Methane Methods for Everyone

Co-funded by the Water Research Foundation, international utilities and Melbourne Water, Sewer Methane Methods for Everyone is a joint research project led by Brown and Caldwell. The project is nearing completion. All partners have completed the field trials, the research team have analysed the results, and the release of the final report is imminent. Melbourne Water anticipates the study will likely indicate that greenhouse gas emissions from sewer transfer systems will be important.

International partnership to reduce wastewater emissions

Through Melbourne Water's international alliance with Danish water utility Aarhus Vand, Gruppocap, an Italiana utility, and UK water leader Severn Trent, partners are building on their experience, expertise and innovation capacities and aim to establish new international standards for measuring and reporting emissions.

Projects and research currently underway within the partnership include sharing of data and insights from nitrous oxide emission measurements at wastewater treatment plants across Europe and Australia to inform the development of standardised measurement techniques, future planning of nitrogen removal plants and mitigation of fugitive emissions.

A research paper evaluating methane emissions from wastewater treatment plants has been published to support utilities in selecting appropriate monitoring methods and help bridge the gap between measured and reported emissions. This paper provides a comprehensive review of available methane monitoring technologies and quantification techniques, supported by real-world application case studies across Europe and Australia.

Net Zero Acceleration Hub

Melbourne Water is progressing plans to establish a Net Zero Acceleration Hub ('The Hub') at the Eastern Treatment Plant. The Hub is a purpose built, plug and play facility at Eastern Treatment Plant (ETP) designed to accelerate the development, validation, and scaling of low emissions and resource recovery wastewater technologies, enabling Melbourne Water to transition toward net zero operations while enhancing knowledge sharing through the Net Zero Partnership.

An early pilot at the hub under the Net Zero Program will be the Project Zero Pilot, which will trial a novel wastewater treatment process flowsheet. The move from aerobic activated sludge plant technology to anaerobic membrane bioreactors will allow additional biogas to be generated from the sewerage while reducing electricity used for aeration. There is scientific literature that supports the theory that this might reasonably generate more energy that it consumes. The pilot aims to transform wastewater treatment into an energy-positive system that reduces the hard to abate nitrous oxide emissions at source while unlocking new resource recovery value beyond conventional approaches.

Scope 3 construction process emissions

We are participating in an Australian Research Council (ARC) project led by RMIT (the ARC Training Centre for Whole Life Design of Carbon Neutral Infrastructure) to better understand emissions from construction processes like pipeline drilling and help the industry develop identify potential approaches for the water industry including tools, processes and carbon emission factors approaches to estimate and manage such emissions.

Increasing renewable energy

Under the *Statement of Obligations (Emission Reduction)* Melbourne Water is required to source 100 per cent of our electricity needs from renewable sources from any date before 31 December 2025, meaning all electricity consumed must be supplied from renewable sources either via onsite generation or renewable energy output under our electricity supply agreement.

Melbourne Water has a portfolio of onsite energy generation facilities throughout our water system and wastewater treatment plants. This onsite generation reduces our dependency on imported electricity while exporting surplus renewable energy generated back to Melbourne's electricity supply grid.

The majority of Melbourne Water's renewable generation portfolios are accredited for the creation of Renewable Energy Certificates (RECs), tradable assets that each represent the production of one megawatt-hour of renewable energy. In alignment with our commitments under the 2022 Statement of Obligations (Emission Reductions), Melbourne Water has commenced the surrender of RECS for all electricity consumption, both produced on-site and consumed from grid. These self-surrender actions are undertaken for our portfolio of large sites and behind the meter generation assets, with most small sites satisfying this renewable energy target via the addition of a 100 per cent Greenpower product (a Government-accredited electricity consumer add-on recognising voluntary renewable energy purchases) to the monthly invoices. These actions allow Melbourne Water to report net zero scope 2 emissions for the 2025-26 reporting period.

Table 6: Total renewable electricity consumption by type (MWh)

Renewable electricity consumption categories	2024-25 renewable electricity consumption (MWh)	2025-26 renewable electricity consumption (MWh)	2025-26 renewable electricity consumption (% of total consumption)	Variance (%) between current and previous financial years	Commentary
Total renewable electricity consumption from grid-sourced electricity [Corporation] reported because of the Commonwealth Government's LRET					
Total grid-sourced:	37,607	41,711	11.18%	10.91%	Based on Renewable Energy Target (RET) percentage volumes, calculated monthly and independently for large (LRET) and small (SRET) sites
Total renewable electricity consumption from Corporation led/self-sourced activities and initiatives					
Total grid-sourced: Voluntary	0	200,188	53.68%		Increase due to compliance with 100% equivalent renewable energy targets
Biogas	18,755	94,347	25.30%	403.05%	Increase due to compliance with 100% equivalent renewable energy targets
Hydroelectric		60	0.2%		All behind the meter activity compliant with 100% renewable energy targets
Solar		36,636	9.82%		All behind the meter activity compliant with 100% renewable energy targets
Wind					No activity
Other renewable					No activity
Total renewable electricity consumption	**56,362**	**372,941**	**100.00%**	**561.69%**	**All behind the meter activity compliant with 100% renewable energy targets**

Renewable Energy Certificates

All large renewable electricity generation sites built after the year 2000 are eligible to be accredited for the creation of Renewable Energy Certificates (RECs), each of which represents one megawatt-hour of electricity produced from a renewable source. These RECs can be surrendered or 'retired' to the Clean Energy Regulator by or on behalf of an entity, which then allows the reporting of an equivalent volume of consumed megawatt-hours as renewable. Alternatively, RECs can be on-sold to any other entity enabling them to undertake similar surrender and reporting outcomes.

Melbourne Water has regular transactions of incoming and outgoing RECs, with our large market sites serviced under a long-term renewable electricity agreement providing a calculated volume of RECs, a mandatory obligation to surrender a portion of these to meet federal LRET obligations, and self-generated RECs created from our accredited renewable sites.

In alignment with our renewable energy commitments under the Statement of Obligations (Emission Reduction), Melbourne Water has commenced the voluntary surrender of RECs against all eligible electricity consumption, calculated according to Climate Active accounting methodologies. This ensures that 100% of electricity consumed by Melbourne Water has been sourced from renewable energy production.

Table 7: Total REC retirement reporting to reduce scope 2 emissions

REC retirement method	2025-26 RECs retired: (1 REC = 1 MWh renewable electricity)	Commentary
Voluntarily retired by Melbourne Water	316,075	Actual surrenders for reporting period to date
GreenPower	882	Based on billing data to date, pro rata
Certified carbon neutral electricity purchased	0	No comments
Voluntarily retired on [water corporation]'s behalf	0	No comments
Mandatorily retired or conveyed to Melbourne Water's electricity retailer for mandatory retirement (if applicable)	41,711	Calculated based on consumption and respective LRET/SRES percentages
Total RECs retired to reduce scope 2 emissions	**358,668**	Sum of all electricity offsets aligned to Melbourne Water consumption

Carbon Credits (offsets)

Carbon credits, sometimes known as 'offsets', are a formal, tradeable instrument that represents 1 tonne CO2-e gasses reduced, avoided or removed, through an activity that has been independently reviewed and certified.

To meet carbon targets for the 2026 financial year and in future, Melbourne Water will need to buy carbon credits. This is the only practical mechanism through which scope 1 emissions targets can be met while we develop technology and investment proposals and engage with stakeholders on funding to overhaul existing treatment plants for lower emissions and greater resilience. We assess the integrity, effectiveness and credibility of carbon credits we buy with reference to:

- the Australian Climate Active standard
- the Oxford Principles for Net Zero Aligned Carbon Offsetting, which include a focus on shifting from emissions 'avoidance' credits toward 'removals'-based credits for activities that take carbon out of the atmosphere and store it in a durable way, and a focus on understanding the projects that underpin any carbon credits used.

As well as purchasing carbon credits, Melbourne Water has planted several small-scale pilot carbon forests within our region. These will store carbon, build sector capacity and test the value and co-benefits of biodiverse, native-species carbon plantings to offset emissions from operating wastewater treatment. Two new plantings have been established on Melbourne Water land that once hosted native forests but were cleared for farming many decades ago. Fencing and planting were completed over 2024 to 2026, and weed control and monitoring are now taking place while the seedlings become established.

A third planting area has been established on a private property in partnership with a community member seeking to contribute to regional biodiversity. Known as the Growing Carbon Project, this partnership of forest planting is jointly funded by Melbourne Water, Yarra Valley Water and Greater Western Water. It will support metropolitan water businesses to achieve carbon targets, enhance the natural environment, and develop technical carbon project skills that can be shared with the wider water industry. Plantings were carried out over 2025 and weed control and monitoring of the new plants is in progress to support them to become established.

This project has been registered as a carbon forest project by the landholder and has developed a process and legal templates that other Victorian Government agencies can use to pursue biodiverse carbon plantings on private land.

As it takes time for trees to grow and store carbon, credits generated from these plantings will be available for use against targets in approximately five years; no self-generated carbon credits are yet available to retire.

Through 2025 and 2026, Melbourne Water has worked with the Victorian Water sector to set up Zero Emissions Water-Carbon Offsets – a special-purpose company that is enabling Victorian water authorities to work together to source carbon credits within Victoria, line with policy that encourages local investment and catchment health.

For more details, including Climate Active eligible carbon credits used to meet our emissions target see Appendix F – Environmental disclosures.



Solar Farm at Eastern Treatment Plant



Yarra River, Yarra Bend Park

Our community

Customer, community and engagement

Our customers and the community are at the centre of everything we do. Our service delivery is enabled by the trusted partnerships we have in place.


Maribyrnong River

Our approach

Our customers and community reside within the Greater Melbourne region. We recognise the unique role we can play in their lives through the safe and affordable delivery of our services.

At Melbourne Water, we seek to prioritise the current and future needs of our customers and community when delivering essential services and to develop and implement strategies, plans, and projects which incorporate outcomes that are most valued. We achieve this through a culture of dialogue, providing great experiences for customers that transact with us, and we continue to build stronger relationships with our community, partners and stakeholders every day. We measure this through our reputation survey, customer satisfaction surveys, specific engagement for our strategies and our *2026 Price Submission*, and engagement with water retailers through the Accord.

Customer segments

Our customer segments are:

- community
- direct service customers (including developers)
- engaged community groups
- retail water companies
- local government
- industry leadership
- state government.

Interacting with our customers

Given our unique role, Melbourne Water recognises that customers interact with us in different ways to obtain different services.

We have a customer ecosystem that recognises the different needs and complex relationships our customers have with us. For each customer group, the ecosystem defines the specific and most important drivers for customer satisfaction and reputation.

Our customer performance

As a customer-centric organisation, Melbourne Water continues to monitor shifting customer expectations in a dynamic operating environment. This year, we continued to deliver our Customer Program. This program seeks to address known pain points based on customer insights and data and focuses on improving customer service, experience, capability and operational performance. Ongoing enhancement to our customer insights program enables our people to better identify areas for improvement and reinforce successful customer-centric outcomes.

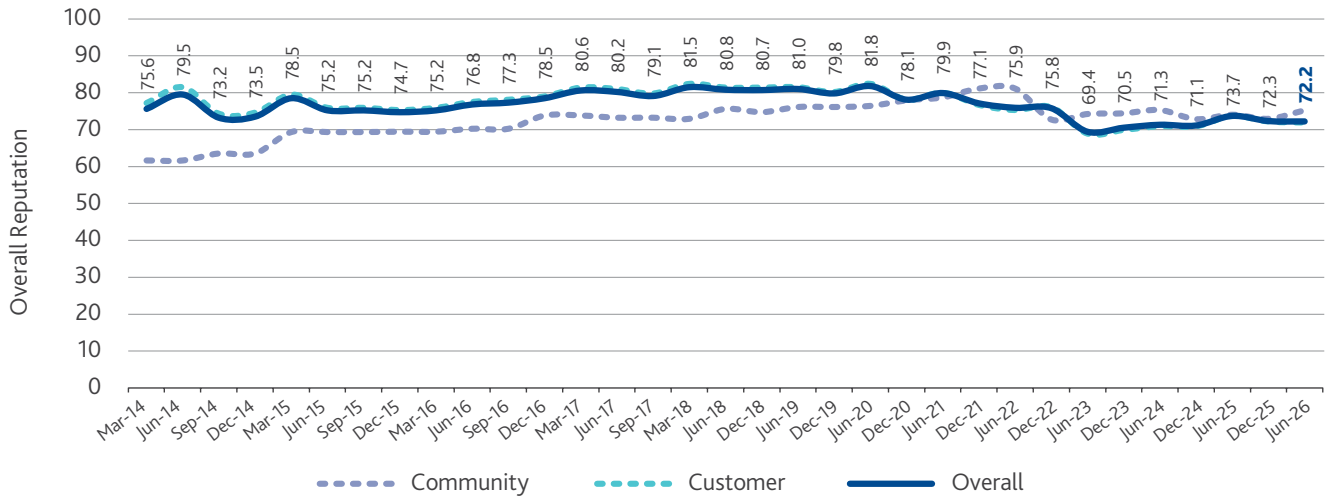
Reputation and customer satisfaction by service

Melbourne Water's Customer reputation score remained stable and strong at 71.9 in June 2026, compared to 72.2 in December 2025.

Scores are independently determined by RepTrak, a global reputation monitoring agency that has undertaken this work for Melbourne Water since 2014. The score establishes the levels of trust, esteem, admiration and respect felt by our customers and community.

Our customer experience framework continues to focus on delivering services key programs and initiatives, while balancing the needs of our role as a regulator and bulk water supplier.

Figure 12: Customer reputation and satisfaction scores



Across our customer, our customer satisfaction performance in the past year has remained stable.

We are utilising data from our Reputation and Customer Satisfaction surveys to ensure there is a clear path to address customer pain points and opportunities to improve the way we deliver our services. We have also implemented enhancements to our existing programs over the past year to align with our 2026 Price Submission. In line with our customers' responses, we are continuing to focus on customer experience and customer outcomes across all our services. Collaboration and timely response are key focus areas for improving our service.

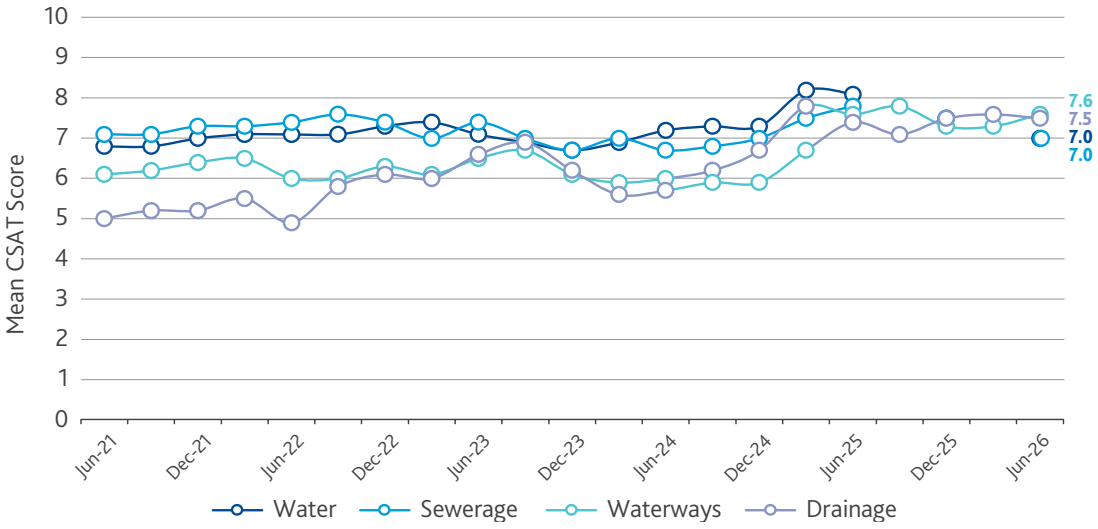
Customer Service Centre satisfaction

This year, our Customer Service Centre continued to perform well in the independent Customer Service Benchmarking Australia call quality and customer experience benchmarking program. Overall, Melbourne Water:

- ranked second out of 54 in the utilities sector for call quality and customer experience, for the sixth consecutive quarter
- ranked fifth nationally out of 161 participants across all sectors in the last 12 months.



Figure 13: Customer satisfaction scores - services



Water and sewerage services – Customer responsiveness

Table 8: Reporting on operational performance

	Operational Performance				
Water and Sewerage Services Indicators	**2024-25 Year result**	**2025-26 Year result**	**Variance to 2024-25**	**2025-26 Target**	**Variance to Target**
Customer Responsiveness					
Complaints referred to EWOV responded to within EWOV established time	100%	94%	6%	100%	-6%

In 2025–26, 94 per cent of EWOV cases were responded to within the established timeframe. Two cases were responded to two days outside of the timeframe due to technical system and processing issues. These issues have since been rectified, and measures have been implemented to support ongoing compliance with service standards.

Efforts to manage pricing

Through the development of the *2026 Pricing Submission*, Melbourne Water had a strong focus on productivity and efficiency to ensure we provide the best value possible to customers.

We took the following actions to help manage our price impacts on end-use customers:

- focussing our efforts on what customers value most, identified through deep customer and community engagement
- only 'pricing in' project development costs where we know we will need to invest in major projects or programs, however, are not yet certain of the preferred option and or timing
- developing a Resourcing and Delivery Plan to optimise the delivery of our capital program
- a clear focus on operating in a productive and efficient way
- working in close partnership with water corporations, to provide Melbourne Water resourcing support to assist water bill payers who are experiencing financial vulnerability and are in most need of assistance.

The Essential Services Commission also undertook a public review process of our submission across 2025-26 year that confirmed our approach to managing affordability for customers.

Customer and community engagement

Bringing trust and transparency to our work

Our customers and the community are at the centre of everything we do. Melbourne Water continues to define its community engagement by our six engagement principles:

Transparent	We are clear about the purpose and parameters when engaging communities.
Timely	We engage early and where applicable, in an ongoing capacity.
Meaningful	We engage with genuine intent and are open and transparent in the process.
Considered	We understand broader issues for the community and we engage with them in the most appropriate way.
Inclusive	We are inclusive, act with integrity and are easy to do business with.
Reflective	We learn from our experiences and share for continuous improvement.

We engage to understand what matters to people and places, and to shape better decisions together. Engagement is how Melbourne Water connects people, place and purpose. It's a core part of how we plan, make decisions and deliver our services. We recognise that expectations have evolved. Our community wants greater transparency about how decisions are made, how their views are considered and how we manage impacts during project delivery.

Our approach responds to these expectations by embedding engagement throughout the life of every project and program, from early planning through delivery and review. This ensures that we that we:

- listen early and often, seeking to understand community needs, values and lived experiences
- involve people meaningfully, giving stakeholders clear opportunities to influence decisions and outcomes where they can.
- partner with Traditional Owners in ways that recognise self-determination and cultural connection to Country
- be open and transparent about what can and cannot be changed, and why
- respect people and place, acknowledging property rights, livelihoods and community wellbeing, particularly where our work may cause disruption or impact
- resource engagement properly, treating it as an essential element of good governance and project success
- support our people and partners through training, tools and visible executive sponsorship to build capability and consistency
- learn and improve, evaluating engagement quality and reporting back on what we heard and how it informed our actions.

Tailored and multi-staged engagement programs continue to support several significant, strategic activities, including:

- public consultation on the Maribyrnong River Flood Review submission process
- implementation of the Flood Public Information Program to build community resilience and awareness of flood risks and take proactive action to be ready for flood events
- delivery of a range of strategic engagement and educational activities to raise awareness of the water cycle and our work at the Western and Eastern Treatment Plants
- exploration of recreation opportunities at the Yan Yean and Tarago reservoirs
- delivery of an 'always on' engagement approach to key precincts in our operating area, such as Patterson Lakes, Koo Wee Rup-Longwarry Flood Protection District and Spotswood
- 24/7 incident response to provide support to the business on communications and media
- an extensive infrastructure delivery program and community group projects, with targeted engagement with local communities.

We apply an evidence-based understanding of our target audiences, informed by our customer insights research program, in addition to the IAP2 (International Association for Public Participation) levels of engagement to tailor the right types of engagement at the right times to reach a broad and diverse audience.

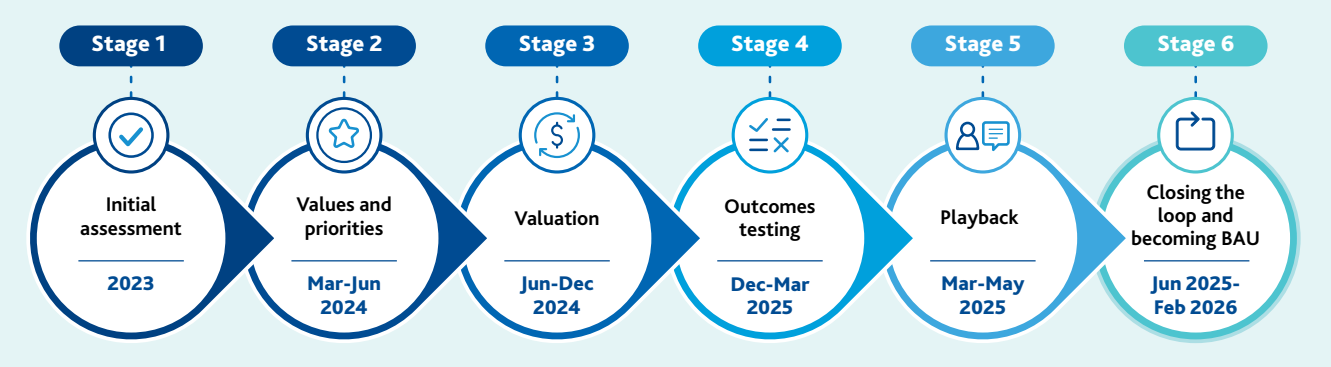
We're continuing to expand our digital engagement tools and are focusing on improving the evolution of our Let's Talk engagement platform, which maximises two-way engagement and accessible language translation features.

Engaging our customers and community in the *2026 Price Submission*

Building on Melbourne Water's ongoing engagement and insights programs, and to support Melbourne Water's *2026 Price Submission*, we have delivered a multi-faceted engagement program to seek to ensure the voice of our partners, customers, Traditional Owners, government and the community is embedded within our key plans and decisions for 2026 to 2031, where practicable.

Our engagement program ensured customer values and priorities were identified early, re-tested and analysed to understand willingness to pay, and then provided the final submission for feedback (see figure 14).

Figure 14: 2026 Price Submission engagement program



As our core customer group for bulk water and sewerage services, engagement with water corporations was crucial to the development of our submission. Corporations were asked how they preferred to be involved in the process, which resulted in the following:

- a Water Corporation Forum - held monthly to discuss key elements of Melbourne Water's 2026 Price Submission
- a Regulation and Tariff Forum - provided opportunities for regulatory discussion and decisions
- direct engagement through one-to-one meetings with water corporations.

Led by our Traditional Owner partners, we also customised our collaboration with each Traditional Owner corporation to identify key areas of interest and develop work programs for 2026 to 2031.

Throughout our engagement process, we heard from more than 6,000 end-use customers across the following community engagement activities:

- a Deliberative Community Panel (50 participants) that met 13 times, with some participants taking a tour of the Western Treatment Plant
- two community values and priorities surveys (whole service proposal, and waterways and drainage) that captured feedback from over 2000 respondents
- a willingness to pay survey of over 1300 respondents
- seven waterways and drainage focus groups with a total of 70 participants
- three waterways and drainage customer forums with a total of 35 participants
- a community survey of over 2000 respondents and 13 focus groups on the proposed program of work outlined in our Playback proposal
- three in-person pop-up events to promote and discuss our proposals at each of the metro water corporation services areas, including over 600 touchpoints
- surveys and drop-in sessions with our direct service customers with a total of 400 respondents.

This engagement has built our understanding of our customers', partners' and community's priorities, as they relate to investment trade-offs, and ensures we incorporate their collective views into the draft submission.

We submitted our proposal to the ESC on 30 September 2025, with new prices, investments and performance commitments coming into effect from 1 July 2026.

Enhancing water literacy

Melbourne Water uses an evidence-based approach and behaviour change frameworks to connect and engage with customers to improve the water literacy of all Melburnians.

In a water-literate community, customers are well-informed about water cycle management and actively participate in shaping the future of Melbourne's water services through engagement in our projects. Strengthening water literacy also supports lasting behaviour change - embedding water-saving habits into everyday life and helping to secure Melbourne's water future.

This year, our Water Literacy Program engaged more than 9,000 people through in-person tours and education programs, reaching school groups and community audiences.

We also continued to invest in high-quality, curriculum-aligned digital experiences, developed in partnership with teachers, to expand our online offering. These initiatives reached more than 35,000 users over the year, including:

- World of Water – an immersive 3D platform enabling users to explore Melbourne's water systems.
- Teacher Toolbox (17,000+ users) and other interactive resources that drive strong engagement and extend the reach of our education programs.

At the Western Treatment Plant, our flagship, in-person Future Water Story experience received national and international recognition for its design and impact. The program enables visitors to explore sustainable water management through interactive challenges and real-world learning, including:

- a digital experience, where participants test water management scenarios and see the long-term impact of their shared decisions
- a guided tour of Melbourne's largest sewage treatment plant.

Co-designed with teachers, students and Wadawurrung Traditional Owners, the experience supports inclusive, place-based learning and meaningful community engagement.

Waterwatch community involvement

Waterwatch fosters meaningful connections that contribute to healthier waterways, improved biodiversity and more resilient communities. It is a program that addresses local waterway health concerns and involves the community in participation of activities such as water quality monitoring. During 2025-26, Waterwatch delivered 91 community engagement activities, bringing together 3359 community members and partners to connect, understand and act in hands-on activities, biodiversity monitoring, demonstrations and online webinars.

Waterwatch generated valuable environmental data through key Citizen Science programs that continue to support conservation planning and threatened species management. The Waterwatch Frog Census program received 1479 frog reports, including 109 records of threatened species. Ten in person community events engaged more than 215 participants, increasing community capability while contributing important biodiversity data.

A new web-based Frog Census Monitoring Planner was developed to build community capability in frog monitoring. The tool enables users to identify suitable monitoring locations, select target species, understand survey requirements and generate customised monitoring plans, making participation in citizen science more accessible and effective.

Waterwatch partnered with RMIT University on the Unseen Threats project, with 29 volunteers helping to screen waterways for more than 40,000 contaminants that may be entering Port Phillip Bay, demonstrating the value of community participation in environmental research.

Waterwatch also supported 31 water quality monitoring groups to engage 113 volunteers across 74 monitoring sites. Water quality monitoring groups make a significant contribution to their local waterways with their long-lasting involvement and positive practical actions. For example, this year the Upper Deep Creek Landcare Network re-established drought refuge monitoring at known Yarra Pygmy Perch habitats within the Maribyrnong catchment, providing valuable information to support threatened species management.

Friends of Hughes Creek continued to use community-collected water quality data to identify domestic wastewater hotspots and inform local solutions. The group also established a swale system and revegetated the area with aquatic and riparian plants to reduce erosion and improve water quality along Hughes Creek.

During Platypus Month, Waterwatch led the 'Seize it, Snip it, Bin it' campaign in partnership with ten organisations to encourage the safe disposal of "loopy litter" and reduce risks to platypuses through entanglement. The campaign was promoted by 36 organisations across Victoria, Tasmania and New South Wales, while Melbourne Water's social media content achieved engagement rates 150 per cent higher than the quarterly average.

In partnership with BehaviourWorks Australia, Waterwatch delivered four workshops and one webinar to build community knowledge and skills in behaviour change. A total of 166 participants attended, and follow-up evaluation conducted five months later found that 58 per cent of respondents had applied the approaches in their own work through strategic planning, communication activities, community engagement and initiatives designed to encourage pro-environmental behaviours to improve waterway health.

Waterwatch also strengthened partnerships with Melton City Council to create opportunities for new and emerging communities to connect with their local waterways and participate in environmental action. Throughout the year, the program engaged with the African Communities Working Group, New and Emerging Communities Network and Intercultural Advisory Committee, helping to build awareness of local waterways and establish new relationships. Planned site visits to the Western Treatment Plant will continue to foster environmental understanding and encourage ongoing community participation.

A comprehensive review of Melbourne Water's community and education resources was completed to help guide future community engagement initiatives. Feedback from 116 community members, 15 educators and nine Melbourne Water staff identified strong demand for practical, hands-on and locally relevant resources, with a particular focus on biodiversity, citizen science and caring for waterways.

Recognise recreational values

Our catchments, reservoir parks and waterways around Greater Melbourne are significant assets to the Victorian community. Many provide places for people to gather, exercise and relax and are important sites of cultural significance.



Our approach

The Catchment Management Optimisation Program informs how Melbourne Water approaches our adherence to water quality requirements, while also meeting the Victorian Government's expectations to increase access to and expand recreation at some water supply catchments under Water for Victoria.

In addition, Melbourne Water has obligations under the *Water Act 1989* (Vic) to:

- provide and maintain facilities for the recreational use of water storages and surrounding areas where this use is compatible with the protection of a water storage and the other uses to which the water in the water storage may be put (S.171B)
- identify and plan for; and consider opportunities to provide for; social and recreational uses and values (s.92(2A), 93(c), 189 (1A, 2).

Melbourne Water has worked with DEECA and other partners to explore opportunities for recreation in and around water supply catchments, as well as options for land activation along waterways, pipe tracks and retarding basins.

Melbourne Water's website[21] provides information for numerous recreational activities, such as locations of barbecue areas, walking tracks and bike paths, and advice for fishing and bird watching. We also assess opportunities to release environmental water over long weekends to support canoeing, fishing and camping along waterways.



[21] https://www.melbournewater.com.au/things-do

Projects

Tarago Reservoir

Melbourne Water has continued to work with DEECA and other relevant stakeholders to deliver drinking water treatment upgrades that support the safe introduction of recreation at Tarago Reservoir, whilst maintaining its critical role as a drinking water supply.

The construction of the water treatment plant upgrade is complete. Maintaining a safe and high quality drinking water supply from Tarago Reservoir remains Melbourne Water's top priority.

To support community access, Melbourne Water is developing a Recreational Area Management Plan (RAMP) alongside proposed waterway rules. Together, these will guide how recreation is introduced and managed at the reservoir, including what activities are permitted and how they will be regulated.

The RAMP and rules are designed to enable safe, limited recreational use—such as on water fishing and non-petrol boating—while protecting drinking water quality, safeguarding the natural environment, and minimising impacts on water supply infrastructure and operations.

Melbourne Water is also supporting the delivery of a new boat ramp and associated facilities as part of the State Government's Tarago Reservoir recreation initiative, in partnership with Better Boating Victoria and other agencies.

The new boating access point will be located off North Jindivick Road and will include a single lane boat ramp, car parking, amenities and supporting infrastructure to enable controlled on water access. Construction of the boat ramp and associated facilities is scheduled to commence in mid 2026, with completion expected in late 2026.

These works, together with the water treatment upgrades, Recreational Area Management Plan and waterway rules, will support the safe introduction of limited recreation at the reservoir while protecting drinking water quality.

Reopening Greenvale Reservoir Park

Melbourne Water in partnership with Parks Victoria, reopened the southern section of the park in December 2025. This project connected the northern and southern sections of Greenvale Reservoir Park to open over 37 hectares of green space for the community to enjoy.

Greenvale Reservoir plays a critical role in supplying water to Melbourne's northern and western suburbs. In November 2024, the Victorian Government committed to reopening the southern section of the park that borders the reservoir. Works were undertaken to make the area safe for the public, while also protecting Melbourne's water supplies. Works included:

- new entry points for pedestrians and vehicles
- toilets
- barbecues
- critical vegetation clean-up and tree safety works
- new playground equipment.

Cars can access the park via Somerton Road.

Revitalising Yan Yean Reservoir

Yan Yean Reservoir Park is a valuable public recreation space and popular location for walking and picnics. As part of Melbourne Water's vision to enhance life and liveability, we are exploring ways Yan Yean Reservoir can offer enhanced recreational and open space opportunities for the community. To this end, Melbourne Water developed a draft Future Directions Plan (FDP) for Yan Yean Reservoir Park in collaboration with project partners Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation (WWCHAC), Parks Victoria (PV) and the City of Whittlesea (CoW). A copy of the plan is available on Melbourne Water's Revitalising Lets Talk Page - Yan Yean Reservoir[22].

[22] https://letstalk.melbournewater.com.au/yan-yean-reservoir

The draft FDP aims to improve visitors' experience at Yan Yean Reservoir Park, while protecting the site's cultural and environmental values and its role in Melbourne's water supply. Public consultation on the draft FDP was undertaken from December 2025 to March 2026. High level feedback indicated the following:

Areas of strong community consensus

- a majority of community respondents express overall support for the draft FDP
- a majority of community respondents agree that the proposed upgrades would improve the visitor experience
- upgrades to existing park facilities including toilets, walking trails and picnic spaces received the highest level of support from community respondents.

Areas with mixed community feedback

- preference for the timing of delivery of five visitor areas was closely distributed (i.e. there was not much variation in preferred implementation order of each visitor area).
- a range of views were expressed as to whether the draft FDP strikes the right balance between recreation, cultural and environmental and water quality protection.
- some feedback suggested the inclusion of other recreational activities such as fishing or non-motorised boating.

While consultation feedback was largely supportive of the draft FDP, it also identified a number of improvements which will be used to amend the draft FDP prior to seeking formal Project Partner endorsement.

Development of the FDP aligns with Melbourne Water's 2021 to 2026 pricing cycle with delivery of future actions extending into the 2026 to 2031 pricing cycle.

Reimagining Your Creek

Melbourne Water's Reimagining Your Creek program is a collaborative program that transforms stormwater drains and concrete channels into natural waterways and desirable open spaces, where people can interact with nature in cooler, healthier environments.

The program adopts a co-design approach that involves local residents, communities, councils and Traditional Owners to use their knowledge, insights, values and priorities to help inform the project designs. This approach means that the people most likely to use the creek and its open space have influenced the designs to meet their needs and preferences.

Reimagining Moonee Ponds Creek Stage 2

Planning and design are underway to transform a second section of the Moonee Ponds Creek, following the successful completion of Stage 1 in Oak Park and Strathmore in early 2025, which saw a 360-metre section of the concrete-lined Moonee Ponds Creek re-naturalised.

Continuing from the end of the Stage 1 site, Melbourne Water will be transforming a further 500-metre section of the creek into a more natural, enjoyable community space and improving waterway health. We'll be doing this by:

- removing the concrete and replacing this with rockwork and aquatic vegetation to slow down flows, and to give the creek a more natural look and feel
- planting native trees and shrubs next to the creek to provide habitat, shade and cooling
- making improvements to shared paths to meet current design and safety standards
- extending the cultural immersive trail - the Wilami Wunmabil Trail - through this zone.

The naturalisation works will result in:

- a more appealing creek-side environment where people can interact with nature in a cooler, healthier environment
- improved water quality and waterway health by slowing water flows
- improved biodiversity and habitat for native species
- activation of open space and better active transport connections for improved community use and recreation in the area.

Melbourne Water is leading the design and delivery of the project on behalf of the Chain of Ponds Collaboration Group and in partnership with Merri-bek City Council, Moonee Valley City Council, DEECA (DEECA) and Wurundjeri Woi Wurrung Cultural Heritage Aboriginal Corporation.

The second stage of the project is jointly funded by the Australian Government's Urban Rivers and Catchments Program[23] and Melbourne Water.

[23] https://www.dcceew.gov.au/environment/biodiversity/conservation/urban-rivers-catchments-program

Eumemmerring Creek

This project will reimagine approximately two kilometres of underground drain and concrete channels into natural waterways from Doveton Avenue, Doveton, through to the end of Lace Street in Eumemmerring.

It will revitalise 2.4 hectares of open space, increasing shade and cooling to create a more resilient environment, enhance biodiversity and habitat for birds, frogs, insects and other local wildlife. It will also improve open spaces for the community, with sustainable natural drainage solutions.

To support the delivery of Stage 1 of this project, Melbourne Water successfully secured $10 million from Australian Government's Natural Heritage Trust, through the Urban Rivers and Catchments Program.

Tarralla Creek Stage 2

After the successful delivery of Stage 1 in 2022, the next stage consists of naturalising 886 metres of the underground drain to create a new waterway for improved access, amenity and urban cooling outcomes for the community. Melbourne Water is leading the delivery of this project in partnership with the Australian Government, Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation, Maroondah City Council, DEECA and the local community.

The project will support the creation of a 'health and wellness heart' for the Croydon town centre by providing a series of paths and crossing points that connect the community to other open spaces nearby. By turning this underground drain back into the natural waterway it once was, Melbourne Water will create a greener place where people and wildlife can thrive.

To support the delivery of this project, Melbourne Water successfully secured $9.8 million from Australian Government's Natural Heritage Trust through the Urban Rivers and Catchments Program.

Enhancing our Dandenong Creek program

The Enhancing our Dandenong Creek program has been developed in partnership with local councils, businesses, community groups and state agencies. It aims to:

- improve amenity and liveability
- reduce stormwater pollution from industry
- create habitats for native fish
- manage the impact of non-compliant wet weather sewage outflows into the creek.

Phase 1 of the project ran from 2013 to 2018 which saw $15 million invested over five years in significant works, including:

- revitalising 12 billabongs and wetlands along the creek corridor
- removing 830 metres of drainage pipe to 'daylight' and naturalise the creek
- planting more than 69,000 plants in billabongs, wetlands and the naturalised section of the creek
- conducting live pollution monitoring at 32 sites with data loggers
- constructing 20 fish habitats, including breeding areas
- a fish stocking program and reintroduction of two threatened fish species.

The second phase of the project was completed from 2023 to 2024. Melbourne Water worked with project partners and stakeholders to identify priorities and scope the next set of projects, which included two key focus areas:

- improving biodiversity outcomes in the middle Dandenong catchment
- reducing pollution in the Old Joes and Bungalook Creek catchments.

After completing Phases 1 and 2 of the Enhancing our Dandenong Creek program, Melbourne Water is continuing to deliver improvements through a Better Environment Plan (BEP) for the middle corridor of Dandenong Creek.

The BEP, second of its kind approved by the EPA, addresses sewer spill impacts and aims to enhance the creek's environmental, public health and social value.

Recognise Traditional Owner Values

We will walk Country together and recognise that the Traditional Owners of the region have connections to and hold ancient knowledge of the land and water that are inseparable from their lives. In tending to all the rivers, creeks and surrounding land, we work as partners, we listen, and we tell the truth with Traditional Owners throughout our region.



Artwork: We will walk Country Together, Gerard Black © 2023

Our approach

Melbourne Water recognises Traditional Owner organisations as sovereign partners in land and water management, with inherent rights and responsibilities to care for Country.

In 2025-26, we continued to strengthen our cultural capability by partnering with Traditional Owners across key activities and projects, developing long-term programs to increase Traditional Owner capacity and resourcing, and commencing implementation of our Stretch Reconciliation Action Plan.

Reconciliation Action Plan

Melbourne Water's Stretch Reconciliation Action Plan (RAP), launched in late May 2025, began its first year of implementation. The Stretch RAP supports the embedding of our reconciliation commitments for cultural safety, employment and procurement as business-as-usual activity. Guided by the Stretch RAP, we have also started to formally collaborate with key First Peoples community organisations.

Traditional Owner partnership agreements

Our strategic goal, 'We will walk Country together', supports Traditional Owners to self-determine their path, rather than Melbourne Water making decisions for them or speaking on their behalf. A key way we deliver this commitment is through formal Traditional Owner partnership agreements, which establish shared priorities, roles and ways of working that support self-determined outcomes.

Melbourne Water is guided by Water is Life: Traditional Owner Access to Water Roadmap and Victorian Government policy direction, which place a high priority on working in partnership with Traditional Owners, particularly Registered Aboriginal Parties, in recognition that they are the right people for Country. In line with our Reconciliation Action Plan, we prioritise formal partnership agreements with Registered Aboriginal Parties, who are formally recognised by the Victorian Government as the Traditional Owner representatives for their appointed areas.

This year, we continued our journey towards formal partnership agreements with Traditional Owners, working with Gunaikurnai Land and Waters Aboriginal Corporation (GLaWAC) and Wadawurrung Traditional Owner Aboriginal Corporation to implement shared commitments. These agreements are tailored to each relationship and set out agreed roles, priorities and activities that support Traditional Owner self-determined outcomes.

We also commenced active discussions with Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation towards a formal partnership agreement.

Traditional Owner relationships

The following sections have been developed with our Traditional Owner partners for inclusion in this report. They share partner perspectives, stories and reflections on their relationship with Melbourne Water during 2025-26.

The traditional owner capacity and resources program allows self-determination of project priorities and is broken into three sub-programs; water, justice, policy, and strategy; managing for healthy country; planning and development cultural landscapes.



Melbourne Water staff working alongside Bunurong Rangers at Daangean (Devilbend Reservoir), 2025. Photo credit: Hansi Wegner

Bunurong Land Council Aboriginal Corporation

- Strengthening relationship through improved governance, structure and funding discussions.
- Supporting self-determined Bunurong Waterway Assessments and CVAs.
- Progressing environmental and land management initiatives across Country.

Water Justice Water Policy and Strategy

Melbourne Water's relationship with Bunurong has continued to grow, supported by deeper listening, a more consistent process for project interactions and consideration of more equitable funding to support Bunurong's growth and aspirations. A more regular meeting cycle has been established with reliance upon a dedicated Melbourne Water staff member to assist Bunurong with the many varied requests, projects and opportunities.

Priorities have included working on PS26 planning, becoming better informed and more involved in the water sector on Country, and having greater opportunities for self-determination and organisational growth. Bunurong has also continued discussions with the water industry regarding Bunurong water justice and opportunities for future partnership. This will become the Traditional Owner Capacity and Resources (TOCR) program from FY27 onwards.

Burndap Birrarung burndap umarkoo (BBBU) places Birrarung at the centre of land use planning and decision-making. In May 2026, Darug woman Maddison Miller and Melbourne Water staff met with Bunurong Elders and community members to discuss and hear Bunurong perspectives, knowledge and aspirations. Subject to Traditional Owner guidance and permission, these narratives may help inform a consistent conservation, cultural and visitor identity for Birrarung that reflects and respects Traditional Owner values, stories and ongoing connections to Country.

Bunurong has continued to collaborate with Deakin University and Melbourne Water on seagrass restoration works across Western Port Bay. This partnership continues to build capability in marine and coastal management while contributing to the restoration of important Sea Country values. Bunurong has contributed to on-ground activities including seed collection, planting, monitoring and nursery operations.

The Restoring Western Port Ramsar Project has continued to strengthen its partnership with Bunurong Land Council Aboriginal Corporation through a range of collaborative activities during 2025–26, including:

- contribution to the draft Western Port Ramsar Management Plan
- continued mangrove restoration activities across the bay
- completed a Cultural Values Assessment at Rhyll Inlet
- ranger participation in a Waterbird Identification workshop delivered by BirdLife Australia at the Eastern Treatment Plant.

Bunurong rangers utilised environmental DNA (eDNA) techniques to survey aquatic biodiversity across selected estuaries and coastal wetlands within Port Phillip and Western Port. Bunurong led site selection ensuring Traditional Owner priorities and knowledge informed the project. The work has provided valuable baseline biodiversity information for a stronger understanding of ecosystem health across Country.

The project was delivered in partnership with Bunurong, Melbourne Water, Deakin University and EnviroDNA, with additional support through a DEECA Port Phillip Bay Grant.

Planning and development in cultural landscapes

Bunurong have commenced a series of self-determined Bunurong Waterway Assessments (BWAs). The BWA process aims to:

- understand the significance of waterways and landscapes from a community perspective
- support opportunities for community to reconnect with Country and water
- inform future plans and strategies, and allow informed participation in capital projects.

Melbourne Water is supportive of the BWA process and is also funding Cultural Value Assessments through capital projects where practical, such as for Eumemmerring Creek and Cardinia Reservoir. Melbourne Water is committed to supporting funding opportunities that allow Bunurong to self-determine BWA sites. Both CVAs and BWAs are valuable to Bunurong and Melbourne Water, providing cultural information that helps inform how works are planned as early as possible and delivered on Country in a culturally safe way.

Managing for Healthy Country

To support the growth of Bunurong's ranger team, Melbourne Water staff have supported employment funded through LCLW. This is building skills, capacity and relationships between staff.

Daangean Vegetation Management project (LCLW-4572)

Bunurong's first delivery of an LCLW works project at Devilbend was completed with great success, providing experience in delivering conservation outcomes and opportunities for collaboration, working alongside Melbourne Water operational crews. Focused on habitat restoration and weed control within high-value remnant native vegetation areas, activities targeted invasive species and habitat protection for threatened and culturally significant species.

Stoney Creek Healthy waterways project (LCLW-4368)

Bunurong crew members worked alongside experienced contractors, building their capability and knowledge while improving vegetation condition along the Stoney Creek waterway. Activity included weed control, revegetation, cultural burning and the establishment of forest gardens.

Devilbend Balirt Biik Project (LCLW-6725)

This developing project between Bunurong, Melbourne Water and Parks Victoria will further strengthen Bunurong leadership in land management and ecological monitoring on Country. It will include vegetation management and fauna monitoring. Culturally valuable vegetation communities are a focus, while supporting the re-establishment of the culturally important plant Murnong.



Wadawurrung and Melbourne Water two-way knowledge exchange at Ryans Swamp, 2026

Wadawurrung Traditional Owner Aboriginal Corporation

Guided by Wunggurrwil ngitj (Strong together), Wadawurrung and Melbourne Water continued to strengthen their partnership with activities and outcomes aligned with Paleert Tjaara Dja – Let's make Country good together Country Plan. Over the past year, Wunggurrwil ngitj has seen a significant shift from planning into action. Wadawurrung has continued to build organisational capacity and capability, recruiting and onboarding more than 20 staff across key areas including Treaty, People and Partnerships, Junior Rangers, Gobata Dja, Biodiversity, Integrated Water Management and Corporate Services. This growth has strengthened Wadawurrung's capacity to lead, participate in and deliver outcomes that support Caring for Country.

Together, we have established a strong partnership framework with clear communication pathways that support transparency, coordination and shared decision-making across both organisations. Key achievements include the establishment of a monthly projects forum, creating a consistent space for collaboration, information sharing and early engagement on projects and programs.

The partnership continues to be guided by a quarterly Leadership Steering Committee, underpinned by a shared commitment to recognising and supporting Traditional Owners' rights and responsibilities to care for Country. Through strong relationships, open communication and a focus on practical outcomes, the partnership is creating meaningful opportunities for self-determination and delivering benefits for both Country and community.

Water Justice, Strategy and Policy

A partnership goal is for Wadawurrung Traditional Owners to have a stronger voice in water planning, policy and decision-making, while building knowledge and opportunities to influence how water is managed across Country. Wadawurrung perspectives are increasingly being considered in water policy, strategy and planning, and there are stronger pathways for involvement in major projects and long-term planning.

Wadawurrung has been actively involved in a range of projects, forums and planning processes, including urban and stormwater planning through Precinct Structure Plans. Wadawurrung is working alongside Melbourne Water on the Sustainable Water Strategy, contributing to the development of future Regional Waterway and Catchment Strategies, providing direction on the Urban Waterway Corridor Guidelines, and informing Seasonal Watering Proposals and the Western Treatment Plant Future Land Use Plan.

Wadawurrung and Melbourne Water partnered on the development of the Western Treatment Plant Coastal Hazard Adaptation and Resilience Plan (WTP CHARP), a first long-term strategic planning process developed in collaboration with Wadawurrung. A key learning has been the importance of considering coastal hazards and adaptation responses at a broader landscape scale, and understanding how impacts and management decisions along the coastline can influence values and places further inland. Wadawurrung and Melbourne Water continue to finalise the WTP CHARP, including development of an action plan that identifies an ongoing partnership in managing the Western Treatment Plant coastline and potential research opportunities in conserving the bay.

Planning and development in Cultural landscapes

The Wadawurrung Cultural Values Assessment (CVA) for the Western Treatment Plant (WTP) landscape spans approximately 10,500 hectares of Country, and places Wadawurrung knowledge and leadership at the centre of how Country is understood and cared for. The WTP CVA provides an opportunity for Wadawurrung People to spend time on Country, strengthen cultural knowledge, and share that knowledge across generations while ensuring cultural values, interests and management practices are embedded into projects from planning through to delivery. The assessment represents a significant opportunity to establish a more holistic understanding of the cultural landscape in which the WTP operates.

The CVA is expected to guide a wide range of future outcomes for Country, including recognition of the cultural significance of the landscape, opportunities for access to and care of Country, cultural burning, ecological restoration projects, native seed and plant production, cultural business opportunities, research initiatives, and the remediation of areas impacted by past land use. Most importantly, the CVA will provide an enduring foundation for Wadawurrung People to continue sharing knowledge, exercising cultural responsibilities, and shaping the future care and management of Country.

In May 2026, Melbourne Water's Traditional Owner Relationships team and Major Project Delivery team co-hosted a workshop that brought together representatives from the Bunurong, Wadawurrung and Wurundjeri Traditional Owner corporations, major project service providers and key Melbourne Water staff. This was facilitated by BECA Gunimaa & Gali Group. This workshop delivered on a Stretch RAP priority.

A key outcome was a stronger understanding among service providers of the distinction between First Nations procurement targets and Melbourne Water's obligations to Traditional Owners as rights holders on Country. Hearing directly from Traditional Owners helped participants better understand how cultural responsibilities, partnership opportunities and enterprise development can be advanced together.

Following the workshop, Wadawurrung's Corporate Services team have worked with BECA Gunimaa & Gali Group to articulate its commercial aspirations, identify business opportunities, develop strategic priorities and prepare a prospectus for potential commercial partners.

Wadawurrung Traditional Owners and Melbourne Water have worked together to strengthen the care and management of Country. Through ongoing site visits and consultations, Ryans Swamp at WTP was identified as a preferred location for delivering self-determined Caring for Country services due to its significant cultural values.

The project provided an opportunity to consider social procurement arrangements, including barriers relating to procurement processes, contract administration, work systems and reporting, to establish a model that can support Traditional Owner-led land management.

The project will inform the development of the Little River Healthy Country Plan, expand on-Country cultural awareness and immersion opportunities for crews and site staff, and return Traditional land management knowledge to the landscape to achieve Healthy Country outcomes. Further work will also explore research opportunities relating to the watering of Ryans Swamp, while continuing to refine systems, processes and partnership arrangements to support sustainable, long-term Traditional Owner-led land management.

Funded through the Australian Government's Natural Heritage Trust, the Karrkiyn Warbulloc project is supporting Wadawurrung Traditional Owners to lead the restoration of the critically endangered native grasslands of Wadawurrung Country. Two on-Country engagement events were held, with one event bringing together four generations of Wadawurrung community members, creating opportunities to share cultural knowledge, build skills and strengthen participation in future cultural burning activities. Despite growing community capacity and a strong desire from Wadawurrung Traditional Owners to undertake cultural burning, Melbourne Water authorisation processes have not enabled cultural burns to proceed on Melbourne Water-managed land during the reporting period.

Wadawurrung is currently scoping Healthy Country Planning for the Little River landscape, with on-ground planning expected to begin in 2026-7. This will be a place-based plan, so priorities and actions will be shaped by the unique cultural, environmental and community values of the landscape. Discussions have identified opportunities to strengthen connectivity between grassland habitats, support recovery of threatened and rare species, and protect places of cultural and environmental significance. The planning process will help set a clear direction for future investment and collaborative action, ensuring that Caring for Country outcomes are led by Wadawurrung aspirations and knowledge.

The Stony Creek project provided an opportunity for Melbourne Water's Works Delivery team and the Gobata Dja team to build a strong working relationship at an operational level. Importantly, it also helped Melbourne Water gain a better understanding of Wadawurrung ways of working and explore how project delivery can be adapted to better support Traditional Owner involvement. The 12-month pilot project establishes native vegetation along Stony Creek in the Upper Little River sub-catchment, through a combination of weed control and revegetation activities. This section of the Little River is identified as a priority area under the Healthy Waterways Strategy Performance Objectives, making it an important site for long-term environmental improvement.



Wurundjeri on Country day at Banyule Flats, 2026

Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation

Water Justice - water policy and strategy

The Narrap Unit has delivered and engaged with Melbourne Water in numerous waterway initiatives aligned with long-standing community interests and responsibilities to Country. The work is self-determined wherever possible, and always guided by community priorities, informed by cultural knowledge, and directed through strong leadership.

Partly due to a strengthening partnership with Melbourne Water, Wurundjeri Woi-wurrung Corporation's capacity is steadily increasing, improving its capability to fulfil cultural obligations to care for Country.

Narrap Unit Managers and staff met with Melbourne Water staff and board members at Spadonis Reserve in Yering for an informal yarn on Treaty, the Water Program, Narrap Rangers and the works being done at Yering Billabongs. Dale Wandin, David Mullins and Caitlin Davis took questions and facilitated discussions on what Treaty would mean for Melbourne Water and how it may influence works with Wurundjeri. The day reiterated the positive relationship, encouraging open communication and ongoing conversations to support a meaningful partnership.

The Gardiners Creek collaboration continues to progress work on the Gardiners Creek (Kooyongkoot) corridor. Collaboration across partners and embedding Wurundjeri values in long-term planning are a focus including early development of a catchment-wide data approach to better inform decision-making and better reflection of cultural values with Narrap team advice on the Strategic Plan and work through the Elders Water Sub-Committee. Challenges are noted in the pace of this project and meeting collaboration expectations given competing priorities and workload of Elders and staff.

Wurundjeri support the idea of a collaboration for improving the health of the Maribyrnong River, however insist the pace and urgency applied to the work is not considerate of Wurundjeri's internal and cultural processes. A Steering Committee to establish a collaboration was established without prior consultation with Wurundjeri, with similar challenges regarding pace of the work as with the Kooyongkoot collaboration. The limited capacity of Wurundjeri Elders and staff means we are not able to meet the current expectations on timing and engagement.

Wurundjeri Woi-wurrung has continued challenging discussions with Melbourne Water, EPA and North East Link Project (NELP) on the impacts of the North East Link Project on Country, Birrarung and connected waterways and landscapes.

The Narrap Unit has reviewed the Banyule Flats Management Plan and made changes to better recognise Wurundjeri's involvement and connection to the site and ensure Melbourne Water planning is occurring in alignment with Wurundjeri longer term goals for the lower Birrarung billabongs restoration. Given the cultural significance of the lower Birrarung floodplain, Narrap agreed to contribute to this process and will likely participate in Steering Committee meetings once the plan has been endorsed by Wurundjeri Elders.

The Birrarung Rangers place a strong focus on embedding Wurundjeri knowledge and leadership in waterway management and have supported a range of activities including cultural land management, habitat restoration, monitoring, and engagement on Country. The team has undertaken trial Baanj (water) Assessments at various sites on Wurundjeri Country. The team is currently reviewing and revising the methodology following the trials. The Birrarung Rangers program remains a critical part of progressing a more integrated and culturally informed approach to caring for the Birrarung as a living and connected system.

In November 2025, the Narrap Unit were able to influence the Seasonal Watering Plan process and advised Melbourne Water to fill Bolin Bolin billabong. The fill used 103 ML of water deducted from the environmental water reserve. This rewatering ensured a drought refuge was maintained for eels, also drowning weed species growing on the bottom of the billabong. It promoted native plant species including River Red Gum and other species recently revegetated by the Narrap Rangers. The Narrap Unit is contributing to the Birrarung FLOWS review in collaboration with Jacobs and Melbourne Water covering Birrarung and some of its tributaries, considering the type of environmental flows the river needs to sustain and support environmental values. Narrap will contribute to the review with recommendations of flow requirements at significant sites and considerations for notable species to inform planning and ecological outcomes.

Restoration of the Lower Birrarung Billabongs continues to progress as part of a broader landscape-scale approach to improving the health of Birrarung and Country, integrating cultural values into planning and on-ground delivery, with Wurundjeri playing a central role in shaping the direction of the restoration program. Partnerships with the University of Melbourne are strengthening the evidence base, while on-Country engagement and knowledge sharing ensure that outcomes reflect both cultural and ecological priorities.

The Banyule Flats On-Country day in April brought together the Narrap Unit, University of Melbourne and Melbourne Water, where researchers shared their findings with the wider Narrap Unit and project staff to understand deep time and connection at the lower Birrarung billabongs. Core sampling and analysis provides evidence of how Wurundjeri People cared for and managed Country prior to white invasion. At completion, the ARC project will core seven billabongs in total. Information from the core samples and data analysis will guide future management for the lower Birrarung billabongs complex.

Work to strengthen engagement and implementation across Burndap Birrarung burndap umarkoo (BBBU) continues to progress, with a growing focus on embedding more structured and culturally appropriate engagement approaches across implementation with Melbourne Water and other Responsible Public Entities. The BBBU Engagement Framework continues to provide a key foundation for this work, though it is not yet well utilised.

Water Program staff have been working with DEECA on Net Gain as required by Action 12 of the BBBU. Elders have endorsed a work plan to determine a Wurundjeri approach to Net Gain. These updates were presented to the Yarra Collaboration Committee (YCC) and Birrarung Council Yarning Circle with Wurundjeri. Workshops are planned to formalise a net gain definition and Wurundjeri's approach. Wurundjeri will also be meeting with Melbourne Water and consultants to discuss emerging approaches to First Nations' application of ecosystem accounting methods.

Narrap Unit's BBBU Lead worked with Melbourne Water and other contributing RPEs in the YCC in producing and publishing the Greening Birrarung guide. The Greening Birrarung guide was also taken to Wurundjeri Elders on the Water Sub-Committee for review and endorsement of Wurundjeri-related text.

The project is an example of a BBBU action that would have benefited from increased resource availability and capacity for Narrap Unit to play a stronger role in the development of the guide. Projects such as this one would ideally have been led by Wurundjeri, who hold the cultural authority to guide caring for Birrarung and its lands.

In April 2026, Wurundjeri Elders, a number of Wurundjeri staff and the Narrap Unit's Birrarung Rangers team took a boat trip from Birrarung Maar, discussing the impacts to cultural values in this area since colonisation with City of Melbourne staff and consultants working on the Greenline project. They observed the floating wetlands and the urban designs integrating rain gardens into the city landscape. Further discussions were held in a workshop in the afternoon, raising ideas for future management and ecologically-sensitive development of this area including better representation of Wurundjeri culture, artists and artwork, and sharing the history and story of the Birrarung Falls.

The Birrarung Cultural Mapping Project is a pivotal self-determined two-year project being delivered by Wurundjeri's Research Unit. Commencing in March 2025, the project aims to document cultural values along the length of Birrarung. Progress on this project includes regular meetings and Elder guidance, desktop ethnohistorical research review, data management, Elder and community knowledge recordings and on-Country visits.

On 27 April, Wurundjeri community, Elders and Wurundjeri staff across multiple units attended a tour in the Upper Yarra Reservoir Park to explore the upper catchment and look for the source of Birrarung. The trip provided an opportunity for participants to connect on Country and learn more about the environmental and cultural significance of the headwaters area. The trip was positively received by attendees, with many expressing the desire to make this an annual trip. Participants appreciated hearing about Country from Uncle Dave Wandin and chatting with Melbourne Water representatives. There was an emphasis on improving access for Wurundjeri community, and this was echoed by Melbourne Water representatives.

Managing for healthy Country

Narrap Unit has developed a Healthy Country Plan for Yan Yean Reservoir, a site of cultural and ecological significance to Wurundjeri. The Narrap Unit has been involved in looking after Country at Yan Yean for many years, and the Healthy Country Plan is heavily informed by their work. Planning has been undertaken through on-Country workshops and walks, guided by the input of leaders and knowledge-holders. The plan details Wurundjeri's long-term priorities and actions to ensure this Country is cared for in accordance with cultural values and community-defined outcomes. This document will become a principal strategy piece to inform Melbourne Water's activity at Yan Yean Reservoir.

At the start of 2026, the draft Healthy Country Plan was reviewed by Wurundjeri's Communications and Media team and selected Narrap Rangers to finalise and determine next steps for artwork and creative design.

Melbourne Water has contributed to both Narrap Rangers and Birrarung Rangers capacity to heal Country through provision of two Living Communities, Liveable Waterways grants.

The first allowed the Narrap Unit to purchase an eDNA testing kit, for use on Country to monitor species presence and change over time. The purchase enables the Rangers to carry out monitoring programs consistently without the need to hire the kits each time. This grant also funded the analysis of collected data from Yering Billabongs through EnviroDNA.

The second LCLW grant commenced in June 2026, contributing to a restoration project along Barak Creek, on the Wurundjeri-owned Nangenala property in Healesville. The project will see the Narrap Rangers tackle a vast Arum Lily infestation in the creek, improving waterway health and creating habitat for native animals on the property, including the endangered Broad-toothed Rat (whose presence has been confirmed through eDNA results).

Burndap Birrarung burndap umarkoo - Wurundjeri collaborative resourcing proposal

Traditional Owner knowledge, values and leadership are central to Burndap Birrarung burndap umarkoo (BBBU / Yarra Strategic Plan) implementation and to caring for Birrarung as a living entity. Successive Birrarung Council annual reports and Yarning Circles have emphasised the pressing need for secure and sustained Traditional Owner resourcing to meet BBBU responsibilities.

As Traditional Owners for most of Birrarung Country, Wurundjeri Corporation plays a critical role in BBBU delivery. It is an active member of the Yarra Collaboration Committee and the Greening the Birrarung working group, and is named as a partner in 39 of the 40 BBBU actions — more than any other organisation. Despite this, no long-term funding has yet been provided to support Wurundjeri's role.

In the second half of 2025, Wurundjeri Corporation completed an assessment of the skills and capacity required to fulfil its BBBU obligations. In November 2025, it presented a draft collaborative resourcing proposal to the Yarra Collaboration Committee, seeking funding support from state and local government responsible public entities. This proposal was finalised in early 2026, and work is now underway to put appropriate arrangements in place to secure and administer that funding.

Influencing environmental watering

Wurundjeri's Water Program partners with Melbourne Water's Environmental Water Team to plan environmental watering actions in the Birrarung, Werribee River and Maribyrnong River. Wurundjeri's Water Program is prioritising knowledge-building at the lower Birrarung billabongs and remains committed to this work.

Maribyrnong FLOWS study input

Wurundjeri's Water Program was invited to participate in the Maribyrnong FLOWS review process. During the initial project planning phase, the Water Program worked closely with Melbourne Water's Environmental Water Team to identify three key areas of engagement. These included Narrap Ranger observations and participation in fieldwork activities, involvement of the Water Program in the Project Advisory Group, and opportunities for Elders to contribute cultural knowledge and share their insights throughout the review process.



Our business

Our organisation is our people. Our business encompasses the way we work with each other and our customers, the tools we use to support our work and the culture that binds us together. With safety as a key priority, Melbourne Water aspires to be a leader in delivering our services. We are developing our people to respond to today's challenges, while preparing our workforce to be future ready – bringing agility, creativity and resilience to design solutions.

Leadership, diversity and inclusion

At Melbourne Water, our dedicated team of professionals is fundamental to our capacity to provide vital services to Greater Melbourne.



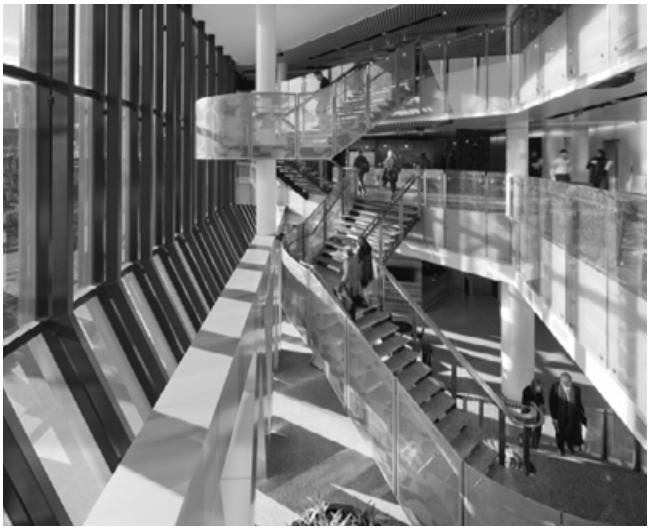


Our approach

Population growth and climate change are challenges that require us to think differently and take new, bold approaches to the way we work.

Melbourne Water uses a multi-horizon integrated Culture, Capability and Belonging approach, striving for a culture where we deliver results, keep our people safe, and everyone belongs and can be their best self.

Our values guide us and give us permission to take decisive actions, to make the big calls and create a future that our region relies on.



Our workforce in numbers

In 2025-26, Melbourne Water:

- employed 1,385.28 full-time equivalent (FTE) people compared to 1,399.34 FTE in 2024-25
- had females comprise 40.3 per cent of our workforce, compared to 41.5 per cent in 2024-25
- had 56.5 per cent of employees covered by the Enterprise Agreement
- filled 43.0 per cent of our vacant roles with internal candidates, consistent with our focus on career development.

For more detailed information on our workforce, see Appendix B – Corporate information.

Culture and engagement

At Melbourne Water we believe that culture is more than a project or a program of work – it's embedded in everything that we do. We are guided by our core values and behaviours which underpin how we work together to deliver on our strategy today, tomorrow and for generations to come. We shape culture through deliberate approaches to employee engagement, performance, development and through having strong leadership capability.

Figure 15: Melbourne Water values and behaviours

Melbourne Water

Our culture

Our culture is underpinned by the values and behaviours that help us work together, to deliver on our strategy today, tomorrow and for generations to come.

	Make it count	Dive in	Do what's right
Our **Values** are our guiding principles	**We plot a course for the future, focused on outcomes, and prioritise fiercely, to deliver the things that really matter**	**We choose curiosity over comfort, lean into tough conversations, prioritise safety, and celebrate diverse perspectives**	**As caretakers of public resources, we care deeply about our community, customers and each other, taking personal responsibility for the performance and future of our business**
Our **Behaviours** shape our actions and decisions	We're action-oriented, with one eye on the future at all times We take a considered approach to managing risks while achieving outcomes	We boldly embrace actions that fuel performance, drive safety, encourage learning, and inspire impactful customer outcomes We accept and learn from failure, without criticising each other	We own our actions and decisions, and always do what we say We respect and support each other to grow and work in ways that bring out our best
That's why, at **Melbourne Water, we:**	Ask powerful questions to find the real problems to solve Make timely and effective decisions Pursue progress over perfection	Share innovative ideas and challenge old thinking Call out when we see something that's not safe, and fix it quickly Are willing and ready to give and receive constructive feedback	Always act ethically and responsibly, in service of our customers Assign clear expectations and accountability Embrace and celebrate diversity of thought and opinions

EVERY. DROP. COUNTS.



Engagement and experience

Melbourne Water conducted one pulse survey in October 2025 and a full culture and engagement survey in May 2026. Through alternating full and pulse surveys we can focus on specific themes and receive feedback more often, ensuring we can respond to the changing needs of our employees and any environmental factors.

Melbourne Water's engagement score in May 2026 was 66 per cent representing a 3 per cent increase in engagement since FY25 and continuing an upward trajectory since 2023. The participation rate for the full survey was 79 per cent and highlights included the following:

- 91 per cent of employees feel that the person they report to cares about their safety and wellbeing
- 90 per cent of employees feel trusted to do their work no matter where they work from
- 89 per cent of employees know how their work contributes to the goals of Melbourne Water
- 88 per cent of employees are comfortable to voice concerns or suggestions about health and safety in the workplace.

The next comprehensive annual survey will take place in March 2027 when Melbourne Water will participate in the People Matter VPS survey.

In 2025-26, we continued to enhance our signature experiences as well as creating an enhanced environment and integrated plan for Diversity, Inclusion and Belonging through:

- *Aqualades*: an employee reward and recognition program providing a structured way of celebrating small and big performances through a three-tiered system of high five, round of applause or standing ovation.
- enhanced onboarding: a refreshed and consolidated core compliance program ensuring employees are set up for success from Day 1 at Melbourne Water. Half-day welcome sessions are run quarterly for new starters to induct them into the broader organisation, establish new networks and meet senior leaders.

Growing Performance and Capability

Melbourne Water is committed to creating an environment where all employees feel able to perform and to grow their careers. During 2025-26, we ensured performance and development of our workforce and leaders through initiatives, including:

- a refreshed performance framework (launched June 2026) to address significant feedback, allow performance differentiation and clearer opportunities to set and track development goals and opportunities
- a Leadership Framework, which developed and delivered clearly defined categories (leading self, others and organisation) and the capabilities expected of our leaders
- People Leader Forums, which provided opportunities to upskill on leadership topics relevant to business needs.

Diversity, inclusion and belonging

Melbourne Water is committed to creating a safe, inclusive and equitable workplace where all employees know and feel they belong and can thrive. This commitment is embedded through the Belonging Action Plan 2026-30, which advances equity across organisational systems, decision-making and everyday behaviours.

The Plan recognises that identity is multidimensional and that experiences of inequity are shaped by intersecting systemic barriers. It applies an intersectional, evidence-based approach grounded in organisational data, employee insights and co-design to deliver meaningful and sustained change. It brings together work across six focus areas, First Peoples, Gender Equality, LGBTIQA+, Disability, Culturally and Racially Marginalised communities, and Social Disadvantage, ensuring experiences of inequity are recognised and addressed.

Developed through a structured co-design process aligned with Gender Equality Action Plan requirements, consultation combined workforce data with lived experience insights gathered through workshops, interviews and anonymous feedback. External facilitation supported psychological safety, and governance oversight ensured engagement across all organisational levels, including employees, leaders, the Executive Leadership Group and Board.

Delivery is enabled through the Belonging Framework, which embeds accountability across the organisation, supported by leadership oversight, dedicated resourcing, and integration into core business systems. Progress is monitored through workforce data, reporting and a centralised dashboard.

Endorsed in April 2026, the Plan replaces previous standalone strategies and was submitted as Melbourne Water's Gender Equality Action Plan (GEAP), addressing all seven indicators through an intersectional approach. It also fulfils requirements under the Disability Act 2006 (Vic) and operates as an Accessibility Action Plan.

Implementation will commence from July 2026, with a focus on embedding actions, strengthening accountability and advancing equitable outcomes across the organisation.

Intersectional diversity and inclusion snapshot

Melbourne Water monitors workforce composition, participation and outcomes across all six focus areas to track progress toward equity and inclusion. Gender representation and pay gap data are drawn from workforce systems, while data relating to other focus areas is sourced from Melbourne Water's anonymous Culture and Engagement Survey.

In May 2026, demographic questions were included in the survey for the first time, with a 79 per cent participation rate, providing a strong and representative insight into the diversity of our workforce. This data informs actions under the Belonging Action Plan and supports reporting against the Gender Equality Act 2020 (Vic).

- Women represent 40.3 per cent of Melbourne Water's workforce Representation at Senior Leadership Group level is 42 per cent, with three out of six (50 per cent) Executive Leaders identifying as women.
- Melbourne Water's gender pay gap is -0.81 per cent (favourable to male employees) measured as the difference in average base salary between women and men, reflecting continued progress toward pay equity.
- Employees who identify as First Peoples represent 0.8 per cent of the workforce. Melbourne Water continues to work toward its target of 3 per cent, recognising the importance of employment equity and representation.
- Employees who identify as having a disability represent 7.5 per cent of survey respondents. Melbourne Water continues to strengthen accessibility and workplace adjustments to support equitable participation and inclusion.
- Employees who identify as LGBTIQA+ represent 7.6 per cent of survey respondents, with ongoing efforts to improve inclusion, psychological safety and participation.
- Employees who identify with a diverse cultural background represent approximately 26–27 per cent of survey respondents, based on self-identified cultural or regional background (excluding those who selected 'Prefer not to say'). This provides insight into the cultural diversity of our workforce and informs actions to improve equity in experiences and outcomes for employees from culturally and racially marginalised communities.
- Employees with caring responsibilities represent a significant proportion of the workforce. In the 2026 Culture and Engagement Survey, 11.6 percent identified as carers for a person living with disability, mental ill-health, a medical condition, or age-related needs, while 46.2 per cent reported caring responsibilities for children. Melbourne Water continues to focus on supporting equitable access to flexibility, career progression and participation across different life and career stages.
- Uptake of key inclusion supports, including flexible work and workplace adjustments, continues to be monitored to ensure equitable access across the workforce. In 2025–26, 48 per cent accessed flexible work arrangements and 14 workplace adjustments were implemented, supporting more equitable participation and addressing barriers related to caring responsibilities, disability and other accessibility needs.
- Parental leave uptake and return rates, disaggregated by gender, continue to be monitored, supporting more equitable sharing of caring responsibilities and workforce participation. In 2025-26 males consisted of 64 per cent of employees taking up Paid Parental Leave. Given our overall male representation of 59.4 per cent, it is encouraging to see strong uptake from our male employees.

Cultural awareness training

Embedding an ongoing cultural education and training plan to develop Melbourne Water employees' knowledge and awareness of Aboriginal and Torres Strait Islander peoples and culture is key to supporting and achieving reconciliation. In 2025-26, we continued to embed our three-tiered Cultural Awareness Training provision, including online cultural competency and awareness training for all employees, training by a First Persons facilitator and On Country training led by Traditional Owner.

Table 9: Participation in cultural education and training in 2025-26

Training	Count
First Nations Cultural Awareness - eLearn	203
Cultural Awareness Training – Level 2	14
Cultural Awareness Training – Level 3	135
Total	352

Health, safety and wellbeing

Protecting our people, the community and the environment from harm.



Our approach

At Melbourne Water we are committed to protecting our people, the community and the environment from harm. Our approach to safety is underpinned by our three pillars of:

- People: we know that our people are our greatest asset; we cannot succeed without them
- Risk: we need to proactively understand and manage the things that can cause harm
- Systems: our system needs to enable us to work efficiently and effectively.

Good safety outcomes require us to focus our energy across all three pillars and prioritise these foundational elements. To ensure we remain on track, each of the pillars has a rolling five-year strategic objective for us to strive towards.

Our "Good to Go" mindset drives a proactive approach to risk management that goes beyond basic compliance. It empowers everyone at Melbourne Water to actively identify physical, psychosocial, and environmental hazards.



Eastern Treatment Plant

Health and safety initiatives and highlights

During the year, we focused on strengthening our safety foundations by embedding a clearer understanding of critical risks and enhancing reporting, governance, and workforce engagement. These initiatives have improved visibility of risk, supported better decision-making, and reinforced a proactive approach to safety management.

- **Critical Risk Uplift:** Introduced a stronger focus on critical risks, including refreshed risk assessments for each key risk to improve understanding of controls and strengthen risk management.
- **HSE Conversations:** Reset our approach to HSE conversations to drive more meaningful engagement, with a target introduced as a KPI for senior leaders.
- **Investigation Uplift:** Improved the quality and consistency of incident investigations to better identify causes and strengthen our learning.
- **Movewell Expansion:** Expanded the Movewell program beyond return-to-work cases to support injury prevention.
- **Drug and Alcohol:** Updated our framework and implemented a new testing program to support a safe workplace environment.
- **HSE KPIs and Reporting:** Enhanced governance through new dashboards and developed a suite of new leading indicators, improving performance visibility and oversight.
- **Flu Vaccination Program:** Delivered a comprehensive program, including onsite clinics and voucher options, to support workforce health.
- **Skin Checks:** Recognising that some of our roles involve significant sun exposure, we offered a skin check program to support the health of our people.

Psychosocial safety and wellbeing

The introduction of new Occupational Health and Safety regulations in December strengthened requirements for managing psychosocial risks, reinforcing the importance of psychological health in the workplace. In response, we prioritised establishing a clear and structured approach to compliance.

Our initial focus was on developing a psychosocial risk management framework, which sets out how we identify, assess and manage psychosocial hazards across the organisation. This provides clarity on roles, responsibilities and control measures.

Our focus has since shifted to building maturity into our system and raising awareness of psychosocial safety across our employees. Key progress includes:

- conducting an organisation wide risk assessment to identify and assess our controls
- strengthened our people support pathways by promoting existing reporting pathways and creating a new anonymous option
- supporting our people leaders with guidance on how to manage psychosocial and workplace concerns.

Our performance

Melbourne Water maintained the certification of our Integrated Management System to accredited ISO9001, ISO45001, ISO14001 and ISO22000, confirming our systems' integrity and resilience.

Our total recordable injury frequency rate (TRIFR) (recorded incidents per million hours worked) decreased from 7.5 (in June 2025) to 4.5 (in June 2026). This reduction represents a 39 per cent decrease over the year. This improvement is a result of a number of targeted initiatives, such as:

- promotion of early intervention and expansion of our Movewell program
- enhanced governance on incidents and near misses
- learning from events through higher quality and timely investigation root cause analysis
- Infield assurance in the form of HSE Conversations and Critical Risk Checks.

In support of our focus on Critical Risk, High Potential Incident Frequency Rate (HPIFR) serves as a key performance indicator for Melbourne Water. This year, our HPIFR performance improved across the year with a final HPIFR of 2.2 which represented a reduction of 18.5% across the year. Our contractors deliver the majority of our highest risk work and account for most of our high potential incidents. In recognition of this, enhancing contractor safety management remains a primary focus for improvement.

Broader governance enhancements have also been made by the establishment of a new Major Incident Review Group (MIRG) who are responsible for assessing the effectiveness of our response to our serious incidents.

A further breakdown of our injury and incident data can be found in our expanded safety results in Figure 16 and Tables 10 and 11.

Figure 16: Total recordable injury frequency rate

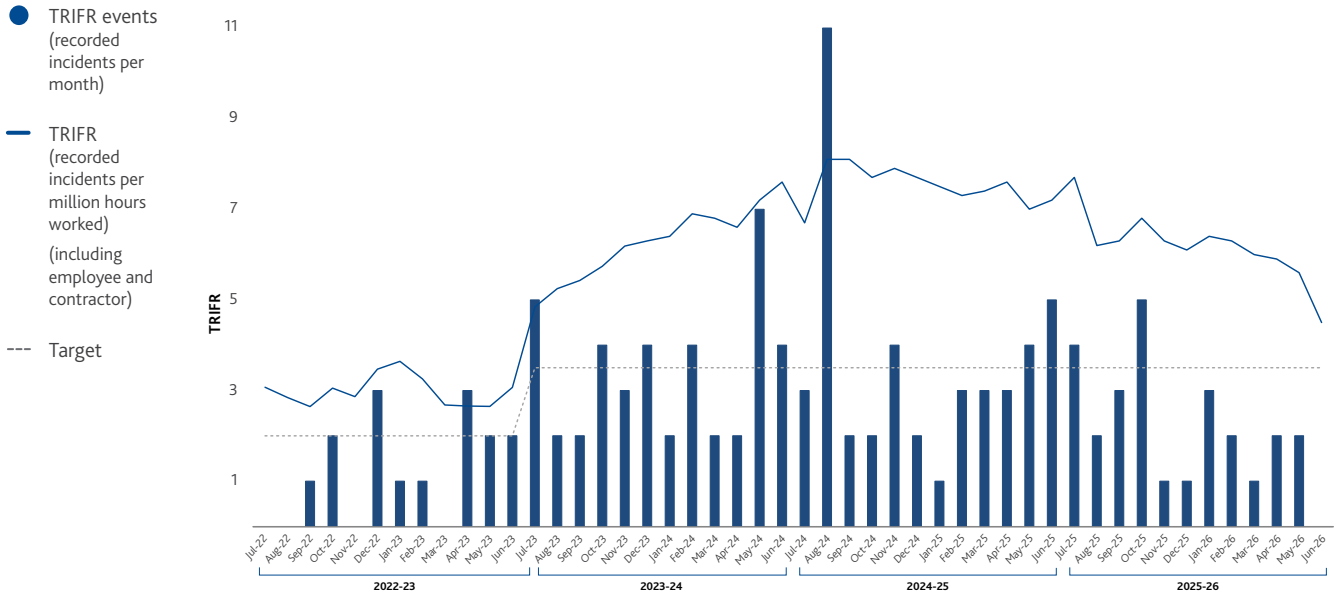


Table 10: Number of reported safety incidents and lost time standard claims per 100 full-time equivalent staff

		Hazards		Incidents		Total (hazards + incidents)		Lost time standard claims		
Year	FTE	No.	No./100 FTE	No.	No./100 FTE	No.	No./100 FTE	No.	No./100 FTE	Average cost per claim[1]
2025-26	**1,337**	**262**	**19.60**	**574**	**42.93**	**836**	**62.53**	**1**	**0.07**	**$188,208.28**
2024-25	1,399	133	9.51	542	38.7	675	48.2	3	0.2	$148,588.29
2023-24	1,324	203	15.33	525	39.65	728	54.98	1	0.08	$138,364

Note 1: Includes payments to date and estimates of outstanding claim costs advised by WorkCover.

Table11: Types of injury

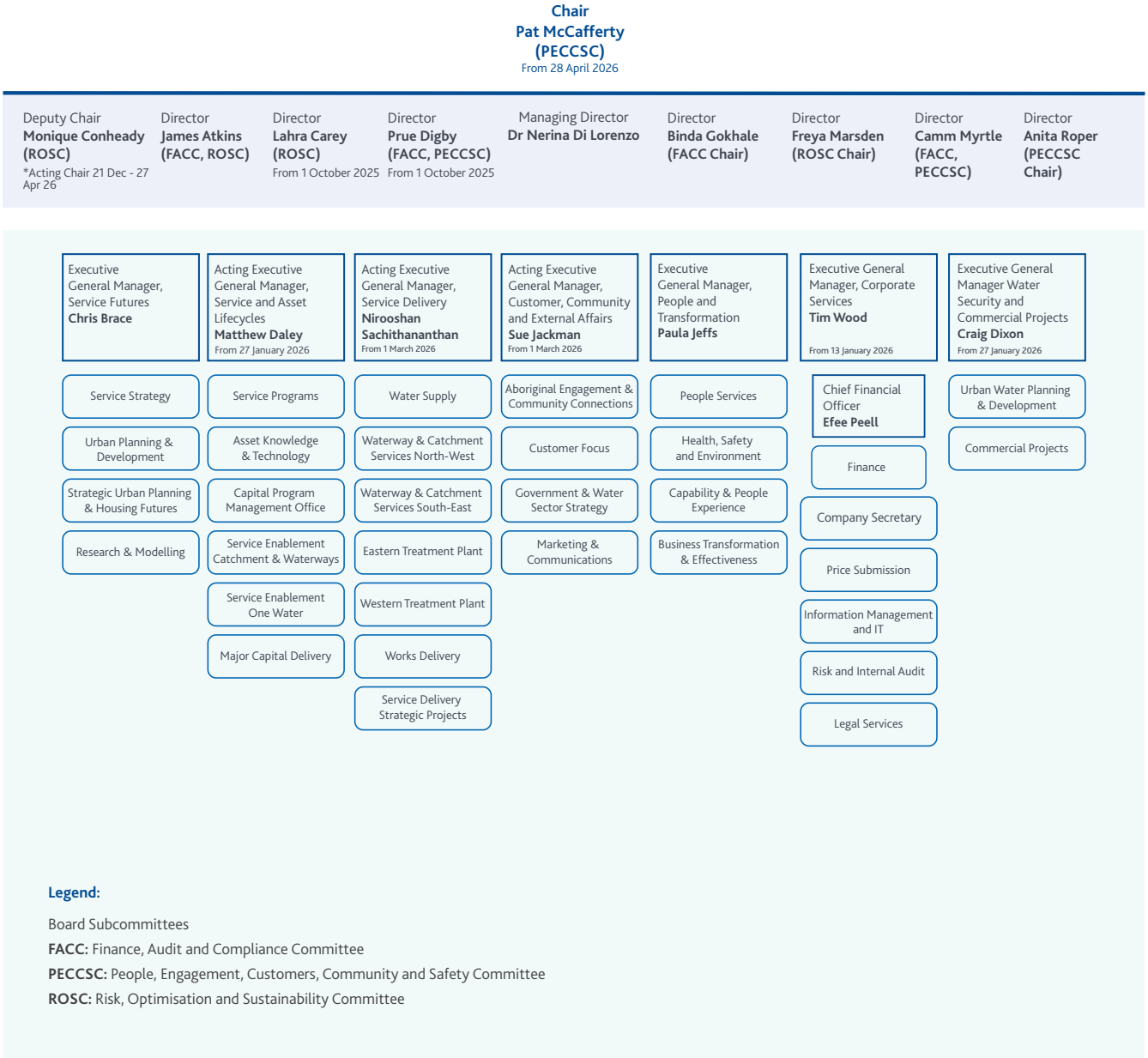
Item	2025-26	2024-25	2023-24
Lost time injury (LTI)	**12**	13	21
Restricted work injury (RWI) / Medical treatment injury (MTI)	**14**	30	22
First aid	**88**	105	135
Total	**114**	148	178

Corporate governance

The Board of the Melbourne Water Corporation is committed to conducting Melbourne Water's business in accordance with high professional standards of corporate governance to ensure that Melbourne Water can fulfil its purpose, and meet its obligations and stakeholder and customer expectations.

Organisational structure

Figure 17: Melbourne Water organisational structure



Legend:

Board Subcommittees

FACC: Finance, Audit and Compliance Committee

PECCSC: People, Engagement, Customers, Community and Safety Committee

ROSC: Risk, Optimisation and Sustainability Committee

Ethics and conduct

The Code of Conduct is approved by the Board and sets out the behaviours and standards expected of all Melbourne Water workplace participants. The Board has adopted the Victorian Public Sector Commission Code of Conduct for Directors of Victorian Public Entities, with both Codes of Conduct applying to Directors.

In addition to these codes of conduct, there are a range of policies approved by the Board which further define Melbourne Water's commitment to integrity, including the Fraud and Corruption Control Policy, Gifts, Benefits and Hospitality Policy and Conflict of interest Policy.

The FACC oversees compliance matters, including integrity, and material incidents of fraud or corruption are reported to the FACC by the Managing Director. Where there is a reasonable suspicion of corruption, the Managing Director is required to provide a mandatory notification to the Independent Broad-based Anti-Corruption Commission (IBAC).

Corporate Governance

The Board and Executive recognise that strong corporate governance is essential for Melbourne Water to be a high-performing organisation to meet the needs of its stakeholders, the people of Victoria. The Board provides this Statement of Corporate Governance in alignment with the *ASX Corporate Governance Council Principles and Recommendations (4th Edition 2019)*.

In accordance with the *Water Act 1989* (Vic), the Board consists of a Chairperson, up to eight other independent Non-Executive Directors and a Managing Director.

The Minister for Water publicly advertises for nominations for Board membership. All members of the Board, except the Managing Director, are appointed for terms of up to four years, which may be renewed upon application through the public process. The Chair and Non-Executive Director remuneration is set by the Minister for Water and paid by Melbourne Water. The Managing Director is appointed by the Board and employed under an individual contract of employment. The Deputy Chairperson is appointed by the Board and assumes the position of Chair in the event the position of the Chair is vacant.

The Board acknowledges the importance of regular reviews of its own performance and effectiveness to achieve continuous improvement and evaluates its performance on an annual basis. In 2025, the Board engaged an independent consultant to undertake an assessment and evaluation of Board and Committee performance. The results of which were reported to the Board in September 2025. The Managing Director Performance Assessment for the 2024-25 period was considered by the Board, along with the proposed Performance Agreement for the 2025-26 period, in October 2025.

The Board established a new Board Skills and Diversity Matrix in 2025, with a focus on the current and future skills and composition of the Board.

Ongoing professional development is supported by contribution to the cost of development or whole of Board training for Directors, along with an induction program for new Directors, in accordance with the Board Governance Policy.

The Board is supported by a Corporate Secretariat team, led by the Company Secretary.

The Board derives its authority to act from the *Water Act 1989* (Vic.), the *Catchment and Land Protection Act 1994* (Vic.) for its functions relating to its role as a catchment management authority, and the *Planning and Environment Act 1987* (Vic.) for its functions relating to its role as a Referral Authority.

Board of Directors

Melbourne Water's Board Charter sets out the authority, responsibilities, membership and operation of the Board. The Board Charter was reviewed in April 2026.

The Board is responsible for the corporate governance of Melbourne Water, including:

- strategic direction and performance
- management of the Corporation's affairs
- financial stewardship
- risk, compliance and control
- legislative and regulatory compliance
- people, safety, culture and leadership
- sustainability and public interest outcomes
- accountability to Ministers and stakeholders.

The Board has delegated responsibility to the Managing Director for the day-to-day operations of the Corporation through the Delegations and Authorisations Policy and is provided regular updates on the progress towards the achievement of the Corporation's strategic objectives and performance. The Board operates according to its Board Charter and Board Governance Policy (reviewed April 2026).

Melbourne Water Board appointments are made in accordance with the Victorian Government *Appointment and Remuneration Guidelines and Diversity on Victorian Government Boards Guideline*. The Board actively promotes diversity and inclusion across Melbourne Water with areas of focus including; First Peoples, Disability, LGBTIQA+, Culturally and Linguistically Diverse, Gender equality and Social Disadvantage. The Belonging Framework and Action Plan demonstrates Melbourne Water's commitment to diversity and inclusion. Melbourne Water's Board has established a diversity matrix, with composition reflective of the diversity within our community and exceeding the Victorian Government's commitment to women on boards with more than 50 per cent of positions filled by women.

Director independence

All Non-Executive Directors on the Board are independent. They are subject to duties and responsibilities regarding conflicts of interest, including disclosure requirements. The Company Secretary maintains a Register of Interests, with an extract provided at each Board meeting. Directors are invited to declare any conflicts of interest or offers of gifts, benefits and hospitality received at each Board and Committee meeting.

Interest in contracts

No contracts involving directors' interests were entered into since the end of the previous financial year or existed at the end of the 2025-26 financial year, other than the transactions detailed in Notes 7.2 and 7.4 to the Financial Statements.

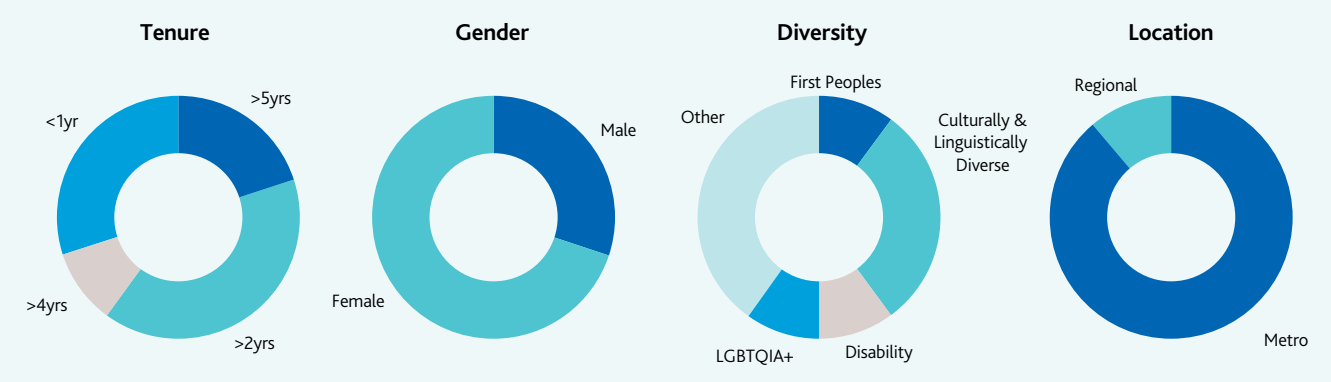
Director benefits

No director has received, or become entitled to receive, a benefit (other than a benefit included in Notes 7.2 and 7.4 in the Financial Statements) because of a contract that the director, a firm of which the director is a member, or an entity in which the director has a substantial financial interest, has made (during the period ended 30 June 2026 or at any other time) with:

(a) the Corporation

(b) an entity that the Corporation controlled, or a body corporate that was related to the Corporation, when the contract was made or when the director received, or became entitled to receive, the benefit.

Figure 18: Board diversity



Indemnity and insurance

Subject to approval of the Minister for Water, Directors are indemnified for all costs (including tax), charges, losses, damages, expenses, penalties and liabilities of any kind, including legal costs incurred in defending a proceeding (whether criminal, civil, administrative or judicial) or appearing before any court, tribunal, Government Agency of other body, incurred by the Director in relation to:

- the conduct of the business of Melbourne Water; or
- any act or omission of the Director in their capacity as a Director of Melbourne Water.

Deeds are entered into between each Director and Melbourne Water, recording arrangements or indemnification, insurance coverage for Directors' and Officers' Liability, based on Melbourne Water's Directors' and Officers' insurance coverage.

The insurance arrangements generally excludes coverage for the following:

- wilful misconduct or deliberate dishonesty
- fraud;
- fines or penalties that are uninsurable.

Risk management

The Risk Management Policy adopts the three lines of defence model, and the Risk Management Framework supports risks being identified, assessed and managed effectively consistent with International Standard 31000:2018, the Victorian Government Risk Management Framework and within Risk Appetite. The Policy, Framework and Risk Appetite Statements are reviewed annually and were approved by the Board in December 2025, with the support of the ROSC.

Melbourne Water's Risk Management function provides second line (of defence) assurance on the management of risk and effectiveness of controls.

Internal Audit

Melbourne Water's Internal Audit function is appointed by the Board and overseen by the FACC, providing third line (of defence) assurance on the management of risk and effectiveness of controls. The Internal Audit function is governed by the Internal Audit Charter approved in November 2024 and works to a Strategic Annual Audit Plan that is approved by the FACC.

Continuous Disclosure

Melbourne Water operates with a commitment to disclosure and ensures the Ministers and Treasurer are kept up to date with its activities. Melbourne Water is required to submit quarterly progress reports.

Pursuant to the Essential Services Commission regulatory framework, Melbourne Water is required to make periodic reports to the ESC.

In relation to corporate reporting that is not audited, the organisation makes additional information available at the request of the Shareholder Minister (Treasurer) or Portfolio Minister (Minister for Water).

Melbourne Water is accountable to its Portfolio Minister and its Shareholder Minister for its performance. Disclosure of performance, expenditure and any significant issues is made to relevant ministers in a timely and balanced manner. This is executed through the provisions of the Corporate Plan, the Annual Report (comprising the Report of Operations and Financial and Performance Statements) and regular reporting. This is in addition to responding to requests from Portfolio or Shareholder Departments and/or the offices of the Portfolio Minister or Shareholder Minister on a regular basis.

Significant disclosures are made or approved by the Board.

Board of Directors

Pat McCafferty GAICD
Chair

Chair: 28 April 2026 to present

Member of the People, Engagement, Customers, Community and Safety Committee (from 26 June 2026)

Pat McCafferty is an experienced executive and director with more than four decades of leadership in the Australian Water sector. He brings deep expertise in public utility governance, water system management and sector-wide collaboration, with a strong focus on customer and community outcomes.

Pat is currently a non-executive director of TasWater, Thriving Communities Australia and Board Trustee of the Australian Cancer Research Foundation. He is also Deputy Chair of Water Aid Australia. He has previously served as Chair of the Water Services Association of Australia, and as a Member of the Leadership Oversight Committee for the Women in Water Leadership Program, the Monash Infrastructure Advisory Council and the Committee for Melbourne Infrastructure and Sustainability Committee. Pat has held various executive roles in the water sector and was Managing Director of Yarra Valley Water between 2014 and 2025. He has worked internationally in the water sector and in an advisory capacity to the Australian Government as part of the National Water Initiative.

Mr McCafferty holds a Bachelor of Business, an Executive Master of Business Administration (EMBA) and is a graduate of the Australian Institute of Company Directors. As Chair, he provides strong strategic leadership and governance, bringing a considered and future-focused approach to addressing critical challenges facing the water sector, including climate change, population growth, infrastructure resilience and sustainable water security.

Monique Conheady GAICD
Non-Executive Director and Deputy Chair

Director: 1 October 2023 to present
Deputy Chair: 24 November 2023 to present
Acting Chair: 20 December 2025 to 27 April 2026

Member of the Risk, Optimisation and Sustainability Committee

Monique Conheady is an experienced executive and non-executive director with a private sector background in innovation, start-up/ scale-up and executive leadership.

Monique is currently Chairperson Commissioner of Energy Safe Victoria, Director of Breakthrough Victoria, Independent Chair of JET Charge Pty Ltd and a Director of Phantm Pty Ltd and Hysata Pty Ltd.

Previously, Monique was a Governing Board member of the Environment Protection Authority Victoria, Commissioner and Chairperson of Commercial Passenger Vehicles Victoria and Deputy Chair of the Victorian Responsible Gambling Foundation. She was the co- founder and Chief Executive Officer of Flexicar and held executive roles at Hertz Australia.

Ms Conheady is a graduate of the Australian Institute of Company Directors, holds qualifications in environmental engineering and sustainability leadership and brings to the role 25 years' experience in the sustainability sector.

Dr Nerina Di Lorenzo GAICD
Managing Director

Managing Director: 1 December 2021 to present

Nerina Di Lorenzo is an experienced CEO and executive leader with a public sector background in asset management, infrastructure operations, service delivery and business transformation.

As Managing Director, she delivers Melbourne Water's vision of enhancing life and liveability with a focus on innovation and partnerships to achieve outcomes that are valued by our customers and community. She holds a number of national roles in the Water Sector including as a Board Member of the Water Services Association of Australia (WSAA), Chair of WSAA's national People and Capability Committee, Chair of the National Circular Water Task Force and is a member of the Government's bi-partisan Water Security Taskforce.

Previously, she was the Executive General Manager of Service Delivery at Melbourne Water, CEO of Merri-bek City Council, and held a range of previous Executive roles in Local Government. Dr Di Lorenzo commenced her career on the Bass Strait Oil Platforms.

Dr Di Lorenzo is a graduate of the Australian Institute of Company Directors, holds Degree qualifications in engineering and business administration and a PhD in organisational change management.

James Atkins FAICD
Non-Executive Director

Director: 1 October 2021 to present

Member of the Risk, Optimisation and Sustainability Committee, Finance, Audit and Compliance Committee (from 31 October 2025) and People, Engagement, Customers, Community and Safety Committee (up to 30 September 2025).

James Atkins is an experienced business advisor, marketing strategist and company director with over 35 years' experience working at a senior level in the retail, financial services and energy sectors. He is currently the Chair of Good360 Australia and a Board member of TT Line and the Connective Group. James is also director of Vantage Strategy, a consulting firm that provides business advisory services to commercial, government, and not-for-profit organisations.

Mr Atkins is a Fellow of the Australian Institute of Company Directors.

Lahra Carey
Non-Executive Director

Director: 1 October 2025 to present

Member of the Risk, Optimisation and Sustainability Committee (from 12 December 2025) and People, Engagement, Customers, Community and Safety Committee (31 October – 12 December 2025)

Lahra Carey is an experienced Chair and Non-Executive Director in sectors providing people-centred community outcomes and social impact. An experienced communications strategist, Lahra has over 25 years' experience in strategic corporate communications, crisis preparedness, and public relations. Her career spans not-for-profit organisations, government departments, blue-chip companies and iconic brands.

Lahra currently serves as Chair of the Carlton Football Foundation and holds Non-Executive Directorships at Quipex Pty Ltd, Carlton Football Club and Parachute For Kids. Lahra is also an Advisory Board Member at the Monash Business School.

Her previous roles include Non-Executive Director of The Australian Dementia Network, Independent Non-Executive Director at Foodbank Victoria, Council President and Independent Non-Executive Director of the King David School, Non-Executive Member of RMIT's PR Advisory Board, and Member of the Penington Institute Communications Advisory Group. She is the founder and principal of PR consultancy narrative, as well as NewsFlash Media and a keynote speaker, most recently presenting at the 2025 Australian Cyber Conference.

Ms Carey is a graduate of the Australian Institute of Company Directors and holds formal qualifications in e-commerce, communications, and criminology - bringing a multidisciplinary lens. Lahra is also a member of the Australian Institute of Company Directors, Public Relations Institute of Australia and the Melbourne Press Club.

Prue Digby
Non-Executive Director

Director: 1 October 2025 to present

Member of the People, Engagement, Customers, Community and Safety Committees (from 31 October 2025), Finance, Audit and Compliance Committee (from 12 December 2025), and Risk, Optimisation and Sustainability Committee (4 November to 12 December 2025)

Prue Digby is an experienced Chair, Non-Executive Director and senior Executive in providing community and public related services to Melbourne and regional Victoria in the state, local government and non-government sectors.

Prue is currently a Member of the Victoria University Council, a Trustee of the Ross Trust, Independent Member Fire Rescue Victoria's Interim Integrity Committee and a State Government appointed Municipal Monitor for Mornington Peninsula Shire Council.

Ms Digby was formerly the Deputy Secretary of Planning and Local Government in Victoria, CEO of the Victorian Building Authority and CEO of Yarra City Council. More recently Prue has served on the Boards of Chisholm Institute, the Birrarung Council (a Victorian statutory body created by the Yarra River Protection (Wilip-gin-Birrarung murron) Act 2017), Chair of the Commission of Inquiry into Whittlesea City Council and as a State Government appointed Municipal Monitor for Frankston City Council, Greater Geelong City Council, South Gippsland Shire Council and Moonee Valley City Council.

Binda Gokhale FCPA GAICD
Non-Executive Director

Director: 1 October 2023 to present

Chair of the Finance, Audit and Compliance Committee (from 31 October 2025), Member of the Finance, Audit and Compliance Committee and People, Engagement, Customer, Community and Safety Committee (to 31 October 2025)

Binda Gokhale is an experienced executive and non-executive director with a corporate and public sector background in governance, corporate strategic planning and corporate finance.

Binda currently holds directorships at TAC, Melbourne Polytechnic and Benalla Health, and is an independent member of the Audit and Risk Committees for the Victorian Disability Worker Commission, City of Whitehorse and the City of Monash. Binda also participates on the Executive Committee of the Victorian Local Government Finance Professionals (FinPro). Previously, she held senior executive roles at Wyndham City Council and Telstra and was a board member at Trust for Nature.

Ms Gokhale is a Fellow CPA and a graduate of the Australian Institute of Company Directors and Melbourne Business School, holds qualifications in economics and brings to the role 25 years' experience in the utility public and not-for-profit sectors.

Freya Marsden FAICD
Non-Executive Director

Director: 1 October 2023 to present

Chair of the Risk, Optimisation and Sustainability Committee

Freya Marsden is an experienced Chair and non-executive director with an energy, water, infrastructure and environmental sector background specialising in governance, corporate strategy, finance, assurance and sustainability.

She is currently Chair of VicReturn, Chair of the Victorian Sustainability Fund, Independent Board Director and Chair of Audit and Risk of the Australian Packaging Covenant Organisation, Independent Audit and Risk Committee member for the Department of Treasury and Finance, Technical Expert Artificial Intelligence Standards Australia, and Charter Member of the Brotherhood of St Laurence. She is Managing Director of the Acuity Group Pty Ltd. She has previously held non-executive roles with VicRoads, South East Water, City West Water, Water Infrastructure NSW, and the Victorian Planning Authority and executive roles with AECOM and Victorian Government, Federal Treasury and Treasurer's Office and Business Council of Australia.

Ms Marsden is a Fellow of the Australian Institute of Company Directors, holds qualifications in commerce, agriculture, resource economics and sustainability and brings 20 years' experience in energy, water, infrastructure, transport and the environment across commercial, public, and not-for-profit sectors.

Ms Marsden was appointed Chair of the Risk, Optimisation and Sustainability Committee in November 2023.

Camm Myrtle GAICD
Non-Executive Director

Director: 1 October 2023 to present

Member of the Finance, Audit and Compliance and People, Engagement, Customers, Community and Safety Committees

Camm Myrtle is a proud Taungurung man with a background in finance, corporate strategy, and property and change management.

He is currently the Director Aboriginal Economic Development with the Department of Jobs, Skills, Industry and Regions. He was previously the Operations Manager for the Treaty Authority and has held executive roles including CFO of Taungurung Land and Waters and participated in their Audit and Risk Committee and CEO Remuneration Committees and worked for the National Australia Bank in a range of roles.

Mr Myrtle has a strong corporate leadership background in banking and finance at NAB, with experience in finance, commercial property, project management, change management and stakeholder relationship management.

Mr Myrtle is a Graduate of the Australian Institute of Company Directors, holds qualifications in business, accounting, and finance and project management and brings 20 years' experience in finance, commercial property and land management in both private and not-for-profit sectors.

Anita Roper FAIM GAICD
Non-Executive Director

Director: 1 October 2021 to present

Chair of the People, Engagement, Customers, Community and Safety Committee

Anita Roper is an experienced Chair, non-executive director and executive with a background in various sectors working across business, government, communities and multilateral agencies in Australia, Canada, the UK and the USA.

She is the former Chair of the Aluminium Stewardship Initiative and the Stroke Association of Victoria. She has previously held non-executive roles with Yarra Valley Water, Victorian Public Sector Commission Advisory Board, Pacific Hydro, and AngloGold Ashanti's Global Panel on Sustainability, Women's network for a Sustainable Future, and the Fitzroy Football Club. She has previously served as a member of the Board of Inquiry into the Hazelwood Coal Mine Fire and as a delegate to the World business Council for Sustainable Development She has held executive roles with Sustainability Victoria (CEO) and Alcoa.

Ms Roper is a Graduate of the Australian Institute of Company Directors, Fellow of the Institute of Managers and Leaders ANZ and holds qualifications in business and management. Her leadership and previous roles demonstrate her practical knowledge in sustainability, stakeholder engagement and strategic decision-making and her ability to bring a holistic approach to organisational leadership.

Ms Roper was appointed Chair of the People, Engagement, Customers, Community and Safety Committee in November 2023.

Director retirements during the period

Greg Wilson MAICD
Former Chair

Chair: 1 October 2023 to 20 December 2025

Greg Wilson was the Chair of Melbourne Water until his retirement on 20 December 2025.

Andrew Cairns FAICD
Former Non-Executive Director

Director: 1 October 2021 to 30 September 2025

Mr Cairns was appointed the Chair of the Finance, Audit and Compliance Committee in November 2023 until the end of his term in September 2025.

Fiona Rowland FAICD
Former Non-Executive Director

Director: 1 October 2017 to 30 September 2025

Member Ms Rowland was member of the Finance, Audit and Compliance Committee and Risk, Optimisation and Sustainability Committee from November 2023 until the end of her term on 30 September 2025.

Board Committees

The following permanent committees have been convened for the period.

Table 12: Board committee meetings

	Wilson Up to 20 Dec 25	McCafferty From 28 Apr 26	Di Lorenzo	Atkins	Cairns Up to 30 Sep 25	Carey From 1 Oct 25	Conheady	Digby From 1 Oct 25	Gokhale	Marsden	Myrtle	Roper	Rowland Up to 30 Sep 25
Finance, Audit and Compliance To assist the Board in fulfilling its corporate governance responsibilities relating to audit and assurance; capital planning, management and delivery; environmental and public health; and treasury and financial management responsibilities relating to audit and assurance; capital planning, management and delivery; environmental and public health; and treasury and financial management.			●	● ^	● *			● ^^	● ^ ● **		●		● *
People, Engagement, Customer, Community and Safety To assist the Board in fulfilling its corporate governance responsibilities relating to health, safety and wellbeing; people and remuneration; culture, customer, community engagement and reputation management; and Traditional Owner and First Peoples Engagement.		● ^^^	●	● **		● ^ +		● ^	●		●	●	
Risk, Optimisation and Sustainability To assist the Board in fulfilling its corporate governance responsibilities relating to enterprise risk system; risk profile and corporate governance.			●	●		● ^^	●	● ^ +		●			● *

Key | Member ● | Chair ● | Denotes individuals that attend in an ex-officio capacity without member voting rights ● |

* Appointment ended 30 September 2025
** Appointment ended 31 October 2025 – November 2025
+ Appointment ended 12 December 2025
^ Appointment effective from October-November 2025
^^ Appointment effective from 12 December 2025
^^^ Appointment effective 26 June 2026

Board meetings and attendance

Board meetings are held on a bi-monthly basis, with additional meetings scheduled when required. Meetings are held in accordance with the Board or Committee Charter and Board Governance Policy, following an annual schedule of set meeting dates. Eight meetings were held in 2025-26.

Two Board Strategy Workshops were held with the Executive on 28 November 2025, incorporating a visit to the Yarra River, and from 5 to 6 March 2026 incorporating a visit to Spadoni's Bushland Reserve . These sessions are not counted as Board meetings.

The following Board and permanent committees were convened for the period with change in membership during this period reflected in the table below:

Table 13: Board meetings and attendance

	McCafferty**	Conheady	Wilson*	Di Lorenzo	Atkins	Cairns*	Carey**	Digby**	Gokhale	Marsden	Myrtle	Roper	Rowland*
Board Number of meetings held: **8**	2 (C)	7 (2=C)	4(C)	8	7	2	6	5	8	8	8	8	2
Finance, Audit and Compliance Committee Number of meetings held: **4**	1^	1^	-	4^	3	1 (C)	-	2 + 1 ^	3(C) +1	-	4	3 ^	1
People, Engagement, Customer, Community and Safety Committee Number of meetings held: **4**	1 ^	1 ^	-	4 ^	1	-	1	3	1 ^	-	3	4(C)	-
Risk, Optimisation and Sustainability Committee Number of meetings held: **4**	1 ^	3	-	4 ^	4	-	2 +1 ^	1	-	4(C)	-	2 ^	1

*Andrew Cairns and Fiona Rowland retired from the Board on 30 September 2025. Greg Wilson retired from the Board on 20 December 2025.

** Lahra Carey and Prue Digby were appointed to the Board effective from 1 October 2025. Pat McCafferty was appointed as Chair of the Board effective 28 April 2026.

^ Denotes the individuals that attend these meetings by invitation or as observers, but are not Committee members

(C) denotes the Chair at the time

Operating results

The Corporation's profit, after providing for income tax was $95.5 million (2024-25: $81.7 million).

Review of operations

The directors' review of the Corporation's operations during the financial year ended 30 June 2026 is set out in the Report from the Chair and Managing Director on pages 2 to 3 of this report.

Performance and financial management

Financial strength

Melbourne Water's focus on financial strength is shaped by a diverse set of drivers in our strategic environment, including:

- placing emphasis on business efficiency, which underpins our 2026 Price Determination and supports lower customer bills
- ensuring ongoing financial sustainability by proactively addressing specific business risks, such as drought and water scarcity, regulatory changes impacting operational requirements and rapid urban growth increasing demand for essential services; we also consider the changing economic landscape, including inflationary pressures, fluctuating interest rates and potential shifts in government policy that may affect both costs and revenue streams
- enhancing transparency regarding the cost to serve, particularly given the anticipated increase in infrastructure investment
- continuing and increasing efforts to enhance financial and commercial governance and principles across the business. This is crucial to ensure commercially prudent investments are made, while maximising value from our contractual arrangements
- building capacity to identify and develop opportunities to maximise revenue
- ensuring robust financial performance to maximise shareholder value and contribute positively to the Victorian Government.

Current year operating results and financial position analysis

Our financial performance in 2025-26 continues to be robust. We have recorded a positive net profit after tax result of $95.5 million ($81.7 million in 2024-25).

Total revenues for the financial year were $2,223.1 million ($2,110.6 million in 2024-25). Our net revenue for bulk water and sewage treatment is higher than the previous year due to increased demand and an increase in average charges in line with the price determination. Our revenue from waterways and drainage charges is higher due to the growth in customer numbers and an increase in average charges in line with the price determination that reflects our customers' expectation of healthier waterways.

Total expenses (excluding tax) for the financial year were $2,044.2 million ($1,954.0 million in 2024-25). Our total expenses are higher than the previous year mainly due to increased depreciation on a growing asset base, increased operational expenses, increased finance expenses on a higher debt portfolio and higher government rates and taxes.

We remain focused on delivering financial efficiencies in our expenditure. This will ensure we deliver valued services at the lowest possible cost and a commercial return for our shareholders to support the Victorian State Budget outcomes.

During 2025-26, Melbourne Water made cash payments to the Victorian Government of $198.8 million ($174.5 million paid in 2024-25). The increase from the previous year was mainly due to increased capital repatriations requested by the Treasurer of Victoria.

Capital expenditure of $1,078.1 million ($963.1 million in 2024-25) was incurred during the year, which was required to meet the growth in demand and renew existing infrastructure. This capital expenditure has contributed to an increase in total assets to $21,775.7 million (from $18,657.3 million as at 30 June 2025). Formal asset revaluations across land and buildings, infrastructure and VDP assets have also contributed to the increase this year.

Five-year financial summary

Over the five year period, net profit after tax and key financial performance indicators are trending downwards, while net assets and equity continue to grow. This reflects the significant capital investment program being delivered over the period, partially offset by higher borrowings to fund that investment under our regulatory pricing framework. These outcomes remain within our financial metric targets and are strongly influenced by the timing and scale of capital delivery. We remain focused on our financial strength goals and priority actions to support long-term financial sustainability , manage emerging business risks and economic uncertainty, and deliver on our commitments to keep customer bills as low as possible.

Summary of financial results

Table 14: Statement of profit or loss for the year ended 30 June 2026 - Extract

Item	2026 $M	2025 $M	2024 $M	2023 $M	2022 $M
Total revenue	2,223.1	2,110.6	2,040.3	1,919.4	1,935.9
Operating and other expenses	(900.0)	(834.6)	(733.5)	(695.6)	(718.6)
Depreciation and amortisation expenses	(538.7)	(533.6)	(487.9)	(469.5)	(456.3)
Finance expenses	(605.6)	(585.8)	(564.1)	(550.7)	(547.2)
Net profit from operations before tax	**178.9**	**156.5**	**254.8**	**203.6**	**213.8**
Tax expense	(83.4)	(74.9)	(105.1)	(84.5)	(83.7)
Net profit for the period after tax	**95.5**	**81.7**	**149.7**	**119.1**	**130.1**

Table 15: Statement of Financial Position as at 30 June 2026 – Extract

Item	2026 $M	2025 $M	2024 $M	2023 $M	2022 $M
Current assets	220.7	209.3	170.8	168.5	154.9
Non-current assets	21,555.0	18,448.0	18,067.9	17,708.1	16,674.8
Total assets	**21,775.7**	**18,657.3**	**18,238.7**	**17,876.6**	**16,829.6**
Current liabilities	1,167.5	1,192.1	1,151.6	843.6	1,261.8
Non-current liabilities	10,490.2	9,414.5	9,111.8	9,079.0	8,532.2
Total liabilities	**11,657.1**	**10,606.6**	**10,263.4**	**9,922.6**	**9,794.0**
Net assets/Total equity	**10,118.0**	**8,050.7**	**7,975.3**	**7,954.0**	**7,035.6**

Table 16: Statement of cash flows as at 30 June 2026 – Extract

Item	2026 $M	2025 $M	2024 $M	2023 $M	2022 $M
Net cash inflow from operating activities	673.3	481.4	681.3	580.5	545.3
Net cash (outflow) from investing activities	(1,065.6)	(859.3)	(790.5)	(648.5)	(545.3)
Net cash (outflow) / inflow from financing activities	391.2	379.5	108.3	(63.1)	2.6

Summary of Financial Performance

Table 17: Key financial performance indicators

Performance Indicators	2026	2025	2024	2023	2022
Cash Interest Cover	**2.3**	2.1	2.4	2.3	2.2
Gearing Ratio	**41.7%**	46.1%	45.1%	44.7%	47.0%
Internal Financing Ratio	**62.5%**	54.9%	76.7%	83.5%	92.8%
Current Ratio	**0.23**	0.19 times	0.17 times	0.15 times	0.14 times
Return on Assets	**3.9%**	4.0%	4.5%	4.3%	4.6%
Return on Equity	**1.1%**	1.0%	1.9%	1.6%	1.9%
EBITDA Margin	**60.1%**	60.4%	64.0%	63.8%	62.9%

Explanatory notes

Refer to the Performance Report for definitions of financial performance indicators and reporting of all 2025-26 performance indicators (financial and non financial) against targets with supporting explanations for any significant variations.

Subsequent events

Refer to Note 7.7 of the Financial Statements for disclosure of any subsequent events.

Melbourne Water Financial Management Compliance Attestation

I, Pat McCafferty, on behalf of the Board, certify that Melbourne Water has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Pat McCafferty
Chair

28 August 2026



Yarra River



Financial Report

How this Report is Structured

Melbourne Water Corporation ('the Corporation') presents its audited general purpose financial statements for the financial year ended 30 June 2026. The following structure provides users with information about the Corporation's stewardship of resources entrusted to it.

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Melbourne Water Corporation
Declaration by Directors and Chief Financial Officer

We certify the attached financial statements for Melbourne Water Corporation ('the Corporation') have been prepared in accordance with *Direction 5.2 of the Standing Directions* of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2026 and the financial position of the Corporation as at 30 June 2026.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

The Financial Statements were authorised for issue by the Directors on 28 August 2026.

On behalf of the Board:



Pat McCafferty
Chair

28 August 2026



Dr Nerina Di Lorenzo
Managing Director

28 August 2026



Efee Peell
Chief Financial Officer

28 August 2026

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2026

($ thousands)

	Notes	2026	2025
Revenue			
Revenue from contracts with customers	**2.1**	2,205,314	2,095,167
Other revenue		17,816	15,404
Total revenue		**2,223,130**	**2,110,571**
Expenses			
Depreciation and amortisation	**4.1.3**	(538,676)	(533,639)
Operational expenses	**3.1**	(343,146)	(298,389)
Employee benefits	**3.2**	(189,952)	(190,814)
Repairs and maintenance	**3.3**	(119,023)	(135,235)
Administrative expenses	**3.4**	(74,214)	(78,507)
Finance expenses	**5.1.1**	(605,577)	(585,834)
Government rates and taxes	**3.5**	(86,526)	(52,283)
Asset transfers to Councils	**3.6**	(61,188)	(65,368)
Other expenses		(12,340)	(13,975)
Net loss on revaluation of non-financial assets		(13,619)	-
Total expenses		**(2,044,261)**	**(1,954,044)**
Net profit from operations before tax		**178,869**	**156,527**
Tax expense	**3.7.1**	(83,393)	(74,859)
Net profit for the period after tax		**95,476**	**81,668**
Other comprehensive income after tax			
Items that will not be reclassified to profit or loss			
Actuarial gain/(loss) on defined benefit superannuation plan asset [a]	**7.1**	2,088	(150)
Net gain on revaluation of non-financial assets [b]	**4.1.1 & 3.7.1**	1,967,097	-
Decrease in asset revaluation reserve due to disposal of land, buildings and infrastructure [c]		(2,638)	(7,434)
Asset revaluation reserve transferred to retained profits on disposal of land, buildings and infrastructure		2,638	7,871
Net gain in fair value of cash flow hedges		7	-
Other comprehensive income/(loss) for the period after tax		**1,969,192**	**287**
Total comprehensive income for the period after tax		**2,064,668**	**81,955**

The accompanying notes form part of these financial statements.

Note:

(a) Pre tax actuarial loss on defined benefit superannuation plan asset $3.0 million (2024-25: loss of $0.2 million).

(b) Pre tax net gain on revaluation of non-financial assets $2,485 million (2024-25: zero)

(c) Pre tax decrease in asset revaluation reserve due to disposal of land, buildings and infrastructure $2.6 million (2024-25: decrease of $7.9 million).

Statement of Financial Position

As at 30 June 2026

($ thousands)

	Notes	2026	2025
Assets			
Current assets			
Cash and cash equivalents		1,046	2,159
Receivables	2.3	179,406	175,959
Prepayments		12,399	11,690
Inventories		14,263	12,496
Non-current assets held for sale		13,549	6,971
Total current assets		**220,663**	**209,275**
Non-current assets			
Land, buildings, infrastructure, plant and equipment and service concession arrangements [b]	4.1	21,456,394	18,372,024
Intangibles [b]		20,410	29,435
Right of use assets and leases	4.2	43,985	15,550
Defined benefit superannuation plan asset	7.1	34,259	31,004
Total non-current assets		**21,555,048**	**18,448,013**
Total assets		**21,775,711**	**18,657,288**
Liabilities			
Current liabilities			
Payables [a]	3.8	590,898	619,830
Contract liabilities	2.2	178,297	75,831
Interest bearing liabilities	5.1	321,609	442,098
Other Provisions		2,695	4,757
Current tax liability	3.7.1	27,774	5,443
Employee benefits provision [a]	3.2	46,237	44,128
Total current liabilities		**1,167,510**	**1,192,087**
Non-current liabilities			
Contract liabilities	2.2	8,576	3,387
Interest bearing liabilities	5.1	8,755,963	8,157,368
Other Provisions		190	190
Net deferred tax liabilities	3.7.2	1,713,713	1,239,756
Employee benefits provision	3.2	11,762	13,805
Total non-current liabilities		**10,490,204**	**9,414,506**
Total liabilities		**11,657,714**	**10,606,593**
Net assets		**10,117,997**	**8,050,695**
Equity			
Contributed equity		502,211	498,531
Reserves		6,485,860	4,521,394
Retained profits		3,129,926	3,030,770
Total equity		**10,117,997**	**8,050,695**

The accompanying notes form part of these financial statements.

Note:
(a) Prior year accrued salaries and wages ($10.8 million) have been reclassified from current employee benefits provision to current payables.
(b) Prior year carrying amounts have been restated to reclassify $1.3 million from capital works in progress to intangible assets.

Statement of Changes in Equity

For the year ended 30 June 2026

($ thousands)

	Notes	Contributed equity	Asset revaluation reserve	Other reserves	Retained profits	Total
Balance at 1 July 2025		**498,531**	**4,521,394**	**-**	**3,030,770**	**8,050,695**
Comprehensive income for the period after tax						
Net result for the period after tax		-	-	-	95,476	**95,476**
Other comprehensive income/(loss) for the period after tax		-	1,964,459	7	4,726	**1,969,192**
Total comprehensive income for the period after tax		**-**	**1,964,459**	**7**	**100,202**	**2,064,668**
Transactions with equity holders						
Dividends paid [(a)]		-	-	-	(1,046)	**(1,046)**
Capital repatriation paid [(b)]		(50,566)	-	-	-	**(50,566)**
Contributed assets		54,246	-	-	-	**54,246**
Total transactions with owners		**3,680**	**-**	**-**	**(1,046)**	**2,634**
Balance at 30 June 2026		**502,211**	**6,485,853**	**7**	**3,129,926**	**10,117,997**
Balance at 1 July 2024		**505,112**	**4,528,828**	**-**	**2,941,381**	**7,975,321**
Comprehensive income for the period after tax						
Net result for the period after tax		-	-	-	81,668	**81,668**
Other comprehensive income/(loss) for the period after tax		-	(7,434)	-	7,721	**287**
Total comprehensive income for the period after tax		**-**	**(7,434)**	**-**	**89,389**	**81,955**
Transactions with equity holders						
Dividends paid		-	-	-	-	**-**
Capital repatriation paid		-	-	-	-	**-**
Contributed assets		(6,581)	-	-	-	**(6,581)**
Total transactions with owners		**(6,581)**	**-**	**-**	**-**	**(6,581)**
Balance at 30 June 2025		**498,531**	**4,521,394**	**-**	**3,030,770**	**8,050,695**

The accompanying notes form part of these financial statements.

Note:

(a) During 2025-26 the Corporation paid $1.0 million final prior year dividend (2024-25: nil). Dividends are determined by the Treasurer of Victoria after consultation with the Corporation's Board of Directors and the Minister for Water. Efficiency dividends are payable under the government's COVID Debt Repayment Plan.

(b) During 2025-26 the Corporation paid $50.6 million of capital repatriations (2024-25: nil). Capital repatriations are determined by the Treasurer of Victoria after consultation with the Corporation's Board of Directors and the Minister for Water.

Statement of Cash Flows

For the year ended 30 June 2026

($ thousands)

	Notes	2026	2025
Cash flows from operating activities			
Receipts from contracts with customers (inclusive of Goods and Service Tax)		2,424,731	2,211,248
Payments to suppliers and employees (inclusive of Goods and Service Tax) [a]		(1,068,493)	(1,029,346)
Income tax paid		(106,221)	(131,893)
Interest received		556	493
Interest and other costs of finance paid		(606,014)	(577,774)
Other receipts		28,778	8,702
Net cash inflow from operating activities	**5.2**	**673,337**	**481,430**
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(1,076,027)	(888,852)
Proceeds from sales of property, plant and equipment and intangibles		10,388	29,575
Net cash (outflow) from investing activities		**(1,065,639)**	**(859,277)**
Cash flows from financing activities			
Repayments of borrowings [b]		(900,000)	(440,000)
Proceeeds from borrowings [b]		1,419,014	888,025
Repayments for the Victorian Desalination Plant (VDP) service concession liability		(71,216)	(59,914)
Repayments of lease liabilities		(4,997)	(8,613)
Dividends paid	**7.4**	(1,046)	-
Capital repatriation paid	**7.4**	(50,566)	-
Net cash inflow / (outflow) from financing activities		**391,189**	**379,498**
Net (decrease)/increase in cash and cash equivalents		(1,113)	1,651
Cash and cash equivalents at the beginning of the financial year		2,159	508
Cash and cash equivalents at the end of the financial year		**1,046**	**2,159**

The accompanying notes form part of these financial statements.

Note:
(a) Prior year payments for low value, short term and variable lease payments ($0.4M) have been consolidated into Payments to suppliers (inclusive of Goods and Service Tax).
(b) Prior year net proceeds from borrowings of $448.0 million have been reclassified into proceeds from borrowings of $888.0 million and repayments of borrowings of $440.0 million.

About this Report

Basis of preparation

This Annual Financial Report presents the audited general purpose financial statements of Melbourne Water Corporation ('the Corporation' or 'Melbourne Water') for the year ended 30 June 2026. This report informs users about the Corporation's stewardship of the resources entrusted to it.

A description of the nature of the Corporation's operations and principal activities is included in the report of operations which does not form part of these financial statements.

The Corporation is classified as a for-profit entity for the purposes of reporting.

The accrual basis of accounting has been applied, where assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Unless otherwise stated, all accounting policies applied are consistent with those of the prior year.

Functional and presentation currency

These financial statements are in Australian dollars, the functional and presentation currency of the Corporation.

Rounding

Unless otherwise stated, amounts in the report have been rounded to the nearest thousand dollars.

Classification between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration has been given to the time when each asset or liability is expected to be realised or paid. The asset or liability has been classified as current if it is expected to be exhausted over the next 12 months.

Historical cost convention

These financial statements have been prepared under the historical cost convention, unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

Comparative information

In these financial statements the Corporation has changed the classification or presentation of certain disclosures (and relevant comparative information) to improve readability by the user. This change in the presentation has not arisen as a result of the identification of errors or changes in accounting policies by the Corporation.

Accounting estimates

Judgements and estimates require assumptions to be made about highly uncertain external factors such as discount rates, probability factors, the effects of inflation, changing technology, political and social trends and climate change. There are many uncertainties in the estimation process and assumptions that are valid at the time of estimation but may change significantly when new information becomes available.

Judgements, estimates and assumptions are required to be made about financial information presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgements and estimates made by management in applying Australian Accounting Standards that have significant effects on the financial statements and estimates relate to:

Significant judgement and estimation area	Note number
Revenue recognition	
Timing and satisfaction of performance obligations	**2.1**
Determining transaction price and amounts allocated to performance obligations	**2.1**
Asset valuations	
Fair value of land, buildings, infrastructure, plant and equipment	**4.1.2**
Defined benefit superannuation asset/liability	**7.1**
Useful lives of non-current assets	**4.1.3**
Service concession assets and leases	
Victorian Desalination Project (VDP) service concession asset and liability and operating commitments	**4.1.2 and 5.4**
Other	
Employee benefits expenses and employee benefits provisions	**3.2**
Recognition of deferred tax balances	**3.7**
Contingent assets and liabilities	**6.3**

Financial reporting impacts of climate related matters

The joint Australian Accounting Standards Board (AASB)/Australian and Assurance Standards Board (AuASB) guidance bulletin (Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/International Accounting Standards Board (IASB) Practice Statement 2) specifies that information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about the Corporation.

Having regard to this AASB/AuASB guidance, the potential impacts of climate related risks on the financial statements have been considered within the following notes:

- Note 3.1 Operational expenses (Carbon credits);
- Note 4.1.2 Fair value determination of non-financial physical assets;
- Note 4.1.3 Depreciation, amortisation and impairment;
- Note 5.1 Financing our operations (funding of climate related projects);
- Note 6.1.5 Climate related risk; and
- Note 6.3 Contingent liabilities.

Going Concern

The financial statements have been prepared on a going concern basis. The Corporation is a statutory water authority established under the *Water Act 1989 (Vic)* and is regulated by the Essential Services Commission. The Corporation provides essential water, sewerage and drainage and waterway management services. It operates within a regulatory framework that ensures recovery of efficient costs and a return on assets. Funding arrangements are supported through access to the Treasury Corporation of Victoria.

Accordingly, management considers that the Corporation will continue to operate for the foreseeable future and that there are no material uncertainties that cast significant doubt on its ability to continue as a going concern. In accordance with applicable accounting standards, financial statements do not encompass any future undetermined events related to efficiency dividends or capital repatriations.

Compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with *AAASB 1053 Application of Tiers of Australian Accounting Standards (AASB 1053)* Tier 1 presentation requirements. Under *FRD 101 Application of Tiers of Australian Accounting Standards*, the Corporation meets the 'significant entity' definition and is required to prepare Tier 1 financial statements. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability. They have also been prepared in compliance with applicable Financial Reporting Directions and Standing Directions issued by Minister for Finance.

Funding Delivery of Our Services

Introduction

This section provides additional information about how the Corporation is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

2.1 Revenue from contracts with customers

($ thousands)

	2026	2025
Bulk water services	1,024,167	977,585
Bulk sewerage services	553,238	524,181
Waterways and drainage service charges	328,721	319,792
Developer contributions	207,150	232,448
Developer contributed assets	71,975	10,373
Net gain on disposal of property, plant, equipment and intangibles	8,456	18,907
Other revenue from contracts with customers	11,607	11,881
Total Revenue from contracts with customers	**2,205,314**	**2,095,167**

Revenue is recognised in accordance with *AASB 15 Revenue from contracts with customers*. Accordingly, the term 'performance obligation' used in the financial statements has the meaning set out in *AASB 15 Revenue from contracts with customers*.

The Corporation collects **bulk water and sewerage services** revenue for providing storage operator services and bulk water and sewerage services to retail metropolitan and regional water businesses.

Bulk water and sewerage services revenues consist of a variable metered component (based on volume of usage) and a fixed fee (for service availability). The usage charge is invoiced weekly with payment required within 7 days. The availability charge is invoiced in advance monthly with payment required within 14 days.

Bulk water and sewerage services revenue is recognised in line with the Corporation meeting its performance obligations over time as the customer simultaneously receives and consumes the services provided. An estimate is made at the end of the accounting period for unbilled revenue (refer to receivables Note 2.3).

The Corporation provides **waterways and drainage services** to residential, non-residential, rural and special area customers. The charges are recognised in the year for which the charge is levied and are billed either quarterly or annually in advance and are collected by various retail water businesses on behalf of the Corporation. A lien is held over each property to ensure that any outstanding amounts are recovered upon sale of the property.

Waterways and drainage service charges revenue is recognised in line with the Corporation meeting its performance obligations over time as the customer simultaneously receives and consumes the services provided. An estimate is made at the end of the accounting period for unbilled revenue (refer to receivables Note 2.3).

Developer contributions are collected from developers in order to fund drainage scheme infrastructure (constructed catchment assets) and stormwater quality treatment works in accordance with the Corporation's responsibility for regional drainage, flood plain and waterway management across greater Melbourne under the *Water Act 1989*. This is typically done either by way of the Corporation including conditions in a planning permit (which the Corporation requires in its capacity as a referral authority under the *Planning and Environment Act 1987 (Vic)*), or by relying on Water Act powers to charge for services.

The Corporation has a performance obligation in relation to developer contributions, which is to assess whether the relevant conditions specified by the Corporation in a planning permit or offer of drainage conditions have been met by the developer and to advise the local council that it consents to a referred plan of subdivision and supports issuance of a Statement of Compliance (SOC).

The Corporation recognises developer contribution revenue at a point in time as the performance obligation is satisfied (i.e. upon advising the local council that it consents to a referred plan of subdivision and supports issuance of SOC). The transaction price is the total amount of cash contributions from the developer for the applicable contract, unless the transaction price is adjusted by differences between the assessed fair value of the constructed catchment assets and reimbursements to the developer for construction of those assets (see developer contributed assets policy below).

Developer contributions received in advance of the performance obligation being satisfied are recorded as contract liabilities from contracts with customers (included in Note 2.2) and then recognised as revenue as the performance obligation is satisfied for each contract.

A significant financing component is deemed to exist within a contract when developer contributions revenue is received greater than 12 months before the performance obligation is satisfied. The Corporation assesses the balance of unearned revenue from developer contributions at balance date. If a significant financing component exists then the Corporation adjusts the revenue transaction price (within unearned revenue) and recognises an interest expense (see note 5.1) to reflect the time value of money using prevailing interest rates. When the performance obligation is satisfied the revenue is recognised based on the adjusted transaction price.

Developer contributed assets (DCA) consist of developer constructed catchment assets transferred to the Corporation to maintain in perpetuity. Under a drainage scheme, developers may be required by the Corporation to undertake capital works in relation to the construction of drainage infrastructure required for their stage of development and other developers in the drainage catchment. This will be included in contracts between the Corporation and the developer as a condition of the Corporation's consent. Upon completion of the works, these constructed catchment assets become the property of the Corporation. The developer will either be reimbursed by the Corporation for the construction costs at an agreed reimbursable amount (funded through developer contributions for that catchment) or the developer will fully fund the construction costs (in arrangements where there are no developer contributions).

The Corporation has a performance obligation in relation to DCAs, which is to assess whether relevant conditions specified by the Corporation in a planning permit or offer of drainage conditions (including construction of catchment assets) have been met for the Corporation to provide consent to the local council to support issuance of a Statement of Compliance (SOC).

The transaction price for DCA revenue is determined based on any difference between the assessed fair value of the constructed catchment assets and the reimbursements made to the developer (where reimbursements are applicable depending on the arrangement). The transaction price is uncertain until the date of practical completion of the assets, which usually occurs after the performance obligation is met. Therefore at the time the performance obligation is met any revenue associated with the constructed catchment assets to be received is considered to be variable consideration.

DCA revenue (and associated infrastructure assets) are therefore recognised at the date of practical completion of the works (and their acceptance by the Corporation) when the uncertainty regarding the fair value of the assets is resolved.

Land parcels are also transferred from developers to the Corporation (for nil consideration). These transfers relate to land set aside by developers as reserves at the point of subdivision. The transfers are made on the basis of the Corporation being the relevant authority to hold and maintain such land for public benefit, rather than being transferred in the context of a contract with a customer. There is no exchange of goods or services from the Corporation to the developers for this land and contracts between the Corporation and the developers do not include these transfers of land. Accordingly, the transfer of land is not considered to form part of the transaction price for revenue recognition. As the transferred land satisfies the definition of property, plant and equipment under AASB 116, the initial measurement and subsequent measurement of such land is within the scope of AASB 116 i.e. the land is recognised initially at cost (being nil) and subsequently revalued in accordance with the land class of assets.

The net gain on disposal of property, plant, equipment and intangibles from sales is recognised as revenue when control over the asset has been transferred to the customer at a point in time. This is the point when the Corporation has performed its performance obligation. The revenue is measured at the transaction price agreed under the contract.

For property sales the consideration is due when it settles. Property sales are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a net basis of sale proceeds less costs.

Other revenue includes fees and charges and other miscellaneous revenue which are all recognised at a point in time when the Corporation meets the required performance obligations under the contract.

Significant judgements and estimates

The Corporation applies judgement in determining the timing of satisfaction of performance obligations and whether revenue should be recognised over time or at a point in time. Estimates are also required in determining unbilled revenue, contract assets and the transaction price for contracts that contain variable consideration, including developer contributed assets. Actual outcomes may differ from estimates where information becomes available after reporting date.

2.2 Contract liabilities

($ thousands)

	2026	2025
Current		
Developer contributions	156,859	57,895
Other unearned revenue	21,438	17,936
Total contractual receivables	**178,297**	**75,831**
Non-Current		
Other unearned revenue	8,576	3,387
Total non-current contract liabilities	**8,576**	**3,387**
Total contract liabilities	**186,873**	**79,218**

Contract liabilities - developer contributions represents consideration received in advance of the Corporation performing its contract obligations and will be recognised as revenue when the services are performed. Refer to Note 2.1.

Developer contributions	2026	2025
Unearned revenue at the beginning of the financial year	57,895	77,716
Consideration received in the year before performance obligations are satisfied	306,114	212,983
Performance obligations satisfied during the period and recognised as revenue	(207,150)	(232,804)
Closing balance	**156,859**	**57,895**

Other unearned revenue represents revenue received in advance in relation to other income or assets (i.e. grants) and will be recognised as revenue (or offset against the asset for grants relating to assets) when the services are performed and conditions are met.

2.3 Receivables

($ thousands)

Contractual receivables	2026	2025
Trade debtors	91,373	74,034
Contract assets	5,513	9,785
Other receivables	63,446	69,606
Total contractual receivables	**160,332**	**153,425**
Statutory receivables		
Net GST receivable from the ATO	19,074	22,534
Total current receivables	**179,406**	**175,959**

Trade debtors, contract assets and **other receivables** are recognised at the amounts receivable less any allowance for expected credit losses. Trade debtors relate to amounts receivable for bulk water services, bulk sewerage services and waterways drainage charges and other charges. Contract assets relate to developer works that have met the performance obligation requirements but no contribution has yet been received. Other receivables relate to land deposits, accrued revenue and accrued GST receivable. Receivables are reviewed on an ongoing basis to identify any receivables which cannot be collected. Debts which cannot be collected are written-off when identified.

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. On this basis, an assessment undertaken by management has identified that historical debt write-offs and future expected losses are immaterial. As such, there is no allowance for expected credit losses as at 30 June 2026 (2024-25: nil).

Net Goods and Services Tax (GST) receivable from the Australian Taxation Office (ATO) is the gross amount of GST recoverable from the taxation authority and is included as part of the receivables balance. *AASB Interpretation 1031* provides that revenue, expenses and assets must be recognised, net of the amount of GST, except where GST relating to the expenditure items is not recoverable from the taxation authority, in which case the item is recognised as GST inclusive.

Ageing analysis of contractual receivables

($ thousands)

30 June 2026	Current 0-30 days	Past due but not impaired 31-60 days	61-90 days	91 days +	Total
Receivables					
Trade debtors [a]	33,179	12,056	4,860	41,278	**91,373**
Contract assets	5,513	-	-	-	**5,513**
Other receivables	63,446	-	-	-	**63,446**
Total contractual receivables	**102,138**	**12,056**	**4,860**	**41,278**	**160,332**

30 June 2025	Current 0-30 days	Past due but not impaired 31-60 days	61-90 days	91 days +	Total
Receivables					
Trade debtors [a]	33,562	5,736	5,711	29,025	**74,034**
Contract assets	9,785	-	-	-	**9,785**
Other receivables	69,606	-	-	-	**69,606**
Total contractual receivables	**112,953**	**5,736**	**5,711**	**29,025**	**153,425**

(a) The majority of the aged receivables relate to waterways and drainage service charges guaranteed by a lien on a property to ensure that any outstanding amounts are recovered upon sale of the property. These matters would be subject to the Corporation's hardship provisions.

Waterways and drainage debtors balance and aging continue to increase primarily due to ongoing billing system issues at Greater Western Water, one of the retail water businesses that collects these charges on behalf of the Corporation (refer to note 2.1). Management expects the Corporation will fully recover these amounts.

The Cost of Delivering Our Services

Introduction

This section provides additional information about the major components of expenditure incurred by the Corporation in relation to delivering our services during the year, as well as any related assets and liabilities as at 30 June 2026

3.1 Operational expenses

($ thousands)

	2026	2025
VDP operating expenses	191,668	148,221
Energy expenses	42,201	39,260
Carbon credits and Renewable Energy Certificates	4,679	3,419
External professional services expenses	48,645	52,642
Research and development expenses	6,342	5,604
Materials and chemicals expenses	19,916	18,222
Grants and contributions expenses	18,607	17,637
Transport expenses	3,843	3,527
Insurance expenses	6,698	8,780
Other expenses	547	1,077
Total operational expenses	**343,146**	**298,389**

Operational expenses represent the day-to-day running costs incurred in normal operations. Victorian Desalination Project (VDP) operating expenses include the costs of water security, labour, maintenance, chemicals and energy.

Carbon credits and Renewable Energy Certificates (RECs) represent surrendered and/or estimated surrender obligations recognised in relation to the Corporation's greenhouse gas emissions and renewable electricity requirements. The liability is dependent on estimated emissions volumes, electricity consumption, and the forecast requirement to surrender carbon credits and Renewable Energy Certificates under applicable regulatory schemes. Future changes in climate-related regulation, emissions levels, electricity consumption, carbon credit and certificate prices, or surrender requirements may impact the Corporation's obligations and related operating expenses. Carbon credits and Renewable Energy Certificates are expensed in the period in which the underlying obligation is incurred.

3.2 Employee benefits expenses and employee benefits provision

($ thousands)

Employee benefits expenses	2026	2025
Salary and wages expenses	145,830	147,753
Annual, long service and shift leave expenses	18,285	18,967
Defined contribution plans (superannuation accumulation fund) expense	18,058	17,687
Other employee expenses	7,779	6,407
Total employee benefits expenses	**189,952**	**190,814**

Employee benefits expenses include all expenses related to employment including; salary and wages expenses, defined contribution plans, annual, long service and shift leave expenses, and other employee expenses (i.e payroll tax, Work Cover, rostered days off, redundancy payments). They are expensed in the period in which they are incurred. Directly attributable costs for bringing an asset to the location and condition necessary for operation, such as costs of employee benefits arising directly from the construction or acquisition of the asset are capitalised via a reduction to the employee benefit expense.

Provision is made for benefits accruing to employees in respect of salaries and wages, annual leave and long service leave (LSL) up to the reporting date and recorded as an expense during the period the services are delivered.

Employee benefits provision [(a)]

($ thousands)

	2026	2025
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	10,470	9,813
LSL		
Unconditional and expected to settle within 12 months	3,900	3,627
Unconditional and expected to settle after 12 months	21,374	20,402
Provisions for on-costs		
Unconditional and expected to settle within 12 months	2,444	2,218
Unconditional and expected to settle after 12 months	3,726	3,450
Work Cover	**2,851**	**3,432**
Other employee benefits	**1,472**	**1,186**
Total current provisions for employee benefits	**46,237**	**44,128**
Non-current provisions		
LSL - conditional	3,676	4,112
Provision for on-cost on non-current long service leave	641	695
Work Cover	**7,445**	**8,998**
Total non-current provisions for employee benefits	**11,762**	**13,805**
Total provisions for employee benefits	**57,999**	**57,933**

Note:
(a) Prior year accrued salaries and wages $10.8 million have been reclassified from employee benefits provision note 3.2 to accrued payables note 3.8.

Reconciliation of movement in on-cost provisions ($ thousands)

	2026	2025
Opening balance	6,363	5,851
Additional provisions recognised	3,190	3,192
Additions due to LSL transfers	52	13
Reductions arising from payments/other sacrifices of future economic benefits	(2,794)	(2,693)
Closing balance	**6,811**	**6,363**
Current	6,170	5,668
Non-current	641	695

Liabilities for **salaries, wages and annual leave** are all recognised in the provision for employee benefits as 'current liabilities' as per *AASB 119 Employee Benefits*, because the Corporation does not have an unconditional right to defer settlements of these liabilities. Liabilities for salaries, wages and annual leave are measured at:

- undiscounted value; if they will be wholly settled within 12 months; or
- present value; if not expected to be wholly settled within 12 months.

Sick leave payments are made in accordance with relevant awards, determinations and Corporation policy. No provision is made in the Financial Statements for unused sick leave entitlements as these are non-vesting benefits (i.e. can't be transferred or paid out when an employee leaves).

LSL is recognised as a current liability when there is no unconditional right to defer settlement should an employee take LSL they are entitled to within the next 12 months, even when the Corporation does not expect to settle the liability within 12 months. The components of this current LSL liability are measured at:

- undiscounted value; if they expect to be wholly settled within 12 months; or
- present value; if not expected to be wholly settled within 12 months.

LSL is recognised as a non-current liability when there is an unconditional right to defer the settlement of the entitlement until the employee has completed 7 years of service. This non-current LSL liability is measured at present value. Expected future cash payments are discounted using market yields attached to the Reserve Bank of Australia's 10 year rate for semi-annual coupon bonds. Discount rate as at 30 June 2026 was 4.74% (2024-25: 4.20%). Use of this discount rate is mandated by the Department of Treasury and Finance (DTF). The valuation of LSL also incorporates wage inflation, based on DTF budget estimates with the rate at 30 June 2026 of 4.15% (2024-25: 4.25%).

The current and non-current **Work Cover** provisions are based on independent actuarial assessments. A provision of $10.3 million (2024-25: $12.4 million) has been made for outstanding claims incurred and not settled, and for claims incurred but not reported at 30 June 2026. The value of the bank guarantee to the Victorian Work Cover Authority (as part of the Corporation's Work Cover self insurance commitments) at 30 June 2026 is $11.5 million (2024-25: $11.2 million). The bank guarantee amount is not included in the provision.

Significant judgements and estimates

The measurement of employee benefit provisions requires judgement and estimation regarding future salary increases, employee departure patterns, expected settlement dates and discount rates. Long service leave liabilities are measured using actuarial assumptions prescribed by the Department of Treasury and Finance and are sensitive to changes in these assumptions.

3.3 Repairs and maintenance expenses

($ thousands)

	2026	2025
Repairs and maintenance	101,957	119,558
Information technology maintenance	17,066	15,677
Total repairs and maintenance expenses	**119,023**	**135,235**

Repairs and maintenance and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset or an enhancement of an asset and the cost exceeds the capitalisation threshold of $500, the cost is capitalised and depreciated over the remaining life of the asset.

3.4 Administrative expenses

($ thousands)

	2026	2025
Waterways charges billings and collection	18,259	17,750
Information technology and telecommunication expenses	32,039	36,445
Education and training expenses	1,778	2,130
Legal expenses	2,791	3,889
Security services	2,296	2,360
Agency staff	13,118	11,652
Other expenses [a]	3,933	4,281
Total administrative expenses	**74,214**	**78,507**

Note:
(a) Prior year amounts for variable and low value lease expenses $0.4 million have been reclassified and now included within other expenses.

Administrative expenses are the day-to-day costs incurred in administration of the Corporation. They are expensed in the period in which they are incurred.

3.5 Government rates and taxes

Government rates and taxes are made up of Land Tax, Fringe Benefits Tax, Local Government Rates Equivalent Tax (LGRE) and other minor government charges and fees. They are expensed in the period in which they are incurred.

3.6 Asset transfers to council

Asset transfers to council relate to Drainage Developer Scheme works that form part of local drainage networks and are transferred to councils for ongoing management and maintenance. These assets are expensed by the Corporation at their book value upon formal council acceptance of the transfer.

The Corporation applies a 60-hectare catchment threshold to distinguish regional drainage infrastructure from local drainage infrastructure. Assets servicing catchments greater than 60 hectares are owned and managed by the Corporation as part of its regional drainage network, while assets servicing smaller catchments are generally transferred to councils upon formal acceptance. These local drainage networks ultimately feed into the broader regional drainage network managed by the Corporation.

3.7 Income and deferred tax

The Corporation is subject to the National Tax Equivalent Regime (NTER), which is administered by the Australian Taxation Office (ATO). The difference between the NTER and the Commonwealth tax legislation is that the tax liability is paid to the Victorian State Government rather than the Commonwealth Government.

The income tax expense for the period is the tax payable on the current period's taxable income based on the national corporate income tax rate of 30%, adjusted for current tax for prior periods and changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised as temporary differences at the tax rate expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantially enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences when they arise in a transaction that at the time of the transaction did not affect either accounting or taxable profit or loss. Deferred tax assets are recognised as deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax is recognised in the Statement of Profit or Loss, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, tax is also recognised in Other Comprehensive Income or directly in equity respectively.

3.7.1 Income tax

Components of tax expense ($ thousands)

	2026	2025
Current tax	141,424	100,697
Deferred tax relating to temporary differences	(51,895)	(25,838)
Adjustments for current tax for prior periods	(6,136)	-
Total tax expense	**83,393**	**74,859**

Reconciliation of income tax to prima facie tax payable ($ thousands)

	2026	2025
Profit before income tax	178,869	156,527
Tax at the Australian tax rate of 30% (2024-25: 30%)	53,661	46,958
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non assessable and non deductible for income tax purposes	26,183	21,610
Assessable income not booked	3,549	6,291
Income tax as reported in the Statement of Profit or Loss and Other Comprehensive Income	**83,393**	**74,859**

Income tax liability ($ thousands)

	2026	2025
Current tax liability	27,774	5,443
Total income tax liability	**27,774**	**5,443**

Income tax recognised in other comprehensive income ($ thousands)

	2026	2025
Deferred tax arising on items recognised in other comprehensive income		
Increase in deferred tax on land & buildings revalued	64,400	-
Reversal of deferred tax on disposal of land/buildings previously revalued	-	(437)
Increase in deferred tax on infrastructure assets revalued	453,816	-
Actuarial gains/(losses) on the defined benefit plan	895	(64)
Net gain/(loss) in fair value of cash flow hedges	5	-
Total income tax recognised in other comprehensive income	**519,116**	**(501)**

3.7.2 Net deferred tax liabilities – non-current

($ thousands)

	2026	2025
Amounts recognised in Profit or Loss		
Property, plant and equipment	105,918	122,084
Employee entitlements	(13,869)	(13,295)
Provisions	(1,350)	(2,405)
Revenue in advance	(49,631)	(20,526)
VDP service concession liability	59,347	66,852
Leases under AASB 16	(1,542)	(1,146)
Other	(208)	(7,741)
Total recognised in Profit or Loss	**98,665**	**143,823**
Amounts recognised in Other Comprehensive Income		
Net gains on revaluation of land and buildings	210,856	146,456
Net gains on revaluation of infrastructure assets	1,388,573	934,758
Actuarial gain on the defined benefit plan	15,614	14,719
Changes in fair value of cash flow hedges	5	-
Total recognised in Other Comprehensive Income	**1,615,048**	**1,095,933**
Net deferred tax liability	**1,713,713**	**1,239,756**

Movements

($ thousands)

	2026	2025
Opening balance	1,239,756	1,257,591
Credited to Profit or Loss	(51,896)	(25,838)
Debited/(credited) to Other Comprehensive Income	519,116	(501)
Adjustment in respect of deferred tax of prior period	6,737	8,504
Closing balance	**1,713,713**	**1,239,756**
Net deferred tax liabilities to be recovered after more than 12 months	1,763,865	1,269,372
Net deferred tax liabilities (assets) to be recovered within 12 months	(50,152)	(29,616)
Total non-current liabilities - deferred tax liabilities	**1,713,713**	**1,239,756**

Significant judgements and estimates

The recognition and measurement of current and deferred tax balances requires judgement regarding the application of taxation legislation and the tax treatment of transactions. Deferred tax assets and liabilities are measured based on management's assessment of the future recovery or settlement of the carrying amount of assets and liabilities and the expected availability of future taxable profits.

3.8 Payables

($ thousands)

	2026	2025
Trade creditors	201,457	190,499
Interest payable	43,719	43,655
Accruals [(a)]	335,741	375,573
Other payables	9,981	10,103
Total payables	**590,898**	**619,830**

Note:
(a) Prior year accrued salaries and wages $10.8 million have been reclassified from employee benefits provision note 3.2 to accrued payables note 3.8.

Trade creditors represent liabilities for goods or services provided to the Corporation prior to the end of the financial year, where invoices have been received and processed but not yet paid. The amounts are unsecured and are usually paid within 30 days of receipt of invoice or in accordance with contract terms. Payments for invoices with a contract value of less than $3.0 million are paid within 10 business days in line with the Victorian Government's Fair Payment Policy.

Interest payable is recognised as an expense in the reporting period in which it is payable and accrued in accordance with the terms and conditions of the underlying financial instruments or other contracts.

Accruals represent liabilities for goods or services provided to the Corporation prior to the end of the financial year, where invoices have not yet been received or processed and are not yet paid. The amounts are based on estimates, are unsecured and are usually paid within 30 days of receipt of invoice (payments for invoices with a contract value of less than $3.0 million are paid within ten business days in line with the Victorian Government's Fair Payment Policy).

Other payables primarily represent liabilities for miscellaneous security deposits held.

Assets Available to Support Output Delivery

Introduction

This section outlines those assets that the Corporation controls, reflecting investing activities in the current and prior years. The Corporation controls infrastructure and other assets that are utilised in conducting its activities.

Assets available to support delivery output (continued)

4.1 Land, buildings, infrastructure, plant and equipment, and service concession arrangements

4.1.1 Reconciliation of movements in carrying values of land, buildings, infrastructure, plant and equipment, and service concession arrangements

($ thousands)

	Total	Public land [d]	Freehold land	Buildings	Leasehold improvements	Plant and equipment	Fleet vehicles	Infrastructure	VDP service concession asset	Capital works in progress
Year ended 30 June 2025										
Opening balance	17,980,735	193,708	2,282,987	36,218	491	13,558	12,260	9,710,046	4,483,640	1,247,827
Purchased additions	6,894	-	-	-	-	-	6,894	-	-	-
Developer contributed assets	10,373	-	-	-	-	-	-	10,373	-	-
Disposals and write-offs	(62,119)	(620)	(9,583)	(1,795)	-	(5)	(1,217)	(46,181)	-	(2,718)
Depreciation and amortisation	(516,448)	-	-	(1,449)	(164)	(4,941)	(2,376)	(417,465)	(90,053)	-
Transfers from/to assets classified as held for sale	2,012	-	2,012	-	-	-	-	-	-	-
Revaluation decrements [a]	(7,030)	-	(7,030)	-	-	-	-	-	-	-
Capital expenditure [b]	958,892	-	-	-	-	-	-	-	-	958,892
Capitalisation of works in progress [c]	(1,285)	-	20,125	-	-	11,125	-	893,842	-	(926,377)
Closing carrying amount	**18,372,024**	**193,088**	**2,288,511**	**32,974**	**327**	**19,737**	**15,561**	**10,150,615**	**4,393,587**	**1,277,624**
At 30 June 2025										
Gross carrying amount	20,053,151	193,088	2,288,511	35,799	2,437	82,320	25,761	11,573,953	4,573,658	1,277,624
Accumulated depreciation	(1,681,127)	-	-	(2,825)	(2,110)	(62,583)	(10,200)	(1,423,338)	(180,071)	-
Carrying amount	**18,372,024**	**193,088**	**2,288,511**	**32,974**	**327**	**19,737**	**15,561**	**10,150,615**	**4,393,587**	**1,277,624**
Year ended 30 June 2026										
Opening balance	18,372,024	193,088	2,288,511	32,974	327	19,737	15,561	10,150,615	4,393,587	1,277,624
Purchased additions	2,741	-	-	-	-	-	2,741	-	-	-
Developer contributed assets	71,975	-	-	-	-	-	-	71,975	-	-
Disposals and write-offs	(53,468)	(9)	(3,035)	-	-	(7)	(1,197)	(46,923)	-	(2,297)
Depreciation and amortisation	(522,081)	-	-	(1,399)	(55)	(7,166)	(2,487)	(420,924)	(90,050)	-
Transfers between classes [a]	(3,760)	-	-	-	-	-	-	(3,760)	-	-
Transfers from/to assets classified as held for sale	(6,578)	-	(6,578)	-	-	-	-	-	-	-
Revaluation increments [a]	2,518,392	29,804	242,196	7,339	-	-	-	1,512,720	726,333	-
Revaluation decrements [a]	(53,103)	(1,942)	(51,130)	(31)	-	-	-	-	-	-
Capital expenditure [b]	1,075,956	-	-	-	-	-	-	-	-	1,075,956
Capital contributions	54,246	-	-	-	-	-	-	54,246	-	-
Capitalisation of works in progress	50	-	38,818	-	-	1,831	-	889,155	-	(929,754)
Closing carrying amount	**21,456,394**	**220,941**	**2,508,782**	**38,883**	**272**	**14,395**	**14,618**	**12,207,104**	**5,029,870**	**1,421,529**
At 30 June 2026										
Gross carrying amount	21,531,392	220,941	2,508,782	38,883	2,437	77,173	24,673	12,207,104	5,029,870	1,421,529
Accumulated depreciation	(74,998)	-	-	-	(2,165)	(62,778)	(10,055)	-	-	-
Carrying amount	**21,456,394**	**220,941**	**2,508,782**	**38,883**	**272**	**14,395**	**14,618**	**12,207,104**	**5,029,870**	**1,421,529**

Note:

(a) Pre-tax revaluation net increments of $2,465.3 million (2024-25: $7.0 million decrement) have been recognised in the Statement of Profit or Loss and Other Comprehensive Income as follows; $13.6 million (2024-25: zero) as net loss of revaluation of non financial assets, $6.4 million (2024-25: $7.0 million) as other expenses (Community Services Obligation discount applied for purchased land based on VGV valuation) and $2,485.3 million (2024-25: zero) as other comprehensive income after tax (net gain on revaluation of non-financial assets) . Note: Valuation decrements are expensed in the profit and loss when the reserve balance is exhausted. Valuation increments that result in reversals of previous profit and loss decrements are credited to the profit and loss. The net effect is treated as a net gain or loss on revaluation on non-financial assets.

(b) Represents total capital expenditure, exclusive of intangibles $3.4 million (2024-25: $0.3 million) and fleet vehicles $2.9 million (2024-25: $6.7 million) (refer to purchased additions category).

(c) Prior year (2024-25) carrying amounts have been restated to reclassify ($104.5 million closing carrying value) from capital works in progress to infrastructure ($100.2 million closing carrying value), plant & equipment ($2.8 million closing carrying value), fleet vehicles ($0.2 million closing carrying value) and intangible assets ($1.3 million closing carrying value). These reclassifications related to projects that were completed (and should have been transferred out of capital works in progress) in 2024-25. These delayed transfers also have associated backlog increased depreciation expenditure by $7.0 million recognised in 2025-26 (2024-25: $25.7 million) that has not been adjusted against the prior year as deemed not material.

(d) Public land is land as designated by the *Crown Land (Reserves) Act 1978*.

Assets available to support delivery output (continued)

4.1 Land, buildings, infrastructure, plant and equipment, and service concession arrangements (continued)

4.1.1 Reconciliation of movements in carrying values of land, buildings, infrastructure, plant and equipment, and service concession arrangements (continued)

If land, buildings, infrastructure and service concession assets were measured at historical cost, the carrying amounts would be as follows:

	($ thousands)	
	2026	2025
Land	978,739	938,858
Buildings	32,269	33,324
Infrastructure assets - owned	8,802,662	8,049,163
VDP service concession asset	3,606,580	3,684,132
Total	**13,420,250**	**12,705,477**

Initial recognition

All non-financial physical assets (except for service concession assets) are measured and recognised initially at cost. Service concession assets are recognised initially at current replacement cost in accordance with the cost approach to fair value in AASB 13 (Fair Value). Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. The cost of constructed non-financial physical assets includes the cost of all materials used in construction and direct labour on the project. The cost of leasehold improvements is capitalised when incurred.

Items with a cost or value in excess of $500 (2024-25: $500) and a useful life of more than 1 year are recognised as assets, with the exception of lifecycle costs (total of all recurring and one-time costs over the full life span of a good, service, structure or system) for the VDP which are expensed. All items with a cost or value less than $500 (2024-25: $500) are expensed.

Subsequent measurement

Service Concession assets continue to be valued at current replacement cost in accordance with AASB 1059: Service Concession Arrangements: Grantors (FRD 103 requirement).

All other non-financial physical assets, with the exception of capital works in progress, are subsequently measured at fair value less accumulated depreciation and impairment. Non-financial physical assets are measured at fair value with regard to the asset's highest and best use after due consideration is made for any legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best use.

Revaluation of infrastructure, property, plant and equipment, and VDP service concession asset

Revaluations are conducted either independently every 5 years (as required under Financial Reporting Direction *FRD 103 Non-Financial Physical Assets*) or in the intervening years using management expertise and classified as a managerial revaluation.

2025-26 was a formal valuation year under FRD 103 (2024-25: managerial revaluation). Infrastructure assets and the VDP service concession asset were independently valued by external experts. Land and buildings were valued by the Valuer-General Victoria (VGV). Fair value assessments for all other property, plant and equipment were based on managerial valuations. Revaluation movements are recognised in accordance with FRD 103. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, with the net carrying amount restated to the revalued amount of the asset

Any revaluation increase is recognised in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset (or asset class when specifically related to infrastructure and service concession arrangements) previously recognised in net profit in the Statement of Profit or Loss and Other Comprehensive Income, in which case the increase is credited to profit to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation is recognised in net profit in the Statement of Profit or Loss and Other Comprehensive Income to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset, otherwise decreases are recognised in other comprehensive income. The net effect of any revaluation adjustments to Profit and Loss is classified as a net gain or loss on revaluation of non-financial assets.

Refer to Note 4.1.2 fair value determination of non-financial physical assets for further information on the revaluation methods used for the asset classes and the valuation outcomes for 30 June 2026.

Assets available to support delivery output (continued)

4.1 Land, buildings, infrastructure, plant and equipment, and service concession arrangements (continued)

4.1.2 Fair value determination of non-financial physical assets

The fair values of non-financial physical assets are determined (in accordance with the fair value hierarchy) as follows:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

4.1.2.1 Land, buildings, infrastructure, plant and equipment, service concession arrangements

($ thousands)

	Carrying amount as at 30 June 2026 [a]		
	Total	Level 2	Level 3
Non-specialised land	63,546	63,546	-
Specialised land	2,666,177	-	2,666,177
Total land	**2,729,723**	**63,546**	**2,666,177**
Non-specialised buildings	2,160	2,160	-
Specialised buildings	36,723	-	36,723
Total buildings	**38,883**	**2,160**	**36,723**
Leasehold improvements	272	-	272
Plant and equipment	14,395	-	14,395
Fleet vehicles	14,618	-	14,618
Infrastructure assets	12,207,105	-	12,207,105
VDP service concession asset	5,029,870	-	5,029,870
Total infrastructure, plant and equipment, service concession arrangements	**17,266,260**	**-**	**17,266,260**
Total land, buildings, infrastructure, plant and equipment, service concession arrangements	**20,034,866**	**65,706**	**19,969,160**

($ thousands)

	Carrying amount as at 30 June 2025 [a]		
	2025	Level 2	Level 3
Non-current assets held for sale	26,746	26,746	-
Specialised land	2,454,854	-	2,454,854
Total land [b]	**2,481,600**	**26,746**	**2,454,854**
Non-current assets held for sale	1,141	1,141	-
Specialised buildings	31,833	-	31,833
Total buildings	**32,974**	**1,141**	**31,833**
Leasehold improvements	327	-	327
Plant and equipment [c]	19,737	-	19,737
Fleet vehicles [c]	15,561	-	15,561
Infrastructure assets [c]	10,150,615	-	10,150,615
VDP service concession asset	4,393,587	-	4,393,587
Total infrastructure, plant and equipment, service concession arrangements	**14,579,827**	**-**	**14,579,827**
Total land, buildings, infrastructure, plant and equipment, service concession arrangements [b]	**17,094,401**	**27,887**	**17,066,514**

Note:

(a) Classified in accordance with the fair value determination of non-financial physical assets. For the current year there were no level 1 fair value measurements (2024-25: zero).

(b) Prior year carrying amounts have been excluded for non-current assets held for sale $6.9 million as it doesn't form part of the total land, buildings, infrastructure, plant and equipment and service concession balance.

(c) Prior year (2024-25) carrying amounts have been restated to reclassify ($104.5 million closing carrying value) from capital works in progress to infrastructure ($100.2 million closing carrying value), plant & equipment ($2.8 million closing carrying value), fleet vehicles ($0.2 million closing carrying value) and intangible assets ($1.3 million closing carrying value). These reclassifications related to projects that were completed (and should have been transferred out of capital works in progress) in 2024-25. These delayed transfers also have associated backlog increased depreciation expenditure by $7.0 million recognised in 2025-26 (2024-25: $25.7 million) that has not been adjusted against the prior year as deemed not material.

Assets available to support delivery output (continued)

4.1 Land, buildings, infrastructure, plant and equipment, and service concession arrangements (continued)

4.1.2 Fair value determination of non-financial physical assets (continued)

4.1.2.1 Land, buildings, infrastructure, plant and equipment and service concession arrangements (continued)

Non-specialised land (other than held for sale) and buildings

Non-specialised land (other than held for sale) and buildings are valued using the market/direct comparison approach with key inputs used being sales evidence and unit of value by comparative basis. To the extent that non-specialised land and buildings do not contain significant, unobservable adjustments, the assets are classified as Level 2 under the market approach. Refer to disclosures below under specialised land and buildings for current year valuation results for total land and buildings.

Specialised land

The market approach is used for specialised land adjusted for the Community Service Obligation (CSO) to reflect the specialised nature of the land being valued. A CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that it is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement, and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land is classified as Level 3 assets.

The valuation methodology to assess each property's land fair value involved an assessment of the unrestricted land value based on the existing or assumed underlying zoning, taking account of the individual property attributes. Then an assessment of the restrictions on the land due to being held by the public sector was made to consider if a CSO was warranted. The level of the CSO will depend on the perceived level of restriction and the risk associated with the removal of the restrictions, if at all possible. The property attributes considered in assessing the unrestricted value include, but are not limited to zoning and overlay(s), underlying zoning, location, land area, access, shape of the site, services available or connected and the highest and best use of the land.

2025-26 valuation resulted in $225.3 million increase in value for specialised and non-specialised land (2024-25: no material change).

Note: Total net land valuation decrements of $6.4 million (2024-25: $7.0 million decrements) at Note 4.1.1 are due to a reduction for CSO discounts applied to land purchased during the year based on VGV valuation, which is recorded in other expenses in the Statement of Profit and Loss and Other Comprehensive Income.

The market that the assets (land and buildings) are valued in is being impacted by the uncertainty that rising interest rates and increased construction costs has caused. The current market environment creates significant valuation uncertainty. The value assessed at the valuation date may therefore change over a relatively short time period.

Specialised buildings

For the majority of the Corporation's specialised buildings, the current replacement cost method is used adjusting for the associated depreciation. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

The valuation methodology in 2025-26 was to assess the fair value of buildings was current replacement cost (CRC) for specialised buildings. The CRC approach for specialised buildings involved assessing the cost of replacement of the assets to a 'modern equivalent' standard then adjusting for an appropriate depreciation rate, on a useful life basis after making adjustments for condition and general maintenance.

2025-26 valuation resulted in $7.3 million increase in value for specialised buildings (2024-25: no material change).

Leasehold improvements

For Leasehold improvements, fair value is determined using the current replacement cost method. As depreciation adjustments are considered as significant, unobservable inputs in nature, leasehold improvements are classified as Level 3 fair value measurements.

For 2025-26 the fair value assessment resulted in no material change in asset values for leasehold improvements (2024-25: nil).

Plant and equipment

Plant and equipment is specialised in use, such that it is rarely sold; fair value is determined using the current replacement cost method. As depreciation adjustments are considered as significant, unobservable inputs in nature, plant and equipment are classified as Level 3 fair value measurements.

For 2025-26 fair value assessment resulted in no material change in asset values for plant and equipment (2024-25: nil).

Fleet vehicles

Fleet vehicles are valued using appropriate market or other fair value indicators as determined by management. The Corporation acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers who set relevant depreciation rates during use to reflect the utilisation of the vehicles. As depreciation adjustments are considered as significant, unobservable inputs in nature, fleet vehicles are classified as Level 3 fair value measurements.

For 2025-26 the fair value assessment resulted in no material change in asset values for fleet vehicles (2024-25: nil).

Significant judgements and estimates are required in determining the fair value of land, buildings, plant and equipment, fleet vehicles and leasehold improvements. For assets measured using a market approach, judgement is applied in assessing comparable market sales and adjustments for asset-specific characteristics. For specialised assets measured using a current replacement cost approach, significant estimates include replacement costs, asset

condition, remaining useful lives and the extent of any physical deterioration, functional obsolescence or economic obsolescence. The Corporation reviews these assumptions at each reporting date and changes in these assumptions may materially affect the carrying amount of the assets.

Infrastructure

The income approach was used for the fair value measurement by discounting reliable estimates of the Corporation's future cash flows (projected forecast and terminal value) to their present value and arriving at an enterprise value range. Non-infrastructure assets and liabilities (including Service Concession Asset and Liability) are deducted from the enterprise value range to obtain the residual infrastructure value. Infrastructure assets are classified as Level 3 fair value measurements.

For 2025-26 the independent valuer used the exit Regulated Asset Base (RAB) multiple as the primary methodology for calculating terminal value (2024-25: exit RAB multiple). This approach aligns with current observed market participant practice. The exit RAB multiple approach calculates terminal value based on forecast RAB in the terminal year and an exit RAB multiple. Any tax amortisation benefit (TAB) available to subsequent market participants has been implicitly included through the selection of the terminal value exit multiple. A valuation cross check was performed to calculate the terminal value using the previous Gordon growth methodology, which confirmed that the terminal value is consistent with that calculated under the exit RAB multiple approach (sits within the range of selected terminal enterprise value).

In order to assess reasonableness of the enterprise valuation, cross checks are performed by comparing the earnings before interest, tax and depreciation/amortisation (EBITDA) and regulated asset value multiples implied by the value determined under the income approach against multiples implied by share prices at which comparable organisations are trading and recent transactions in comparable assets which have occurred. Such approaches are often referred to as market approaches or relative value approaches.

The Corporation's policy is to use a midpoint valuation in assessing the fair value.

For 2025-26 the valuation resulted in $1,512.7M increase in value for infrastructure assets (2024-25: no material change).

The **significant judgments and estimates** used in determining fair value under the income approach at 30 June 2026 are summarised below:

- Nominal after tax discount rate in the range of 5.7% to 6.1% (2024-25: 5.2% to 5.7%). The valuation was based on a mid point of 5.9% (2024-25: 5.45%). This represents the rate that market participants would expect to use in determining the fair market value of the Corporation after taking into account the market cost of debt and equity. The market that the assets are valued in is being impacted by the uncertainty that rising interest rates and increased construction costs have caused. The valuer has advised that the current market environment creates significant valuation uncertainty. The value assessed at the valuation date may therefore change over a relatively short time period. This uncertainty has been reflected in the discount rate.
- Operating expenditure and revenue growth applied post initial five year pricing period 3.0% (2024-25: 3.0%)
- Forecast RAB in terminal value year $34,647 million (2024-25: $31,875 million)
- Terminal value exit RAB multiple range of 1.05x to 1.15x. The valuation was based on a mid point of 1.10x (2024-25: 1.05x to 1.15x and mid point of 1.10x)
- A 10 year explicit cash flow projection period, with cash flows beyond the projection period reflected in the terminal value (2024-25: 10 years)
- Judgments and estimates used for cross checks:
  - Long term growth rate of 3.25% (2024-25: 3.25%) - representing inflation and volume growth
  - A Normalised terminal capital expenditure used for steady state $1,069 million (2024-25: $1,000.0 million).
- The infrastructure valuation considers anticipated climate change related physical and transition risks through forecast cash flows, growth and capital expenditure judgments and estimates. Costs associated with climate related physical and transition risks are uncertain and could vary from estimates included in current financial forecasts included in the valuation.

VDP service concession asset

The VDP service concession asset is valued using the current replacement cost method under *AASB 13 Fair Value*, as required by *AASB 1059 Service Concession Arrangements: Grantors* and adjusted for the associated depreciation.

The approach used by the independent valuer in 2025-26 to derive fair value was the current replacement cost approach (CRC) under AASB 1059 . This involved estimating the current cost to purchase or replace the assets (replacement cost new or RCN) using a combination of direct and indirect methods with comparison to benchmarking analysis across different Australian desalination plants. The direct method (used for 50 per cent of the assets being the pipeline, building and civil infrastructure and pumps) involved researching the current cost to replace an asset with a new one of equivalent functionality. The indirect method (used for the remaining 50 per cent of the assets) involved applying Australian Bureau of Statistics (ABS) equipment specific inflation factors to historical costs. RCN was then depreciated using engineering lives to account for physical use and deterioration to arrive at a current replacement cost (CRC) (2024-25: assessed by an independent valuer using the indirect CRC approach as a desktop valuation by applying ABS industry specific inflation factors to the base to derive RCN).

The 2025-26 valuation resulted in $726.3M increase in VDP service concession asset value (2024-25: no material change in asset values).

The VDP service concession asset is classified as level 3 fair value measurement as it contains significant unobservable inputs and adjustments. Significant judgments and estimates used in determining fair value include; costs per unit, engineering useful lives and industry specific inflation indices. Table 4.1.2.2 highlights sensitivity of fair value measurement to changes in these significant unobservable inputs/judgments and estimates.

The valuation is based on prevailing market, economic and other conditions as at the date of this report. Significant uncertainty continues to exist. To the extent possible these conditions have been reflected in the Valuation. However, any subsequent changes in these conditions on the global economy and financial markets generally, and the Corporation, could impact upon value in the future, either positively or negatively.

Financial reporting impacts of climate related matters (fair value measurement)

Climate change is a risk to the Corporation. Climate change risk includes the physical risk which can cause direct damage to assets or property as a result of changes in climate conditions as well as transition risks which arise from the transition to a low-carbon economy (i.e. policy changes, carbon tax, legal and reputational risks and shifts in market and technology).

The Corporation's non-current assets are exposed to the risk of damage from extreme weather events such as storms, high winds, floods and drought. Changes in global climate conditions could intensify one or more of these events. In addition, extreme weather events may also increase the cost of operations. Physical risks arising from fires, floods and drought are partially covered through insurance and also the regulatory funding mechanism. Under the Essential Services Commission (ESC) regulatory framework, prudent and efficient expenditure incurred in managing and responding to these risks may be considered in future price determinations and recovered through customer charges. Physical risks from coastal inundation and erosion are also expected to be covered through the regulatory funding mechanism. However, should the frequency and severity of these events increase as a result of climate change, the cost of such coverage and risk of unfunded costs may increase.

Transition risks could impact the valuation of infrastructure assets where the costs significantly exceed funding through the regulatory pricing mechanism.

4.1.2.2 Description of significant unobservable inputs to Level 3 valuations

Asset category	Valuation	Significant unobservable inputs	Range/weighted average		Sensitivity of fair value measurement to changes in significant unobservable inputs
2026 and 2025	2026 and 2025	2026 and 2025	2026	2025	2026 and 2025
Specialised land	Market approach	Community Service Obligation (CSO) adjustment	20-70% (45% weighted average)	20-70% (45% weighted average)	A significant increase or decrease in the CSO adjustment would result in a significantly lower or higher fair value
Specialised buildings	Current replacement cost	Direct cost per square metre	$24-$7,850	$2-$9,700	A significant increase or decrease in direct cost per square metre would result in a significantly higher or lower fair value
		Useful life of specialised buildings	5-150 years (65 years weighted average)	5-150 years (65 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Leasehold improvements	Current replacement cost	Cost per unit	$500-$0.12M per unit	$500-$0.14M per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
		Useful life of Leasehold improvements	3-23 years (22 years weighted average)	3-15 years (14 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Plant and equipment	Current replacement cost	Cost per unit	$500-$1.2M per unit	$500-$1M per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
		Useful life of plant and equipment	3-50 years (11 years weighted average)	3-50 years (12 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Fleet vehicles	Current replacement cost	Cost per unit	$7,500-$185K per unit	$7,500-$0.2M per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value
		Useful life of vehicles	2-25 years (6 years weighted average)	2-25 years (6 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
Infrastructure assets	Income approach	Exit RAB multiple	1.05x to 1.15x (1.10x midpoint)	1.05x to 1.15x (1.10x midpoint)	If the exit RAB multiple had changed by +/-0.050x from the year end valuation, the impact to the valuation would have been a increase of $1,002 million and decrease by $1,002 million (2024-25: increase of $962.9 million and decrease by $962.9 million).
		Weighted average cost of capital (WACC)	5.7%-6.1%	5.2%-5.7%	If the WACC had changed by +/-0.25% from the year end valuation, the impact to the valuation would have been a decrease of $414.8 million (2024-25: $320.5 million) and increase by $425.6 million (2024-25: $493.6 million)
		Useful life	2-245 years (79 years weighted average)	2-245 years (80 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a higher or lower fair value

4.1.2.2 Description of significant unobservable inputs to Level 3 valuations (continued)

Asset category	Valuation	Significant unobservable inputs	Range/weighted average		Sensitivity of fair value measurement to changes in significant unobservable inputs
2026 and 2025	2026 and 2025	2026 and 2025	2026	2025	2026 and 2025
VDP service concession asset	Current replacement cost	Cost per unit	HVAC Cable $ per km: 8,548,547 - 11,565,682 (10,057,114 average) Buildings $ per sqm: 12,875 - 24,330 (17,386 weighted average) Pipeline $ per m: 13,938 - 18,857 (16,397 average) Intake Tunnel $ per m: 84,046 - 113,709 (98,877 average) Outtake Tunnel $ per m: 77,360 - 104,663 (91,011 weighted average)	Buildings $ per sqm: 13,563 - 21,159 (19,938 weighted average) Pipeline $ per m: 13,301 - 18,621 (15,719 weighted average) Pumps $ per kW: 597 - 1,707 (1,195 weighted average) Transformers $ per MVA: 66,643 - 142,172 (111,072 weighted average) Tanks $ per KL: 647 - 1,504 (1,015 weighted average)	A significant increase or decrease in unit costs would result in a significantly higher or lower fair value
		Engineering useful life for valuation	9 - 100 years (64 years weighted average)	9 - 100 years (66 years weighted average)	A significant increase or decrease in estimated useful life of the asset would result in a significantly higher or lower fair value
		Industry specific ABS inflation indices	39%-120% (weighted 1.4% change)	21%-100% (weighted 2.8% change)	A significant increase or decrease in estimated inflation factors would result in a higher or lower fair value

A reconciliation from the opening balances to the closing balances for fair value measurements is set out within the following table categorised within Level 3 of the fair value hierarchy for non-financial physical assets, disclosing separately changes during the period.

4.1.2.3 Reconciliation of Level 3 fair value

($ thousands)

	Specialised land	Specialised buildings	Leasehold improvements	Plant and equipment	Fleet vehicles	Infrastructure	VDP service concession asset
Opening balance 1 July 2024	2,446,268	34,746	491	13,558	12,260	9,710,046	4,483,640
Purchased additions	-	-	-	-	6,894	-	-
Developer contributed assets	-	-	-	-	-	10,373	-
Disposals and write-offs	(865)	(1,795)	-	(5)	(1,217)	(46,181)	-
Depreciation and amortisation	-	(1,118)	(164)	(4,941)	(2,376)	(417,465)	(90,053)
Transfers in/(out) of Level 3	(3,643)	-	-	-	-	-	-
Revaluation decrements	(7,030)	-	-	-	-	-	-
Capitalisation of works in progress	20,125	-	-	11,125	-	893,842	-
At 30 June 2025	**2,454,855**	**31,833**	**327**	**19,737**	**15,561**	**10,150,615**	**4,393,587**
Opening balance 1 July 2025	2,454,855	31,833	327	19,737	15,561	10,150,615	4,393,587
Purchased additions	-	-	-	-	2,741	-	-
Developer contributed assets	-	-	-	-	-	71,975	-
Disposals and write-offs	(117)	-	-	(7)	(1,197)	(46,923)	-
Depreciation and amortisation	-	(1,068)	(55)	(7,166)	(2,487)	(420,924)	(90,050)
Transfers between classes	4,140	-	-	-	-	(3,760)	-
Transfers in/(out) of Level 3	(3,342)	74	-	-	-	-	-
Revaluation increments	242,814	5,915	-	-	-	1,512,720	726,333
Revaluation decrements	(53,072)	(31)	-	-	-	-	-
Capital Contributions	-	-	-	-	-	54,246	-
Capitalisation of works in progress	20,899	-	-	1,831	-	889,155	-
At 30 June 2026	**2,666,177**	**36,723**	**272**	**14,395**	**14,618**	**12,207,104**	**5,029,870**

4.1.3 Depreciation, amortisation and impairment

($ thousands)

	Notes	2026	2025
Depreciation			
Buildings	**4.1.1**	1,399	1,449
Leasehold improvements	**4.1.1**	55	164
Plant and equipment	**4.1.1**	7,166	4,941
Fleet vehicles	**4.1.1**	2,487	2,376
Infrastructure assets	**4.1.1**	420,924	417,465
VDP service concession asset	**4.1.1**	90,050	90,053
Right of use assets	**4.2**	8,071	7,890
Total depreciation		**530,152**	**524,338**
Amortisation			
Intangible assets		8,524	9,301
Total amortisation		**8,524**	**9,301**
Total depreciation and amortisation		**538,676**	**533,639**

Depreciation and amortisation

Where assets have separate identifiable components that have distinct useful lives and/or residual values, a separate depreciation rate is determined for each component.

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, commencing from the time the asset is held ready for use. The assets residual values and useful lives are reviewed annually, and adjusted if appropriate, at the end of each reporting period.

Depreciation does not cease when an asset becomes idle or is retired from active use, unless the asset is fully depreciated. However, when an asset is retired permanently, depreciation ceases and the asset is derecognised

The depreciation charge for each period shall be recognised in profit or loss unless it is included in the carrying amount of another asset.

Physical, economic and environmental factors are taken into consideration in assessing the useful lives of the assets, including but not limited to asset condition and obsolescence, technology changes, capital planning and renewals, and climate-related risks. Climate-related risks may affect the expected useful lives, residual values and recoverable amounts of assets through increased exposure to extreme weather events, changing operating conditions, evolving resilience requirements and potential asset obsolescence arising from transition to a lower-carbon economy. These factors are considered when assessing depreciation rates and indicators of impairment.

VDP service concession assets are depreciated based on guaranteed lives per the Project Deed arrangements, which incorporate the impact of the ongoing Project Deed lifecycle cost payments accounted for as expenditure. Guaranteed lives are used because lifecycle costs cover repairs and maintenance and also asset replacements with shorter lives than the Project Deed. Parts of VDP that have a cost that is significant in relation to the total cost of VDP are depreciated separately.

Impacts resulting from changes in depreciation rates have been incorporated in the current year's results and have not been separately disclosed as the overall amount was not material.

Major depreciation and amortisation periods used are listed below:

Buildings	5 to 150 years (2024-25: 5 to 150 years)
Leasehold improvements	3 to 23 years (2024-25: 3 to 15 years)
Plant and equipment	3 to 50 years (2024-25: 3 to 50 years)
Infrastructure assets	2 to 242 years (2024-25: 2 to 245 years)
Fleet vehicles	2 to 25 years (2024-25: 2 to 25 years)
Intangible assets	2 to 25 years (2024-25: 2 to 25 years)
VDP service concession asset	9 to 100 years (2024-25: 9 to 100 years)
Right of use assets	3 to 23 years (2024-25: 3 to 8 years)

During the period, there were no material changes made to the useful lives of property, plant and equipment (2024-25: No material changes).

Indefinite life assets

Land, which is considered to have an indefinite life, is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

Impairment

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired.

All other assets are assessed annually for indications of impairment, except for:

- Inventories
- Non-current assets held for sale

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off to the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that the write down can be debited to an asset revaluation reserve amount applicable to that asset.

The recoverable value estimates used in the impairment of assets analysis consider forecast cash flows, growth and terminal capital expenditure estimates. The recoverable value estimates demonstrate that assets are not impaired. While forecasting is used to explore and help prepare for a wide range of potential future conditions (including the impacts of climate change and changes in macroeconomic conditions), there is a risk that the estimates made based on what is currently known may not reflect the actual impact of emerging risks in the future.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amounts for most assets are measured at the higher of the present value of future cash flows expected to be obtained from the asset or fair value less costs to sell.

Significant judgements and estimates

The determination of useful lives, residual values and impairment indicators requires judgement and estimation. Management considers asset condition, historical performance, technological change, capital renewal programs, regulatory requirements and climate-related risks when assessing useful lives and recoverable amounts. Changes in these assumptions may affect future depreciation and impairment charges

4.2 Right-of-use assets and leases

This note provides information for leases where the Corporation is a lessee.

(i) Amounts recognised in the Statement of Financial Position

The Statement of Financial Position shows the following amounts relating to leases[a]:

($ thousands)	2026	2025
Right-of-use assets		
Buildings	39,993	15,412
Equipment	3,841	-
Other	151	138
Total right-of-use assets	**43,985**	**15,550**
Lease liabilities		
Current	8,035	9,334
Non – Current	41,091	10,035
Total lease liabilities (included within interest bearing liabilities see Note 5.1)	**49,126**	**19,369**

Note:

(a) As a result of a change in FRD 104 Leases effective for reporting periods from 30 June 2026, right-of-use assets are measured at cost for reporting period 2026. The comparative information for reporting period 2025 is not restated and is reported at the previously determined fair value. For further information, refer to note 7.9.

Variable and low value leases are not included as right of use assets and lease liabilities

During the 2025-26 financial year there were $36.5 million of additions (2024-25: zero) to the right-of-use assets or lease liabilities.

The total cash outflow for leases in 2025-26 was $7.3 million (2024-25: $9.1 million).

(ii) The Corporation's leasing activities and how these are accounted for:

The Corporation leases buildings, minor equipment and various network connection assets.

Rental contracts are typically made for fixed periods of 2 to 10 years, but may have extension options.

Initial recognition

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Corporation.

Right-of-use assets are initially measured at cost and comprise of the following components:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Corporation's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable payments based on an index or rate, initially measured using the index or rate as at the
- commencement date;
- amounts expected to be payable under a residual value guarantee;
- payments arising from purchase and termination options reasonably certain to be exercised; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Corporation is exposed to future cash outflows that are not reflected in the measurement of lease liabilities. This includes:

- variable lease payments
- extension options and termination options, and
- leases not yet commenced to which the lessee is committed.

4.2 Right-of-use assets and leases (continued)

Subsequent re-measurements

Right of use assets are subsequently measured at cost less accumulated depreciation and any impairment expense (2024-25: Fair value). Refer to note 7.9 for information relating to the change in accounting policy.

Lease modifications

A lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of its original terms and conditions. A new lease is recorded if the modification increases the scope of the lease. If the modification is considered a re-assessment of the lease then the right of use assets and liabilities are remeasured. During 2025-26, two lease modifications were completed, relating to the corporate building lease and an equipment lease (2024-25: no lease modifications).

Depreciation

The Corporation depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Impairment

From 1 July 2025, right-of-use assets are measured using the cost model in accordance with FRD 104 Leases. Accordingly, right-of-use assets are assessed for impairment where indicators of impairment exist. No impairment losses were recognised during 2025-26. In 2024-25, right-of-use assets were measured using the fair value model.

Financing Our Operations

Introduction

The Corporation's operations are financed through a variety of means. Recurrent operations are generally financed from cash flows from operating activities (see Statement of Cash Flows). Asset investment operations are generally financed from a combination of surplus cash flows from operating activities, asset sales and borrowings.

This section provides information on the balances related to the financing of the Corporation's operations, including financial commitments at year-end.

5.1 Interest bearing liabilities

($ thousands)

	2026	2025
Current interest bearing liabilities		
VDP service concession liability	82,974	70,664
Lease liabilities	8,035	9,334
Borrowings	230,600	362,100
Total current interest bearing liabilities	**321,609**	**442,098**
Non-current interest bearing liabilities		
VDP service concession liability	3,251,184	3,334,159
Lease liabilities	41,091	10,035
Borrowings	5,463,688	4,813,174
Total non-current interest bearing liabilities	**8,755,963**	**8,157,368**
Total interest bearing liabilities	**9,077,572**	**8,599,466**

Interest bearing liabilities come from borrowings raised through the Treasury Corporation of Victoria (TCV), along with VDP service concession liability and leases. They are classified as financial instruments. All interest bearing liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Interest bearing liabilities are subsequently measured at amortised cost using the constant interest rate method, with interest expense recognised on an effective yield basis.

Financial liabilities for the VDP service concession liability were initially measured at the fair value of the service concession asset. Any modifications to the debt repayments are considered with reference to the guidance within AASB 9.

Where the Corporation has the right to defer settlement of the liability for at least twelve months after the reporting period, interest bearing liabilities are classified as non-current liabilities. Otherwise interest bearing liabilities are classified as current liabilities.

The Corporation has classified the majority of borrowings which mature within 12 months as non current liabilities on the basis that the Corporation has discretion to, and will refinance or roll over these loans with TCV pursuant to section 8 of the Borrowings and Investment Powers Act 1987. Short term borrowings are classified as current borrowings at floating interest rate.

Financial reporting impacts of climate related matters

Under the Greener Government Buildings Program, the Corporation entered into two Credit Foncier loans with TCV on the 28 September 2022 totalling $78.4M with a balance as at 30 June 2026 of $43.7 million included within borrowings (30 June 2025: $53.2 million). The purpose of these loans are to fund the below climate related projects:

- To implement the Eastern Treatment Plant and Winneke Water Treatment Plant Large Scale Solar projects, which are designed to reduce Scope 2 greenhouse gas emissions associated with the plants' energy consumption and operating costs associated with purchasing electricity for water treatment at the facilities operated by Corporation; and
- Installation of Mini Hydroelectric Power Stations at St Albans and Upper Yarra Reservoirs which have been commissioned and O'Shannassy which is expected to be commissioned in late 2025

The loans fund the construction of the above projects with cost savings from purchasing electricity to repay the loans over 8 years. These loans have the financial accommodation levy (FAL) waived, and differ to usual TCV loans in that principal and interest are paid progressively over the loan period.

5.1 Interest bearing liabilities (continued)

5.1.1 Breakdown of finance costs

($ thousands)

	2026	2025
Interest expense	186,355	160,308
VDP service concession liability	381,831	388,870
Lease liabilities	2,393	468
Financial Accommodation Levy	34,998	36,188
Total	**605,577**	**585,834**

Finance costs include interest on short-term and long-term borrowings, finance charges associated with the VDP service concession liability, interest on leases, the Victorian Government's Financial Accommodation Levy. An assessment has been performed and significant financing component on contracts with customers has been determined to be immaterial to recognise (2024-25: zero).

Financial accommodation levy is a levy applied to the Corporation to remove the market advantage that government entities may experience in borrowings as a result of being guaranteed by the State of Victoria. The financial accommodation levy is a commercial rate charged for new borrowings based on the Corporation's underlying credit rating and is paid into the State's Consolidated Fund in accordance with section 40N of the Financial Management Act 1994 in respect of financial accommodation provided to the Corporation by the State Government of Victoria.

Finance costs are recognised as expenses in the period in which they are incurred. Finance costs directly attributable to the acquisition, construction or production of these qualifying assets are not required to be capitalised and will continue to be expensed in the period in which they are incurred. All qualifying assets (being assets that necessarily take a substantial period of time to get ready for their intended use or sale) are measured at fair value.

5.2 Cash flow information and balances

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of 3 months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Deposits held and advances received are categorised as financial liabilities at amortised cost.

Reconciliation of net profit to net cash flows from operating activities

($ thousands)

	2026	2025
Profit for the period after tax	95,476	81,668
Plus/(less) non cash items:		
Depreciation and amortisation	538,676	533,639
Net loss on revaluation of non-financial assets	13,619	-
Net gain on sale of non-current assets (including RECs)	(8,456)	(18,907)
Assets written off/written down and asset transfers to Council	64,509	77,131
Developer contributed assets received	(71,975)	(10,373)
Defined benefit superannuation plan expense/(revenue)	(272)	(402)
RECs received/surrendered [a]	1,226	(5,784)
Changes in operating assets and liabilities (net of investing items):		
(Increase)/Decrease in trade and other receivables and contract assets	(3,447)	(36,289)
(Increase)/Decrease in prepayments and inventories	(2,476)	(2,557)
(Increase)/Decrease in Defined benefit superannuation plan asset	(3,255)	(188)
Increase/(Decrease) in trade and other payables, contract and other liabilities	74,536	(75,225)
Increase/(Decrease) in other provisions and employee benefits provisions	(1,996)	(3,749)
(Decrease)/Increase in current tax liability	22,331	(39,699)
(Decrease)/Increase in deferred tax liabilities	(45,159)	(17,835)
Net cash provided by operating activities	**673,337**	**481,430**

(a) REC's received from electricity commodity and renewable instrument contractual arrangements, and from self-generation activities by Corporation's assets (i.e. Mini Hydro's).

5.3 Commitments

Commitments for future expenditure include capital, operating and financing commitments arising from contracts.

These commitments are not recognised in the financial statements, but are disclosed at their nominal value and inclusive of the GST payable, except for finance lease liabilities which are disclosed at present value.

	($ thousands)	
	2026	2025
Capital expenditure commitments		
Total capital expenditure contracted for the construction of water, sewerage and waterways and drainage infrastructure:		
Less than 1 year	761,703	560,497
More than 1 year but less than 5 years	1,038,617	412,912
5 years or more	21,993	18,554
Total capital expenditure commitments	**1,822,313**	**991,963**

Other operating commitments		
Other operating commitments relate to operating contracts including energy, IT, research and development (excluding leases). Refer to note 5.4 for other operating commitments relating to the VDP service concession arrangement.		
Total other operating expenditure contracted for at balance date are as follows:		
Less than 1 year	48,372	47,013
More than 1 year but less than 5 years	77,324	61,771
Later than 5 years	429	11,792
Total other operating commitments	**126,125**	**120,576**

5.4 VDP service concession arrangement

Victorian Desalination Project Arrangement

The State of Victoria entered into a 30-year Public Private Partnership (PPP) arrangement with the AquaSure consortium (AquaSure) on 30 July 2009. The Victorian Desalination Project was initiated to design, build, finance and operate a desalination plant, transfer pipeline and 220 kV underground power cable capable of supplying 150GL of water per annum into the Melbourne network. Construction of the Victorian Desalination Project began in 2009 and the lease term commenced in 2012 upon successful commissioning. AquaSure is required to transfer the project assets to the State at the end of the project term for no additional payment by the State. The desalination plant assets will transfer from the State to the Corporation at the end of the project contract term (presently planned for 2039).

Under the arrangement, the state has an obligation to make Water Security Payments (WSPs) to the consortium provided the plant is maintained to the appropriate standard. The WSPs have two components: capital payments for the project assets and other expenses for operating, maintenance and lifecycle costs. The state will also make Water Usage Payments (WUPs) for any water that is ordered and delivered to the required standard. Water can be ordered annually for flexible amounts from 0GL to 150GL (in set increments). The arrangement also requires a minimum number of Renewable Energy Certificates (RECs) to be purchased to offset the electricity used by the plant. The number of RECs that are consumed will vary based on the volume of water produced by the plant. The number of banked RECs that remain at the end of the supply period are controlled by the State and not recognised by the Corporation.

An arrangement was entered into by the State and the Corporation, where a Statement of Obligations (SoO) was issued to the Corporation under section 4I of the Water Industry Act 1994 that required the Corporation to pay all monies as required by the State under the project deed with AquaSure. This includes payment of the WSPs and WUP in accordance with the Project Deed. The Corporation makes these payments to DEECA who are managing the contract with AquaSure on behalf of the State.

The Corporation also entered into a Victorian Desalination Project 'Water Interface Agreement' (WIA) and a Supplementary Water Interface Agreement with the State to record the terms of the interface and financial arrangements between the Project and the Corporation.

Service Concession Assessment and Policy

The State (in conjunction with the Corporation) has assessed the agreements between AquaSure, DEECA (on behalf of the State) and the Corporation, and concluded that the agreements are connected and should form one single commercial arrangement. Under the combined arrangement, the Corporation is considered the ultimate grantor under *AASB 1059 Service Concession Arrangements: Grantors*, and AquaSure the private sector operator that provides public services on behalf of the Corporation. Accordingly the Corporation applies AASB 1059 to the VDP arrangement. Service concession assets are recognised under Property plant and equipment in section 4.1 and related liabilities are disclosed under Interest bearing liabilities under section 5.1 respectively.

Changes in arrangement occurring in the current year

As at 30 June 2026 AquaSure had produced 50 GL for the 2025-26 supply period (zero GL for the 2024-25 supply period).

On 7 April 2026 the Minister for Water announced the 2026-27 Supply Notice (order) with a Required Annual Water Volume for 150 GL in 2026-27 and non-binding forecasts of 150 GL for 2027-28 and 150 GL for 2028-29 (2024-25 : 50 GL for 2025-26 and non binding forecasts for 75 GL for 2026-27 and 50 GL for 2027-28).During June 2026 AquaSure delivered 11.6 GL of the 2026-27 water order. The cost of the early water delivery is $8.8 million which has been accrued in the current financial year.

5.4 VDP service concession arrangement (continued)

VDP service concession arrangement liability

As per information provided by DEECA (in accordance with the WIA), the Corporation has recognised the following service concession liability:

($ thousands)

	Minimum future payments (exc GST)		Present value of minimum future payments (exc GST)	
	2026	2025	2026	2025
VDP service concession arrangement liability				
Less than 1 year	456,466	452,495	82,974	70,664
More than 1 year but less than 5 years	1,954,647	1,916,479	600,013	500,806
Later than 5 years	4,068,138	4,562,773	2,651,171	2,833,353
Minimum future liability payments	**6,479,251**	**6,931,747**	**3,334,158**	**3,404,823**
Less: Future finance charges	(3,145,093)	(3,526,924)	-	-
Total liability	**3,334,158**	**3,404,823**	**3,334,158**	**3,404,823**
Representing liability:				
Current (refer to 5.1) [a]			82,974	70,664
Non-current (refer to 5.1) [a]			3,251,184	3,334,159
Total liability			**3,334,158**	**3,404,823**

Note:
(a) The present value of the minimum future payments have been discounted to 30 June of the respective financial years using the weighted average interest rate of 11.28% (2024-25: 11.28%). These payments exclude finance charges.

VDP service concession arrangement - other commitments payable

Under the PPP arrangement that the state entered into with AquaSure, the State is required to make base water security payments, provided the plant is maintained to the appropriate standard. These payments are for costs related to the VDP's operation, maintenance and lifecycle costs. The nominal amounts for the other commitments below represent the charges payable under the agreement at the end of the reporting period for these costs. These commitments are not recognised in the balance sheet and are expensed as incurred.

The other commitments payable are disclosed based on information provided by DEECA (in accordance with the WIA):

($ thousands)

	2026	2025
Less than 1 year	305,191	214,053
More than 1 year but less than 5 years	903,873	830,550
Later than 5 years	2,115,264	2,354,545
Total other commitments (inclusive of GST) [a]	**3,324,328**	**3,399,148**
Less GST recoverable from the Australian Taxation Office	(302,212)	(309,013)
Total other commitments (exclusive of GST)	**3,022,116**	**3,090,135**
Present value of other commitments [b]	**1,865,562**	**1,553,517**

Note:

(a) The 'Other commitments' are updated to reflect indexation factors, such as Consumer Price Index, Producer Price Index, Chemical Index and Average Weekly Earnings Index. Commitments are updated for the change in actual amounts paid, and forecast percentage increases are based on the original forecasted indices and applied to the adjusted actual payments. This methodology has been applied to reduce volatility in the forecast 'Other commitments'.

(b) The present value of the 'Other commitments' has been discounted to 30 June of the respective financial years. The basis for discounting has been to take each 12 month period of cash flows and discount these cash flows at the end of the period using the annual discount rate. The discount rate used to calculate the present value of the commitment is 7.50% (2024-25: 9.99%) which is the nominal pre-tax discount rate representative of the overall risk of the project at inception.

(c) Net costs associated with the 50GL of water ordered for the 2025-26 financial year were reflected in commitments for 2024-2025 . The announcement of the 150GL water order for 2026-27 is a binding commitment and has been included in 2025-26. The announcement of the 150GL water order for 2027-28 and 150GL water order for 2028-29 are non-binding commitments and have not been included.

Significant judgements and estimates

Significant judgement is required in assessing the accounting treatment of the Victorian Desalination Project arrangements, including the determination that the Corporation is the grantor for accounting purposes under AASB 1059 and the measurement of the related service concession asset and liability. Estimates are also required in determining future cash flows and discounting assumptions used in measuring the liability and future commitments.

Risks, contingencies and valuation judgements

Introduction

The Corporation is exposed to financial risks from both its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements.

This section presents information on financial instruments, contingent assets and liabilities, and fair value determinations regarding the Corporation's financial assets and liabilities.

6.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Corporation's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes). Such assets and liabilities do not meet the definition of financial instruments.

The Corporation's principal financial instruments are contractual in nature and comprise:

- Cash and cash equivalents
- Trade debtors and other receivables (including derivative cashflow hedge)
- Payables (including trade creditors, interest payable, accruals and other payables)
- VDP service concession liability
- Lease liabilities
- Borrowings (including short term, floating rate notes and fixed interest)

The Corporation's policy on financial instruments is noted below.

Classification and measurement of financial instruments

Receivables and cash are financial instruments with fixed and determinable payments that are not quoted on an active market. Financial assets are initially measured at fair value plus any direct transaction costs. Subsequent to initial measurement, receivables are measured at amortised cost using the effective interest rate method, less impairment, as the objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest.

Gains or losses are recognised in the statement of profit or loss and comprehensive income as either:

- interest income calculated using the effective interest rate;
- impairment losses under the expected credit loss model; or
- gain or loss on derecognition.

The following assets are held with the objective to collect the contractual cash flows:

- Cash and cash equivalents
- Trade debtors and other receivables

Financial liabilities are initially recognised at fair value minus any directly attributable transaction costs. These financial instruments are are subsequently measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of profit or loss and other comprehensive income, over the period of the interest bearing liability using the effective interest rate method.

The Corporation recognises the following liabilities:

- Trade creditors, accruals and interest payable (excluding statutory payables)
- VDP service concession liability
- Lease liabilities
- Other payables
- Borrowings (including short term, floating rate notes and fixed interest)

6.1 Financial instruments (continued)

Gains or losses are recognised in the statement of profit or loss and other comprehensive income as either:

• interest expense calculated using the effective interest rate;

• gain or loss on derecognition.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the statement of profit or loss and other comprehensive income as an 'other economic flow' included in the net result. Gains or losses include:

• Fair value changes either realised or unrealised;

• Interest

Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Corporation has transferred substantially all the risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Impairment of financial assets

The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for contractual receivables. On this basis, an assessment undertaken by management has identified that historical debt write-offs and future expected losses are immaterial. As such, there is no allowance for expected credit losses as at 30 June 2026 (2024-25: Nil).

Categories of financial instruments

($ thousands)

	2026	2025
Financial assets at amortised cost		
Cash and cash equivalents	1,046	2,159
Trade debtors	91,373	74,034
Other receivables [a]	63,446	69,606
Total financial assets at amortised cost	**155,865**	**145,799**
Financial liabilities at amortised cost		
Payables [a]	590,898	609,049
Interest bearing liabilities		
VDP service concession liability	3,334,158	3,404,823
Lease liabilities	49,126	19,369
Short term borrowings	230,600	362,100
Floating rate notes	185,000	35,000
Fixed interest borrowings	5,278,688	4,778,174
Total financial liabilities at amortised cost	**9,668,470**	**9,208,515**

Note:
(a) Other receivables and payables include a $1.1 million derivative cashflow hedge measured at fair value.

Financial risk management

The objectives of the Corporation's Treasury Management Policy are to:

- Manage the Corporation's cost of borrowings through effective control and management of interest rate risk
- Manage the Corporation's cost of borrowings in line with the revenue provided in the applicable Pricing Determination to cover the cost of debt
- Manage working capital requirements by ensuring sufficient cash resources and funds are available to meet daily and long-term liquidity needs within approved parameters, while utilising excess cash to reduce debt balances
- Ensure that adequate financial accommodation facilities are in place to meet the short and long-term liquidity needs
- Ensure that all financial and operational risk exposures are identified and managed
- Ensure adequate internal controls, roles and responsibilities
- Maintain an indicative investment grade corporate credit rating and credit metrics.

These objectives are consistent with the Corporate Risk Management Policy and Framework of the Corporation, the Corporation's Financial Strength Goals, Standing Directions issued by the Minister for Finance and the Victorian Public Sector Debt Management Objectives.

The Corporation's Treasury Management Policy manages financial risk by:

- Managing the financial risks arising from the regulatory price determination process, specifically the mismatch between the regulator's revenue allowance for debt costs and actual debt costs throughout the regulatory period
- Actively managing liquidity and funding risk

The following are the key measures used to manage financial risk:

Portfolio composition (i.e. fixed and floating) - During the 2025-26 financial year, the Corporation reviewed its Treasury Management Policy and have made no changes from the prior year bands by which it manages its debt portfolio:

Floating interest rate borrowings	0-30%
Fixed interest rate borrowings	70-100%

Physical maturity profile – Debt maturity of fixed and floating rate notes is not to exceed 15% of the total debt portfolio in any financial year.

Interest rate risk profile – Forward Rate Agreements are used to mitigate the risk from adverse interest rate increases where the actual interest rates paid to finance debt are at risk of being higher than the debt allowance received in revenue to finance debt. The Corporation's goal is to align the actual interest rate risk profile to the profile used by the Essential Services Commission (ESC) in setting our revenue.

The Corporation aligns the interest rate re-pricing profile of the debt portfolio with the annual regulatory weighted average cost of capital (WACC), which is re-set based on the 10-year trailing average approach used by the ESC to determine revenue. The aim in doing so is to reduce the risk of regulatory interest rate mismatch. The Corporation also aims to align the modified duration of its debt portfolio in line with the regulatory benchmark portfolio.

Financing arrangements – The capacity to borrow funds and manage the associated risks is subject to the provisions of the *Borrowing and Investment Powers Act 1987*. In accordance with this Act, the Treasurer of Victoria issues an annual approval, permitting new borrowings and the refinancing of all loan maturities for that year and non-maturing loans upon request. All funding is sourced from the Treasury Corporation of Victoria (TCV).

The Corporation's total approved maximum borrowing limit for 2025-26 of $6,064.9 million (2024-25: $5,442.1 million) was not exceeded at any stage throughout the financial year.

Capital management – The Corporation manages its finances in order to maintain a stable and appropriate capital structure given the financial risk profile and the regulated nature of its business. The Corporation's aim is to maintain credit metrics consistent with an investment grade long-term corporate credit rating.

The Corporation has the following externally imposed limits in relation to capital management:

- Financial Accommodation cannot exceed the approval limits set by the Treasurer of Victoria pursuant to the *Borrowing and Investment Powers Act 1987*
- The Corporation, with the exception of working capital accounts, is required to borrow and invest exclusively with TCV.

The Corporation's gearing ratio (Total Debt/Total Assets) at 30 June 2026 was 41.7% (2024-25: 46.1%) and interest cover cash ratio was 2.4 times (2024-25: 2.1 times).

Gearing and Interest Cover ratios are some of a number of benchmarks that are considered by the Board when considering an appropriate capital structure. These ratios are approved via the Corporate Plan.

Development Services Schemes (Schemes) – the Corporation has functions relating to regional drainage, floodplain management and waterway management in relation to its waterway management district across greater Melbourne under the *Water Act 1989*, and related responsibilities as a determining referral authority for certain planning permit applications under the *Planning and Environment Act 1987* and Victoria Planning Provisions. The Corporation prepares schemes to plan the infrastructure for new urban development to guide the standards developers must meet regarding flood protection, water quality, waterway health and amenity and establish the financial contributions that will apply to developers to fund the provision of the required infrastructure. Schemes consist of an infrastructure plan and pricing model for the provision of developer funded drainage works. Schemes operate on a user pays principle where developers pay the full cost of the assets required to meet the designated standards of service. Once constructed, assets servicing catchments over 60 hectares are owned and managed by the Corporation. Works within a catchment size of less than 60 hectares are transferred to councils for ongoing management upon agreement from council (see note 3.6 Asset transfers to council).

The Essential Services Commission (ESC) regulates the principles for calculating developer charges. A key principle is that charges for schemes are based on a discounted cash flow analysis to ensure an economic net present value neutral outcome to the Corporation. Timing differences can arise between capital expenditure and collection of the developer charges for each scheme. These timing differences are funded by the Corporation through operating cash flows and/or borrowings with any surplus or deficit also adjusted/funded through adjustments to the regulatory asset base via the regulatory pricing model set by the ESC in every pricing re-set. Schemes are subject to regular financial and engineering reviews by the Corporation to seek to ensure they remain financially sustainable and the infrastructure meets evolving requirements.

Future capital commitments for schemes are accounted for consistently with other future capital commitments for the Corporation (included in total capital expenditure commitments at Note 5.3 where there is a committed future contract for the works).

6.1.1 Interest rate risk

Interest rate exposure as at 30 June 2026

($ thousands)

	Weighted average	Floating interest	Fixed interest	Non-interest bearing	Total carrying amount
Financial assets					
Cash and cash equivalents	4.50%	1,046	-	-	1,046
Trade debtors	-	-	-	91,373	91,373
Other receivables	-	-	-	63,446	63,446
Total financial assets		**1,046**	**-**	**154,819**	**155,865**
Financial liabilities					
Payables	-	-	-	590,898	590,898
Interest bearing liabilities					
VDP service concession liability [a]	11.28%	-	3,334,158	-	3,334,158
Lease liabilities	4.76%		49,126		49,126
Short term borrowings	4.99%	230,600	-	-	230,600
Floating rate notes	5.16%	185,000	-	-	185,000
Fixed interest borrowings	4.22%	-	5,278,688	-	5,278,688
Total financial liabilities		**415,600**	**8,661,972**	**590,898**	**9,668,470**

Interest rate exposure as at 30 June 2025

($ thousands)

	Weighted average	Floating interest	Fixed interest	Non-interest bearing	Total carrying amount
Financial assets					
Cash and cash equivalents	4.00%	2,159	-	-	2,159
Trade debtors	-	-	-	74,034	74,034
Other receivables	-	-	-	69,606	69,606
Total financial assets		**2,159**	**-**	**143,640**	**145,799**
Financial liabilities					
Payables	-	-	-	609,049	609,049
Interest bearing liabilities					
VDP service concession liability [a]	11.28%	-	3,404,823	-	3,404,823
Lease liabilities	1.91%		19,369		19,369
Short term borrowings	4.02%	362,100	-	-	362,100
Floating rate notes	4.06%	35,000	-	-	35,000
Fixed interest borrowings	3.30%	-	4,778,174	-	4,778,174
Total financial liabilities		**397,100**	**8,202,366**	**609,049**	**9,208,515**

Note:
a) The weighted average interest rate for the VDP service concession arrangement is the interest rate implicit in the arrangement. AASB 9 requires gains or losses from VDP refinancing activities to be recognised immediately through profit and loss. The gains or losses reflect the difference between the original contractual cash flows and the modified cash flows discounted at the original 'effective interest rate'.

6.1.1 Interest rate risk (continued)

Interest rate risk sensitivity analysis

($ thousands)

2026	Profit or Loss		Equity	
	-50 basis points	+50 basis points	-50 basis points	+50 basis points
Cash and cash equivalents	(13)	13	(9)	9
Interest bearing liabilities	2,078	(2,078)	1,455	(1,455)
Total	**2,065**	**(2,065)**	**1,446**	**(1,446)**

($ thousands)

2025	Profit or Loss		Equity	
	-50 basis points	+50 basis points	-50 basis points	+50 basis points
Cash and cash equivalents	(11)	11	(8)	8
Interest bearing liabilities	1,986	(1,986)	1,390	(1,390)
Total	**1,974**	**(1,974)**	**1,382**	**(1,382)**

Exposures arise predominately from liabilities bearing variable interest rates as the Corporation intends to hold fixed rate liabilities to maturity. At 30 June 2026 and 30 June 2025, if interest rates had changed by +/- 50 basis points from the year end rates with all other variables held constant, the net profit before tax and the impact on equity would have changed by the amounts shown above.

6.1.2 Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

It is the Corporation's policy to hedge the effect of foreign currency exchange rate movements on the fair values of any transactions in excess of AUD $1.0 million. The Corporation's policy requires all hedging to be undertaken through TCV in the form of Forward Foreign Exchange Contracts.

As at 30 June 2026, the Corporation had $1.1 million Forward Foreign Exchange Contracts (30 June 2025: zero).

6.1.3 Price risk

Price risk is the risk that the Corporation will suffer financial loss due to adverse movements in the price of commodity inputs and/or outputs related to its business operations.

The Corporation faces a range of risks associated with the procurement, delivery and funding of assets, goods and services. The Corporation continues to experience significant cost increases in many goods and services that are necessary for ongoing operation and delivery of projects consistent with significant market trend. The Corporation is also exposed to disruptions to supply chains from economic and natural events, however has risk management plans in place to mitigate and minimise these disruptions to business operations where possible. These challenges are ongoing which could impact service delivery and the ability to meet financial performance targets and commitments.

The Corporation regularly assesses exposures to supply chain disruptions and identifies controls and options to reduce any exposures going forward.

Commodity price risk from business operations is quantified and hedged appropriately to minimise risk. Hedging of the risk is mostly performed through supply and service contracts to provide certainty over timing and quantity (i.e. contracts for electricity, chemicals and procurement process to deliver capital works), however increased supplier initiated price escalation has been observed, again consistent with significant market trend.

The Corporation has governance arrangements, processes, procedures and systems in place to prioritise delivery of its capital program and projects.

6.1.4 Credit risk

Credit risk is the risk of financial loss to the Corporation as a result of a customer or counterparty to a financial instrument failing to meet its contractual obligations in full and on the due date. The Corporation's exposure to credit risk is influenced by the individual characteristics of each customer or counterparty.

All receivables are recognised at the amounts receivable less any expected credit loss. Receivables are reviewed on an ongoing basis to identify amounts which cannot be collected. Debts which cannot be collected are written off. The Corporation applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. Refer to note 2.3 (Receivables).

The major exposure to credit risk arises from Trade Debtors and Other Receivables.

Trade Debtors are comprised of:

- Metropolitan retail water businesses with minimal credit risk exposure to the Corporation. These debtors are invoiced in two parts. The first part is a usage charge that is invoiced weekly and paid within 7 days. The second part is an availability charge that is invoiced monthly and paid within 14 days.
- Waterways and Drainage customers. The collection of payments and overdue receivables is managed by the metropolitan retail water businesses as part of billings and collection agreements with the Corporation. In addition any unpaid debt is allocated against the property title and will be extinguished if there is a change in property ownership.

Other receivables primarily consist of accrued revenue in relation to our services.

All financial risk management instruments are transacted with TCV, whose liabilities are guaranteed by the Victorian Government. The Corporation potentially has a concentration of credit risk with TCV as the central borrowing authority of Victoria. This risk is considered minimal.

6.1.5 Climate-related risk

Climate change is a risk for the Corporation. Climate change risk includes the physical risk which can cause direct impact to natural resources including water supply, or damage to assets or property as a result of changes in climate conditions (including rising global temperatures) as well as transition risks which arise from the transition to low-carbon economy. The impacts of climate change create resilience challenges for our services. Understanding and preparing for climate risks is a critical component of the Corporation's long term strategy development. At a strategic level, climate risk is incorporated into our corporate risk register, recognising the complex and comprehensive nature of the adaption and transition challenges. Climate risk and opportunities are also integrated into the overarching strategic goals that guide planning, investment and culture at Melbourne Water. Refer to the operating sections of the annual report for additional climate related risk disclosures.

As at 30 June 2026, the Corporation considered climate related risk in the preparation of the financial statements as summarised at Note 1 (Financial reporting impacts of climate related matters).

6.1.6 Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its short-term financial obligations. The Corporation manages liquidity risk by maintaining and conducting efficient banking practices and account structures, sound cash management practices and regular monitoring of the maturity profile of assets and liabilities, together with anticipated cash flows.

The objective of the Corporation's financial risk management policies is the optimal utilisation of cash with all surplus funds used to repay borrowings.

Undiscounted maturity analysis of financial liabilities ($ thousands)

2026	Total carrying amount	Total contractual cash flows	1 year or less	1 to 5 years	Over 5 years
Non-interest bearing	590,898	590,898	590,898	-	-
Variable rate	415,600	438,654	249,655	188,999	-
Fixed rate	8,661,972	13,376,753	1,452,984	5,054,257	6,869,512
Total	**9,668,470**	**14,406,305**	**2,293,537**	**5,243,256**	**6,869,512**

2025	Total carrying amount	Total contractual cash flows	1 year or less	1 to 5 years	Over 5 years
Non-interest bearing	609,049	609,049	609,049	-	-
Variable rate	397,100	417,632	378,061	39,571	-
Fixed rate	8,202,366	13,259,937	1,167,853	4,614,386	7,477,698
Total	**9,208,515**	**14,286,618**	**2,154,963**	**4,653,957**	**7,477,698**

6.1.7 Other matters

Net holding gain/(loss) on financial instruments by category ($ thousands)

2026	Net holding gain	Interest revenue/ (expense)	Total
Financial assets	-	556	556
Financial liabilities at amortised cost	-	(605,577)	(605,577)
Total	**-**	**(605,021)**	**(605,021)**

2025	Net holding gain	Interest revenue/ (expense)	Total
Financial assets	-	493	493
Financial liabilities at amortised cost	-	(585,834)	(585,834)
Total	**-**	**(585,341)**	**(585,341)**

Note:
(a) Details regarding the recognition of gains or losses on financial instruments are provided at Note 6.1.

6.2 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1: the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.
- Level 2: the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly.
- Level 3: the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. The fair values are classified as level 2 within the fair value hierarchy with the exception of cash and cash equivalents (classified as level 1).

Carrying amounts, fair values and fair value hierarchy ($ thousands)

	2026		2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	1,046	1,046	2,159	2,159
Trade debtors	91,373	91,373	74,034	74,034
Other receivables	63,446	63,446	69,606	69,606
Total financial assets	**155,865**	**155,865**	**145,799**	**145,799**
Financial liabilities				
Payables	590,898	590,898	609,049	609,049
Interest bearing liabilities				
VDP service concession liability	3,334,158	4,109,837	3,404,823	4,313,099
Lease liabilities	49,126	49,126	19,369	19,369
Short term borrowings	230,600	230,600	362,100	362,400
Floating rate notes	185,000	185,000	35,000	35,088
Fixed interest borrowings	5,278,688	5,094,056	4,778,174	4,711,974
Total financial liabilities	**9,668,470**	**10,259,517**	**9,208,515**	**10,050,980**

6.3 Contingent assets and liabilities

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity (for example: potential litigation or climate related risks. These climate-related risks may include potential obligations arising from future regulatory changes, environmental remediation requirements, adaptation measures, or damage resulting from extreme weather events where the existence or financial impact of the obligation remains uncertain at the reporting date).
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations
  - the amount of the obligations cannot be measured with sufficient reliability

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but if quantifiable are disclosed below.

	($ thousands)	
	2026	2025
Contingent liabilities [a]	40,953	45,720

Note:
(a) Contingent liabilities primarily relate to compulsory land acquisitions where the Corporation will receive an equivalent land asset. Compulsory land acquisitions have not been included as contingent assets. Given the significant estimation uncertainty, compulsory land acquisitions are not treated as provisions. The Corporation only recognises assets and liabilities once the Notice of Acquisition has been issued to the landowner. Total compulsory land acquisitions for 2025-26 are $39.9 million (2024-25: $44.4 million).

Contingent liabilities also include possible outflows associated with legal actions both quantifiable and unquantifiable (where there is a possible outflow that can not yet be measured with sufficient reliability).

The extreme weather flooding event from October 2022 is no longer considered an unquantifiable contingent liability as the insurers have confirmed the Corporation's liability exposure in connection with this event is limited to its normal insurance excess.

Significant judgements and estimates are required in determining whether obligations should be recognised as provisions, disclosed as contingent liabilities or not disclosed. This assessment considers the likelihood of an outflow of economic resources and whether a reliable estimate of the obligation can be made. These assessments may relate to legal proceedings, compulsory land acquisitions and climate-related exposures.

Other Disclosures

Introduction

This section includes those additional disclosures required by Australian Accounting Standards or otherwise, that are material, for the understanding of this financial report.

7.1 Superannuation – defined benefit plan

Defined benefit members receive lump sum benefits on retirement, death, disablement and withdrawal. Some defined benefit members are also eligible for pension benefits in some cases. Benefits are calculated on a multiple of an employee's final salary. The multiple is dependent on an employee's length of service and their contribution rate. The fund ceased including new members from September 1994. At each reporting date, a liability or asset in respect of defined benefit superannuation obligations is recognised. This is measured as the difference between the present value of the defined benefit obligations at the reporting date and the net market value of the Plan's assets.

Actuarial gains and losses arising from the Corporations defined benefit superannuation scheme are recognised immediately in Other Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they occur.

The Plan's Trustee (Equipsuper) is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- Administration of the Plan and payment to the beneficiaries from Plan assets when required in accordance with the Plan rules
- Management and investment of the Plan assets
- Compliance with superannuation law and other applicable regulations.

There are a number of risks to which the Plan exposes the Corporation. The more significant risks relating to the defined benefits are investment risk, salary growth risk, legislative risk and pension risk.

Reconciliation of the present value of the defined benefit superannuation obligation ($ thousands)

	2026	2025
Present value of defined benefit obligation at beginning of the year	38,890	40,698
Current service cost	916	989
Interest cost	1,718	2,075
Contributions by Plan participants	340	414
Benefits paid	(6,179)	(6,903)
Taxes and premiums paid	(255)	(284)
Actuarial losses/(gains) arising from changes in demographic assumptions	138	(85)
Actuarial (gains)/losses arising from changes in financial assumptions	(1,800)	2,008
Actuarial (gains)/losses arising from liability experience	616	(22)
Present value of the defined benefit obligation at year end	**34,384**	**38,890**

Reconciliation of the fair value of Plan assets ($ thousands)

	2026	2025
Fair value of Plan assets at beginning of the year	69,894	71,514
Contributions by Plan participants	340	414
Benefits paid	(6,179)	(6,903)
Taxes and premiums paid	(255)	(284)
Interest income	2,906	3,466
Actual return on Plan assets less interest income	1,937	1,687
Fair value of Plan assets at year end [a]	**68,643**	**69,894**

7.1 Superannuation – defined benefit plan (continued)

Reconciliation of the assets and liabilities recognised in the Statement of Financial Position ($ thousands)

	2026	2025
Net defined benefit asset/(liability) at start of year	31,004	30,816
Current service cost	(916)	(989)
Net interest	1,188	1,391
Actual return on Plan assets less interest income [b]	1,937	1,687
Actuarial (losses)/gains arising from changes in demographic assumptions [b]	(138)	85
Actuarial gains/(losses) arising from changes in financial assumptions [b]	1,800	(2,008)
Actuarial gains/(losses) arising from liability experience [b]	(616)	22
Net defined benefit asset at year end	**34,259**	**31,004**

Note:
(a) Fair value based on level 2 inputs using observable market data (either directly using prices or indirectly derived from prices).
(b) Net actuarial gain before tax was $3.0 million (2024-25: loss of $0.2 million) and after tax gain of $2.1 million (2024-25: loss of $0.2 million).

The Corporation has recognised an asset in the Statement of Financial Position in respect of its defined benefit superannuation Plan arrangements at 30 June 2026 (2024-25: asset). If the Plan is in surplus, the Corporation may reduce the required contribution rate, depending on the advice of the Plan's actuary. If a deficit exists in the Plan, the Corporation may be required to increase the contribution rate, depending on the advice of the Plan's actuary consistent with the Plan's deed.

During 2025-26, the contributions rate continued to be zero due to sufficient surplus in the Plan (2024-25: zero).

Significant actuarial assumptions at the balance sheet date

	2026	2025
Assumptions to determine defined benefit cost		
Discount rate	4.5%	5.3%
Expected salary increase rate	3.0%	3.0%
Expected pension increase rate [a]	2.5%	2.5%
Assumptions to determine defined benefit obligation		
Discount rate [b]	5.4%	4.5%
Expected salary increase rate	3.0%	3.0%
Expected pension increase rate [c]	2.5%	2.5%
Pension take up rate	30.0%	25.0%

(a) 2024-25: 3.5% for the first year and 2.5% per annum thereafter.

(b) In the current year the Corporation used high quality corporate bond rates with 5 years duration to discount the defined benefit liability (2024-25: high quality corporate bond rates with 5 years duration).

(c) 5.0% in the first year and 3.5% in the second year and 2.5% pa thereafter (2024-25: 2.5% per annum)

7.2 Responsible persons

The relevant Portfolio Minister and directors of the Corporation are deemed to be the responsible persons by Ministerial Direction pursuant to the provisions of the *Financial Management Act 1994*. In accordance with *FRD 21 (Disclosures of responsible persons and executive officers in the financial report)*, the following disclosures are made regarding responsible persons for the reporting period.

The names of persons who were responsible persons at any time during the financial year were:

Minister for Water	Hon Harriet Shing MP	15 April 2026 to 30 June 2026
Chair	Pat McCafferty	28 April 2026 to 30 June 2026
Managing Director	Dr Nerina Di Lorenzo	1 July 2025 to 30 June 2026
Director (Deputy Chair)	Monique Conheady [a]	1 July 2025 to 30 June 2026
Director	James Atkins	1 July 2025 to 30 June 2026
Director	Binda Gokhale	1 July 2025 to 30 June 2026
Director	Freya Marsden	1 July 2025 to 30 June 2026
Director	Cameron Myrtle	1 July 2025 to 30 June 2026
Director	Anita Roper	1 July 2025 to 30 June 2026
Director	Lahra Carey	1 October 2025 to 30 June 2026
Director	Prue Digby	1 October 2025 to 30 June 2026
Minister for Water (former)	Hon Gayle Tierney MP	1 July 2025 to 14 April 2026
Chair (former)	Greg Wilson	1 July 2025 to 23 December 2025
Director (former)	Fiona Rowland	1 July 2025 to 30 September 2025
Director (former)	Andrew Cairns	1 July 2025 to 30 September 2025

Note:
a) Acting as the Chair of the Board from 23/12/2025 – 27/04/2026.

Remuneration

Remuneration received or receivable by the responsible persons (excluding Ministers) in connection with the management of the Corporation during the reporting period is as follows:

	Total Remuneration	
	2026	2025
Income Band ($)	Number	Number
10,000 - 19,999	3	-
40,000 - 49,999	2	-
50,000 - 59,999	3	8
60,000 - 69,999	3	-
70,000 - 79,999	1	-
100,000 - 109,999	-	1
610,000 - 619,999	-	1
680,000 - 689,999	1	-
Total numbers [a]	**13**	**10**
Total remuneration ($000) [b]	**1,247**	**1,164**

Note:
(a) The total number of responsible persons was higher in 2025–26 due to the departure of three directors following significant periods of service and the appointment of three new directors. This contrasts with 2024–25, when the Board remained stable throughout the year with no director turnover.

(b) Total remuneration for responsible persons was higher in 2025-26 due to the increase in entitlements as per the terms of the Public Entity Executive Remuneration Policy for executive contracts.

7.3 Remuneration of executives

The number of executive officers, other than responsible persons, and their total remuneration during the reporting period are shown in the table below. Executive officers are defined under *FRD 21 (Disclosures of responsible persons and executive officers in the financial report)* as those employed under an executive contract (excluding the Managing Director and other responsible persons). Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period. Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services and previously accrued long service leave taken during the period.

Post-employment benefits include pensions and other retirement benefits paid or payable when employment has ceased.

Other long-term benefits include long service leave, other long-service benefit or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

Remuneration of executive officers	($ thousands)	
	2026	2025
Short-term employment benefits	2,634	2,307
Post-employment benefits	197	178
Other long-term benefits	52	57
Termination benefits	128	-
Total remuneration [a]	**3,011**	**2,542**
Total number of executive officers [a]	**7**	**6**
Total annualised employee equivalent [b]	**6**	**6**

Note:
(a) Total remuneration was higher in 2025-26 due to remuneration increases provided to executive officers in line with the Premier's Direction, termination benefits arising from the completion of an executive contract, an additional pay period occurring during the financial year.

(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

7.4 Related parties

The Corporation is a wholly owned and controlled entity of the State of Victoria. Related parties of the Corporation include:

- All Key Management Personnel (KMP) and their close family members and personal business interests (i.e. controlled entities, joint ventures and entities they have significant influence over).
- All Cabinet Ministers and their close family members and all departments and public sector entities that are controlled and consolidated into the whole of State consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

AASB 124 Related Parties defines KMPs as those persons who have the authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, during the financial year. KMPs of the Corporation include the Portfolio Minister and all Directors listed under responsible persons in Note 7.2.

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the State of Victoria's Annual Financial Report.

7.4 Related parties (continued)

	($ thousands)	
Compensation of KMP	**2026**	**2025**
Short-term employment benefits	1,140	1,064
Post-employment benefits	91	86
Other long-term benefits	16	14
Total	**1,247**	**1,164**

Transactions with KMPs and other related parties

During the year, related parties of KMPs were awarded contracts on terms and conditions equivalent to those that prevail in arm's length transactions under the Corporation's procurement process. The Corporation has prepared the related party disclosures for the year based on reasonable enquiries made by management in relation to the Portfolio Minister and their close family members and the information available to the organisation.

Significant related party transactions include transactions between the Corporation, a KMP or a KMP related-party and a Department or a public body. Transactions have been assessed on an arm's length basis with a materiality threshold set at $0.1 million.

These transactions are as follows:

	($ thousands)	
Freya Marsden - Director	**2026**	**2025**
Freya Marsden was an Independent Member of the Audit and Risk Committee of the Department of Treasury and Finance until 31 December 2025. All dealings with the Department of Treasury and Finance during the reporting period were conducted on normal terms and conditions. Freya Marsden's brother is a partner and shareholder at Marsden Jacob Consulting. All dealings with this agency were on normal terms and conditions during the reporting period.		
Total payments made up to 31 December 2025 to the Department of Treasury and Finance were:	80,936	174,500
Total payments made to Marsden Jacob Consulting were:	147	-
Nerina Di Lorenzo - Managing Director		
Nerina Di Lorenzo is a Director of the Water Services Association Australia. All dealings with this agency were on normal terms and conditions during the reporting period.		
Total payments made to Water Services Association Australia were:	449	463

All other transactions that have occurred with KMPs and their related parties have been trivial or civil in nature. In this context, transactions are only disclosed when they are considered of interest to users of the financial report in making and evaluating decisions about the allocation of scarce resources and to better understand the effects of related party transactions on the financial statements.

Significant transactions and balances with Government related parties

Entities that have significant influence or the same controlling entity as the Corporation are considered to be related parties of the Corporation. The following entities are considered to be related parties of the Corporation:

Department of Energy, Environment and Climate Action (DEECA)

DEECA leads and directs the Corporation in the implementation of the framework for achieving the Victorian Government's responsibilities for sustainability of the natural and built environment. DEECA monitors the Corporation's compliance with the *Water Act 1989*, Water Interface Agreement and the Supplementary Agreement to the Water Interface Agreement for the Victorian Desalination Project. The Corporation makes Victorian Desalination Project payments directly to DEECA who are managing the contract with AquaSure on behalf of the State.

Department of Treasury and Finance (DTF)

DTF monitors the Corporation's compliance with the *Financial Management Act 1994*. DTF is responsible for protecting the shareholder's interest in respect of corporate business plans and capital project approvals above $125 million (2024-25: $125 million). DTF also collects income taxes, the Financial Accommodation Levy, Local Government Rates Equivalent, dividend payments and capital repatriations from the Corporation.

Greater Western Water, South East Water, Yarra Valley Water and Barwon Water

Greater Western Water, South East Water, Yarra Valley Water and Barwon Water are Government owned water corporations with agreements with the Corporation that include bulk water and sewerage, bulk recycled water supply, billings collections and biosolids storage arrangements. These agreements operated on normal terms and conditions during the reporting period.

Treasury Corporation of Victoria (TCV)

TCV provides financial accommodation (loans to the Corporation), executes financial arrangements (derivatives) and provides/arranges the provision of financial services to the Corporation. Any investments above $2 million are also required to be invested with TCV.

Development Victoria

Development Victoria creates and delivers economic and social value to Victoria. Development Victoria will deliver property and precinct development projects to meet Government’s policy objectives and application of its experience and expertise to the delivery of civic projects.

Department of Transport and Planning (DTP)

The Department of Transport and Planning (DTP) is responsible for planning, land use, transport and infrastructure policy across Victoria. During the reporting period, the Corporation transacted with DTP in the ordinary course of business in relation to planning, development and infrastructure activities.

7.4 Related parties (continued)

Other transactions

All other transactions with Victorian Government related party entities were made on normal commercial terms and conditions and have not been disclosed below.

Material transactions with related parties ($ thousands)

	2026	2025
Receipts from related parties (inclusive of GST)		
DEECA	12,980	14,220
Greater Western Water	477,617	445,109
South East Water	693,738	668,595
Yarra Valley Water	694,617	668,901
Barwon Water	11,439	10,095
Development Victoria	6,635	8,676
DTP	931	1,371
TCV [a]	1,419,014	888,025
Receipt of contributed assets		
DTP	54,246	-

Note:
a) Prior year disclosure has been amended to include proceeds from TCV borrowings.

($ thousands)

	2026	2025
Payments to related parties (inclusive of GST)		
DEECA	704,062	659,082
DTF	145,893	174,500
Greater Western Water	6,520	5,383
South East Water	7,314	7,458
Yarra Valley Water	9,534	6,621
TCV [a]	1,084,400	590,000
DTP	2,386	1,105
Dividend paid		
DTF	1,046	-
Repayment of capital repatriations		
DEECA	50,566	-
Transfer of contributed assets		
DEECA	-	6,581

Note:
a) Prior year disclosure has been amended to include repayments of borrowings to TCV. Previously only interest repayments to TCV were reported.

7.4 Related parties (continued)

Outstanding balances arising from sales/purchases of goods and services ($ thousands)

	2026	2025
Receivables		
Greater Western Water	66,989	54,285
South East Water	20,413	16,766
Yarra Valley Water	23,133	18,668
Barwon Water	502	5
DTP	125	253
Payables		
DEECA	3,335,543	3,404,992
DTF	36,381	14,840
DTP	2,887	12
Greater Western Water	-	3
South East Water	350	88
Yarra Valley Water	180	43
Barwon Water	143	-
TCV	5,738,007	5,218,929

Transactions relating to dividends and capital repatriations are subject to final determination by the Treasurer after consultation with the Corporation's Board of Directors and the Minister for Water. Transactions relating to equity contributions are determined by the Minister for Water in consultation with the Corporation. Transactions relating to trading activities of the Corporation including sale of bulk water, sale of sewerage services and collection of drainage rates are based on normal commercial terms and conditions.

The State Government of Victoria has provided a guarantee on loans sourced from the Treasury Corporation of Victoria (*Borrowing and Investment Powers Act 1987*). There were no other guarantees given to or received from any related parties.

7.5 Remuneration of auditors

($ thousands)

	2026	2025
Audit of financial and performance report by the Victorian Auditor-General's Office	349	303
Total amount paid/payable	**349**	**303**

7.6 Ex-gratia expenses

In accordance with *FRD 11 Disclosure of Ex-Gratia Expenses* the Corporation must disclose in aggregate the total amount of material (greater than $5,000) expenses.

For 2025-26, the Corporation had no ex-gratia expenses (2024-25: $nil)

7.7 Subsequent events

No matters or circumstance have arisen since 30 June 2026 which have significantly affected, or may significantly affect:

- the Corporation's operations;
- the results of those operations; and/or
- the Corporation's state of affairs in the financial year subsequent to 30 June 2026.

7.8 Australian Accounting Standards issued that are not yet effective

Certain new amendments to accounting standards that are deemed relevant to the Corporation have been published, but are not mandatory for the 30 June 2026 reporting period. The Corporation has not adopted these amendments early in accordance with DTF guidance.

The Corporation's assessment of the impact of these amendments is set out below:

The following amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the Corporation's reporting (with the exception of AASB 18 where impacts have been noted below).

- *AASB 2024-2 Amendments to Australian Accounting Standards – Classification and Measurement of Financial Instruments*
- *AASB 17 Insurance Contracts, AASB 2022-8 Amendments to Australian Accounting Standards Insurance Contracts: Consequential Amendments and AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*

AASB 18 Presentation and Disclosure in Financial Statements

AASB 18 replaces AASB 101 Presentation of Financial Statements and is applicable 1 January 2027. The Standard aims to improve how entities communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss.

Consequential amendments have also been made to other accounting standards, including AASB 108 which will have its title changed from "Accounting Policies, Changes in Accounting Estimates and Errors" to "Basis of Preparation of Financial Statements", with content moved from AASB 101 to that standard.

The standard introduces enhanced requirements for the aggregation and disaggregation of information in both the primary financial statements and the notes, provides clearer guidance on the appropriate location of disclosures, and requires additional information for items presented as "other".

Changes to the statement of profit or loss:

- income and expenses will now be categorised as operating, financing and investing.
- two new required subtotals, namely, operating profit and profit before income and taxes, have been introduced to improve analysis.

Changes to the notes to the financial statements:

- will now contain a new note disclosure on management defined performance measures
- a requirement to disclose by nature specified expenses included in each line item in the operating category

The new standard will have significant impacts on the presentation of the financial statements and disclosure notes. Management will be reviewing the requirements of the standard to ensure systems and processes are ready for 2027-28 reporting year.

7.9 Changes in accounting policy

Accounting policy change

The Corporation has changed its policy in line with the new amendment to FRD 104 Leases, which mandates a change in accounting policy from the revaluation model to the cost model for the subsequent measurement of right-of-use assets arising from market leases.

The Corporation used the modified retrospective approach in which deemed cost is determined, and that periodic valuations are no longer required, however, annual impairment assessments are now applicable. For 2025-26 there were no impairment losses recognised.

This change comes in effect this reporting period. The new policy change had no impact on financial results.

Except for the change outlined in the above paragraphs, there have been no other changes in accounting policy during the 2025-26 financial year.

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of Melbourne Water Corporation

Opinion	I have audited the financial report of Melbourne Water Corporation (the corporation) which comprises the: • statement of financial position as at 30 June 2026 • statement of profit or loss and other comprehensive income for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including material accounting policies • declaration by Directors and Chief Financial Officer. In my opinion, the financial report presents fairly, in all material respects, the financial position of the corporation as at 30 June 2026 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's responsibilities for the audit of the financial report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Key audit matters	Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

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Key audit matter	How I addressed the matter
Fair value of infrastructure assets *Note 4.1.2 – Fair value determination of non-financial physical assets*	

Fair value of infrastructure assets: $12.207 billion
I considered this to be a key audit matter because:
• infrastructure assets are financially significant
• the fair value estimate is derived from an income-based valuation approach that uses a discounted cashflow (DCF) model
• management engage an external valuation expert to prepare the fair value estimate
• the DCF model is highly complex and involves significant judgements and assumptions
• small changes in key assumptions used in the DCF model can materially affect the fair value
• the DCF model's forecast period is long, and includes a terminal value, which increases the difficulty in accurately estimating the fair value
• the applicable accounting standard AASB 13 *Fair Value Measurement* requires extensive financial report disclosures.
	My key procedures included:
	• obtaining an understanding of the approach to estimating the fair value of infrastructure
	• assessing the competence, objectivity and capability of management's expert engaged to assist with the valuation process
	• engaging a subject matter expert to assist us in obtaining sufficient appropriate audit evidence, including:
	  ○ the appropriateness of using an income-based valuation approach
	  ○ the identification and assessment of the reasonableness of any changes to the DCF model and/or assumptions
	  ○ the reasonableness and consistency of assumptions used in the DCF model
	  ○ the reasonableness of all inputs used in the DCF model, with specific reference to underlying data and supporting documentation
	  ○ the DCF model's computational accuracy.
	• assessing the completeness and adequacy of financial report disclosures against the requirements of AASB 13, including the significant observable and unobservable inputs utilised in the model and the sensitivity analysis.

Board's responsibilities for the financial report

The Board is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report

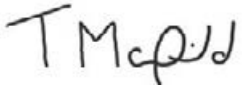
As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the corporation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

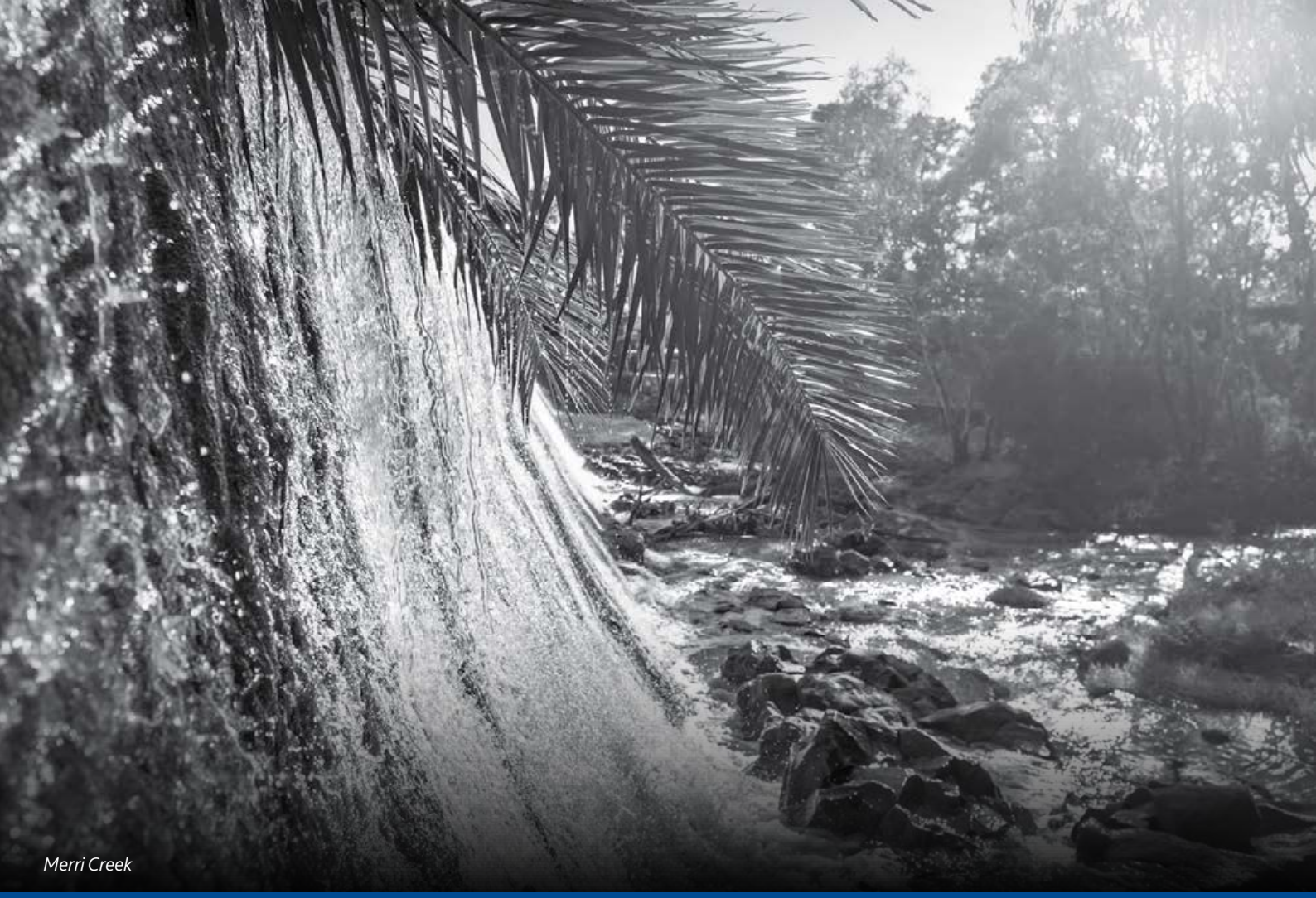
From the matters communicated with the Board, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. I describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



MELBOURNE
8 September 2026

Timothy Maxfield
as delegate for the Auditor-General of Victoria


Melbourne
Water



Merri Creek

Performance Reporting

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Performance Report

Financial Performance Indicators

Key Performance Indicator [1]	2024-25 Result	2025-26 Result	Variance to prior year	Notes	2025-26 Target	Variance to target	Notes
Cash Interest Cover Net operating cash flows before net interest and tax / net interest payments	2.1	2.3	9.5%		2.2	4.5%	
Gearing Ratio Total debt (including service concession liabilities and leases) / total assets * 100	46.1%	41.7%	-9.5%		-48.5%	14.0%	[2]
Internal Financing Ratio Net operating cash flow less dividends / net capital expenditure * 100	54.9%	62.5%	13.8%	[3]	44.2%	41.4%	[3]
Current Ratio Current assets / current liabilities (excluding long-term employee provisions and revenue in advance)	0.19	0.23	21.1%	[4]	0.13	76.9%	[4]
Return on Assets Earnings before net interest and tax / average assets * 100	4.0%	3.9%	-2.5%		4.1%	-4.9%	
Return on Equity Net profit after tax / average total equity * 100	1.0%	1.1%	10.0%	[5]	1.0%	10.0%	[5]
EBITDA Margin Earnings before interest, tax, depreciation and amortisation / total revenue * 100	60.4%	60.1%	-0.5%		63.1%	-4.8%	

Notes - to Performance and Financial Sustainability Report:

[1] Performance indicators as mandated in Ministerial Reporting Direction 07 - Performance and Financial Management. As required by MRD 07 any variances to target or last year of more than 10% for financial performance indicators and 5% for non financial performance indicators have been further explained within these notes.

[2] The 2025-26 result for Gearing is favourable to target due to lower debt $354.8 million and higher total assets $2,341.1 million. Lower debt levels were primarily driven by capital expenditure being below target due to project re-phasing and delivery sequencing (predominantly related to commissioning activities and project delays due to other authority works at the Western Treatment Plant), and rephasing of developer services land purchases. Rephasing reflects deliverability and customer sequencing rather than scope reduction.

[3] The 2025-26 result for Internal Financing Ratio is favourable to prior year and target mainly due to higher operating cash flows (up $191.9 million to prior year and $56.7 million to target). The favourable variance to prior year is partially offset by higher payments for capital projects (up $187.1 million to prior year).

Operating cash flows are higher to prior year and target mainly due to higher receipts of cash from developers prior to scheme price increases taking effect. The increase in operating cash flows to prior year was also driven by higher bulk water, sewerage and waterways and drainage services receipts due to higher prices as per the 2021 ESC price determination.

The higher payments for capital projects to prior year is driven by the increased capital expenditure program to deliver the price determination outcomes. The capital expenditure was actually below target due to project re-phasing and delivery sequencing (predominantly related to commissioning activities and project delays due to other authority works at the Western Treatment Plant), and rephasing of developer services land purchases. Rephasing reflects deliverability and customer sequencing rather than scope reduction.

[4] The 2025-26 result for Current Ratio is favourable to prior year and target mainly due to higher revenue received in advance (included in contract liabilities) for developer contributions ($99.0 million to prior year and $80.5 million to target). The higher developer contributions is due to higher receipts of cash from developers prior to scheme price increases taking effect, where revenue recognition has not yet been met.

[5] The 2025-26 result for Return on Equity is favourable to prior year and target mainly due to higher net profit after tax ($13.8 million to prior year and $11.4 million to target) partially offset by higher average equity ($2,142.7 to prior year and $1,034.2 to target). The increase in net profit after tax to prior year is mainly due to higher bulk water, sewerage and waterways and drainage charges as per the 2021 ESC price determination partially offset by higher expenditures. The increase in net profit after tax to target is mainly due higher developer contributed assets for projects reaching completion earlier than expected. The increase in equity to prior year and target is driven by higher reserves resulting from the 2025-26 formal asset revaluations.

Water, sewerage and other service performance indicators

Key Performance Indicator [1]	2024-25 Result	2025-26 Result	Variance to prior year	Notes	2025-26 Target	Variance to target	Notes
Water Quality Compliance with Bulk Water Service Agreement (BWSA): Microbiological Standards - *E. coli*	100.0%	100.0%	0.0%		100.0%	0.0%	
Water Quality Compliance with BWSA: Aesthetics — Turbidity	97.9%	100.0%	2.1%		91.5%	9.3%	[6]
Non-Compliance with other Environment Protection Authority Victoria (EPA Victoria) Licence and SEPP parameters - Sewerage system failure Spills due to sewerage system failure	0.0	0.0	0.0%		0.0	0.0%	
Compliance with EPA Victoria discharge licence requirements							
Western Treatment Plant (WTP)	97.1%	97.1%	0.0%		100.0%	-2.9%	
Eastern Treatment Plant (ETP)	100.0%	100.0%	0.0%		100.0%	0.0%	
Waterways — Drainage and Flood Protection ($m) Reduction in flood damages over the lifetime of works	$322.3	$476.1	NA	[7]	$155.0	207.2%	[7]
Waterways condition Maintain river health (% of 10 target sites at high-value rating)	100.0%	100.0%	0.0%		100.0%	0.0%	
Recycled Water - WTP Recycled water schemes fully compliant with regulatory obligations and their contractual requirements, as outlined in the relevant Bulk Recycled Water Supply Agreement							
Volume demands - % supplied of target	67.0%	67.0%	0.0%		100.0%	-33.0%	[8]
Quality - % hours at target quality	100.0%	100.0%	0.0%		100.0%	0.0%	
Recycled Water - ETP Recycled water schemes fully compliant with regulatory obligations and their contractual requirements, as outlined in the relevant Bulk Recycled Water Supply Agreement							
Volume demands - % supplied of target	100.0%	100.0%	0.0%		100.0%	0.0%	
Quality - % hours at target quality	100.0%	100.0%	0.0%		100.0%	0.0%	

Notes – to Performance Report:

[1] Performance indicators as mandated in Ministerial Reporting Direction 07 - Performance and Financial Management. As required by MRD 07 any variances to target or last year of more than 10% for financial performance indicators and 5% for non financial performance indicators have been further explained within these notes.

[6] The favourable variance compared to target for water quality (turbidity) was due to optimised water harvesting, including improved monitoring of colour and turbidity and tighter operational limits. Higher-colour water was directed to Winneke, where filtration is available, while lower-colour water was transferred to Silvan, resulting in improved source water quality outcomes.

[7] The Waterways - Drainage and Flood protection indicator result is not comparable to the prior year as it is a cumulative result.

The Waterways - Drainage and Flood Protection indicator represents the anticipated reduction in damages from flood impacts across the Port Phillip and Westernport region, achieved through investment in flood mitigation activities, including asset and non-asset solutions. This metric forms part of the Waterways and Drainage Investment Plan 2021-2026, approved by the Essential Services Commission, and reflects Melbourne Water's ongoing commitment to reducing flood impacts for the community.

The KPI is calculated based on annual average reduction in flood damages resulting from planning and building permit referrals, flood mitigation works and flood education activities. For planning and building permit referrals, the calculation is based on the number of referrals where flood-related floor level advice is provided and an estimated reduction in flood damages derived from a 2020 study. For flood education activities, the calculation applies an estimated reduction in property damages based on community engagement outcomes. The combined estimated damages avoided from these activities, together with the benefits delivered through flood mitigation works, are used to determine performance against the KPI. The methodology is based on engineering and economic principles and studies and is reviewed annually by an independent auditor.

The indicator is favourable to target due to the flood effects reduction program delivering a higher volume of outcomes than originally planned, including building and planning permit referrals with appropriate flood-related conditions, approved flood mitigation works and community education activities.

During 2025-26, the following outcomes were achieved:

- 539 building and planning permit referrals were responded to with floor level advice, exceeding the target of 150.
- The flood education program achieved 3,685 effective community engagements, as measured through the annual evaluation undertaken by the University of Melbourne.
- Flood mitigation works delivered an estimated Annual Average Damage (AAD) reduction of $4.6 million

The target of 150 referrals was established when the KPI was introduced in 2020 as part of the Waterways and Drainage Investment Plan 2021-2026, based on the best available estimate of the annual volume of referrals expected to require floor level advice. Improved referral tracking systems implemented since that time have provided greater visibility of referral activity and have demonstrated that actual referral volumes are significantly higher than originally estimated.

The major flood event that occurred in 2022 continues to have a significant impact on housing and communities across affected areas. Melbourne Water continues to support affected communities while investing in flood mitigation initiatives that reduce future flood impacts. Further information on the flood effects reduction program is available on the Corporation's website.

[8] The unfavourable variance against target for WTP recycled water volume demands (% supplied of target) was due to the WTP being unable to supply Class A recycled water for four months because of Blue Green Algae (BGA), leading to a customer complaint. The Corporation implemented a range of measures to improve reliability of supply, including hydrogen peroxide dosing treatment to manage the blooms, an interim risk assessment that reviewed the BGA cell count limit for irrigation purposes only, and regular monitoring to keep customers informed. These measures reduced BGA cell counts to an extent, but did not reduce them sufficiently to enable supply to resume during the affected period. Learnings from the current year will inform further measures to improve reliability in future years.

The minimum annual contractual Class A recycled water volume demand is measured based on actual supply from the Water Treatment Plant (WTP), rather than customer orders, as customers may use less than requested. The Bulk Agreement specifies annual targets rather than daily or monthly volumes. Given the difficulty in distinguishing between periods where customers use less than requested and periods where the WTP is unable to supply Class A recycled water, customer complaints are used as a key consideration in assessing performance against this KPI.

Certification of Performance Report for 2025-26

We certify that the accompanying Performance Report of Melbourne Water Corporation in respect of the 2025-26 financial year is presented fairly in accordance with the *Financial Management Act 1994*.

The Performance Report outlines the relevant performance indicators for the financial year as determined by the Minister for Water and as set out in the 2025-26 Corporate Plan, the actual and comparative results achieved for the financial year against predetermined performance targets and these indicators, and an explanation of any significant variance between the actual results and performance targets and/or between the actual results in the current year and the previous year.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Performance Report to be misleading or inaccurate.



Pat McCafferty
Chair

28 August 2026



Dr Nerina Di Lorenzo
Managing Director

28 August 2026



Efee Peell
Chief Financial Officer

28 August 2026

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board of Melbourne Water Corporation

Opinion	I have audited the performance report of Melbourne Water Corporation (the corporation) for the year ended 30 June 2026, which comprises the: • financial performance indicators • water and sewerage and other service performance indicators • notes to the performance report • certification of the performance report. In my opinion, the performance report of the corporation for the year ended 30 June 2026 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 7 of the *Financial Management Act 1994*.
Basis for opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's responsibilities for the audit of the performance report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the corporation in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the performance report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board's responsibilities for the performance report	The Board is responsible for the preparation and fair presentation of the performance report in accordance with the performance reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of the performance report that is free from material misstatement, whether due to fraud or error.

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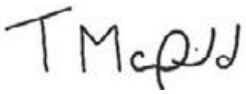
Auditor's responsibilities for the audit of the performance report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the performance report.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

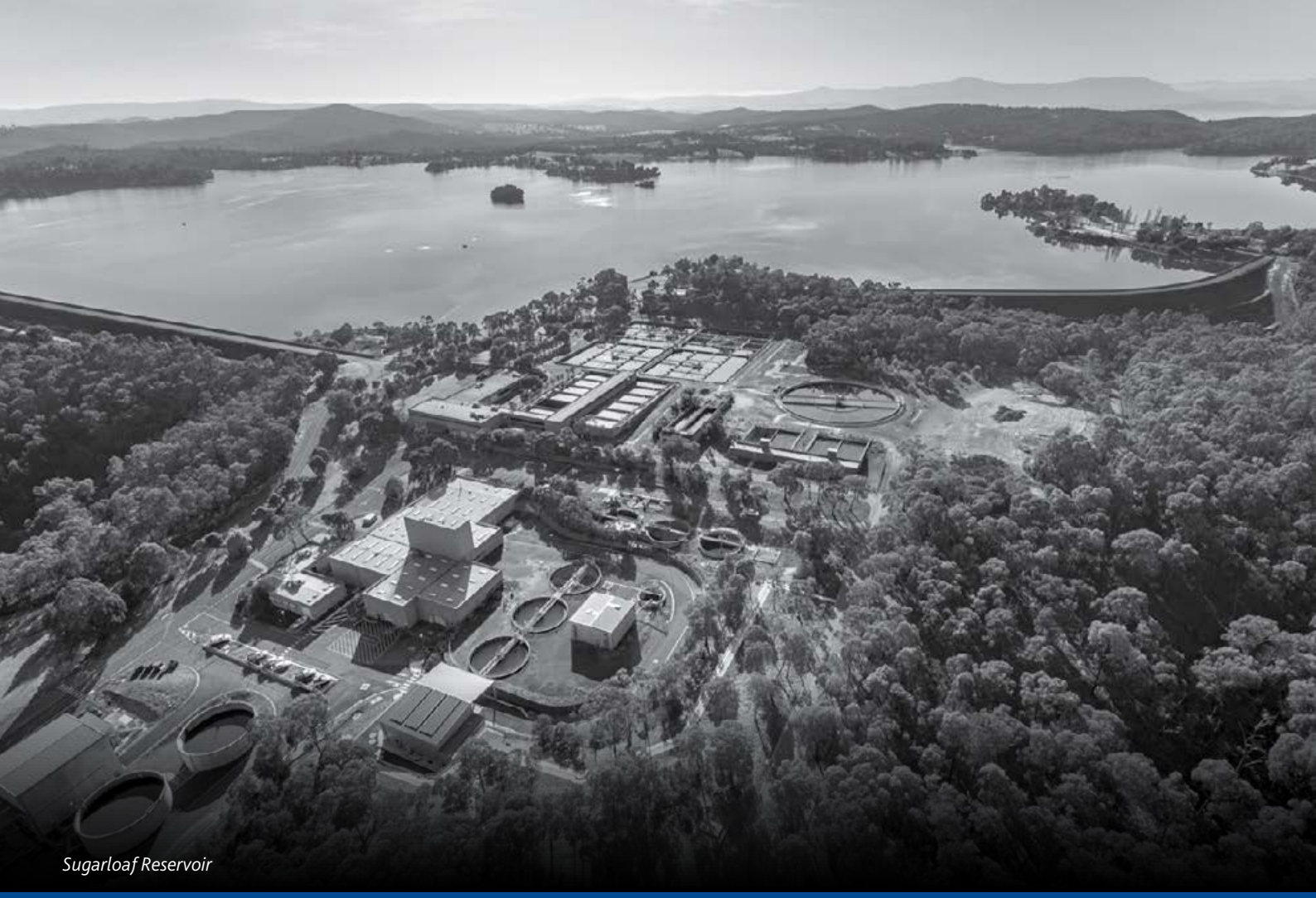
- identify and assess the risks of material misstatement of the performance report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the corporation's internal control
- evaluate the overall presentation, structure and content of the performance report, including the disclosures, and whether the performance report represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE
8 September 2026

Timothy Maxfield
as delegate for the Auditor-General of Victoria



Sugarloaf Reservoir

Appendices

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Appendix A – Disclosure index

The *Melbourne Water Annual Report 2025-26* is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to demonstrate Melbourne Water's compliance with statutory disclosure requirements.

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Appendix B – Corporate information

Carers Recognition Act 2012

Melbourne Water continues to apply the legislated care relationship principles set out in the *Carers Recognition Act 2012* (Vic) across our policies, procedures and practices. This includes recognising, respecting and supporting employees with caring responsibilities, and ensuring their experiences are considered through an intersectional lens.

Melbourne Water has demonstrated this throughout 2025-26 with initiatives such as:

- strengthening equitable access to flexible work and leave arrangements, informed by analysis of employee experience and uptake data
- embedding caring considerations within broader policy and practice updates, including flexibility, leave, and workplace adjustments
- enhancing our Diversity, Inclusion & Belonging Census and data analysis, enabling better understanding of employees balancing work and caring responsibilities across different focus areas
- progressing actions under our Social Disadvantage focus area, recognising the financial and structural impacts that can disproportionately affect carers
- improving the consistency and clarity of communication about support options, including flexible work and available entitlements
- continuing to build an inclusive workplace culture through co-design, engagement, and wellbeing initiatives, supporting employees to seek flexibility and support without stigma.

This work reflects a shift towards embedding support for carers across Melbourne Water's broader Belonging Action Plan, strengthening the systems, culture, and conditions that enable carers to participate fully at work.

Consultancy expenditure

The following is a summary of consultancy expenditure by Melbourne Water over the 2025-26 financial year. Details of individual consultancies are outlined on Melbourne Water's website.

Consultancies valued at $10,000 or greater

In 2025-26, there were 31 consultancies engaged where the total fees payable to the consultants were $10,000 or greater (2024-25: 33). The total expenditure incurred during 2025-26 in relation to these consultancies was $2,986,261 (2024-25: $3,705,285) (excluding GST).

Consultancies valued at less than $10,000

In 2025-26, there were 8 consultancies engaged where the total fees payable to the consultants were less than $10,000 (2024-25: 3). The total expenditure incurred during 2025-26 in relation to these consultancies was $48,669 (2024-25: $9,840) (excluding GST).

Government advertising campaigns

In 2025–26, Melbourne Water's total expenditure on government advertising campaigns was $750,000 (excl. GST), relating to its contribution to the statewide Make Every Drop Count campaign. The campaign ran from January – April 2026 and was delivered collaboratively by DEECA, Barwon Water, Greater Western Water, Melbourne Water, South East Water, and Yarra Valley Water.

The campaign supported the Victorian Government's Water Security Plan and its Target 150 objective. It delivered strong reach across integrated channels, generating over 100 million digital impressions. Engagement was also high, with more than 210,000 unique campaign website visitors and nearly 400 stakeholder pack downloads.

Information and Communication Technology (ICT) expenditure

For the 2025-26 reporting period, Melbourne Water had a total Information and Communication Technology expenditure of $111,967,350 (2024-25: $89,946,239) with the details shown below.

Table 18: ICT expenditure in 2025-26

($ 000)

Business as usual (BAU) ICT expenditure (Total)	Non-business as usual (non-BAU) ICT expenditure (Total = Operational and Capital expenditure)	Non-BAU ICT expenditure Operational expenditure (OPEX)	Non-BAU ICT expenditure Capital expenditure (CAPEX)
$75,701	$36,267	$11,608	$24,659

The increase in ICT expenditure from FY24/25 to FY25/26 is due to the addition of depreciation cost for capitalised ICT projects of $22.9 mil which was not included in the 24/25 disclosure.

Definitions

Non-Business as Usual (Non-BAU): Non-Business as Usual Information and Communication Technology expenditure is a subset of Information and Communication Technology expenditure that relates to extending or enhancing current Information and Communication Technology capabilities and are usually run as projects.

Business as Usual (BAU): all remaining Information and Communication Technology expenditure is considered business as usual Information and Communication Technology expenditure and typically relates to ongoing activities to operate and maintain the current Information and Communication Technology capability.

Review and study expenses

The following outlines the individual publicly available studies and reviews that were undertaken by Melbourne Water during 2025-26.

Table 19: Studies and reviews undertaken by Melbourne Water in 2025-26

Name of Review/Study &/or agency responsible	Reasons for review/Study	Terms of Reference/scope	Anticipated outcomes	Estimates cost for the year (excl GST)	Final Cost if completed (excl GST)	Publicly available (Y/N) and URL
Melbourne Water Price Submission 2026-2031	A regulatory requirement for all Water Corporations. Melbourne Water was required to prepare a Price submission in 2025 for the period 2026-2031.	Victorian Water Corps are required to prepare 5 year prices submission detailing proposed services, investments and maximum prices which are then reviewed the Essential Services Commission	ESC adoption of the Melbourne Water Price Submission including what prices could be charged and the level of services for the next 5	$21,150.00	on going	Price Submission – Melbourne Water website[24]
Regional Waterway Strategy (Phase 1)	Review the Regional Waterway strategy in line with integrated planning and the coordination of land and water responsibilities.	Phase 1 To develop methodology aligned with State Government requirements and guidelines, engage with Traditional Owners, seek efficiencies with other plans and strategies and establish working groups.	An updated Regional Waterway Strategy	$41,550.00	$41,550.00	No (on going)
Waterways and Drainage investment plan Annual Key Performance Indicator assessment	To assess progress on the performance of the strategy for the year 2025/2026	Annual Progress report on the plan including targets and areas for improvement	Inform decision making and prioritisation.	$32,500	on going	Waterways and Drainage Investment Plan - Melbourne Water website[25]
Healthy Waterways strategy – annual report card	To assess progress on the performance objectives of the strategy for the 2025/2026 year	Annual progress report at the regional catchment and sub-catchment scale including overarching summary and case studies	Inform the development of Melbourne Water and partner waterway programs	$143,107	$143,107	Healthy Waterways Strategy[26]

[24] https://letstalk.melbournewater.com.au/maribyrnong-river-flood-model/flood-mitigation-study
[25] https://healthywaterways.com.au/report-card
[26] https://healthywaterways.com.au/

Disclosure of grants and transfer payments (other than contributions by owners)

Melbourne Water supports our customers and the community to undertake a range of activities to help improve the health of our waterways and deliver our vision of enhancing life and liveability.

In particular, we have two main grant categories:

- Liveable Communities, Liveable Waterways: allows Melbourne Water to achieve its goals by supporting others to undertake activities that we cannot deliver on our own. They also enhance our education and community engagement activities and facilitate outcomes through collaboration.
- Victorian Landcare Grants: supports environmental volunteer groups and networks to protect and restore land and the environment. These grants are funded by DEECA and delivered through Victoria's ten CMAs. Melbourne Water administers the program as the PPWCMA.

Table 20: Grants provided in 2025-26 by type

Grant type	Total payment ($)
Liveable Communities Liveable Waterways	12,749,359
Victorian LandCare Grants	482,754
Other Grants	2,599,478
Total	**15,831,591**

Disclosure of emergency procurement

Melbourne Water has a specific set of guidelines for enacting procurement outside of approved 'business as usual' arrangements during incidents and emergencies. In certain defined emergency circumstances, Melbourne Water is permitted to forgo routine procurement procedures. The procurement of materials, equipment and labour can be undertaken outside of existing delegated approval authorities, quotation and sourcing requirements.

Melbourne Water is to balance the need to act without delay (for example, to save or preserve life, safeguard buildings or repair critical infrastructure) against meeting our overarching agency obligations (act lawfully, reasonably and with integrity).

During 2025–26, Melbourne Water enacted the emergency procurement procedure on one occasion to address an identified safety hazard that needed to be rectified before the site could safely resume operations. Due to the urgency of mitigating the risk and ensuring the ongoing safety of Melbourne Water staff and its representatives, a supplier was engaged outside the standard procurement process. The required procurement steps, including approvals and documentation, were subsequently completed retrospectively in accordance with emergency procurement governance requirements.

Disclosure of procurement complaints

Under the Governance Policy of the Victorian Government Purchasing Board (VGPB), Melbourne Water must disclose any formal complaints relating to the procurement of goods and services received through its procurement complaints management system.

During 2025–26, Melbourne Water received one complaint relating to a procurement outcome. The complaint was thoroughly investigated, including the engagement of independent external probity oversight to review the matter and the procurement process. The investigation found no evidence of non-compliance or issues requiring further action. While the complaint was received during the reporting period, it was lodged late in the financial year and, at the time of drafting this report, the matter remained open pending final communication with the complainant before formal closure.

Pricing

Melbourne Water's wholesale water and sewerage prices increase by approximately 2.0 per cent plus inflation (2.4 per cent) in 2025-26, reflecting the ESC's 2021 Price Determination with updates to cost of debt and payments associated with the Victorian Desalination Project including the 50GL water order costs. The annual residential waterways and drainage charge increased by 0.01 per cent less inflation only (i.e. 2.39 per cent) in 2025-26 to $125.

Disclosure of major contracts

Melbourne Water has disclosed, in accordance with Ministerial Directions and Instructions for Public Construction Procurement in Victoria and the VGPB policies, all contracts or contract variations greater than $100,000 in value entered into during the year ended 30 June 2026. Details of contracts can be viewed on the Buying for Victoria website[27].

Competitive neutrality policy

Melbourne Water is corporatised, with an independent Board and independent, objective performance monitoring. Melbourne Water faces the same tax treatment, borrowing requirements and regulations as a private business. As outlined above, Melbourne Water also operates in an environment where the ESC determines cost-based pricing. In this regard, our processes are consistent with the requirements of the Victorian Competitive Neutrality Policy.

[27] https://www.tenders.vic.gov.au/contract/search?keywords=&title=&code=&buyerId=318106&supplierName=&minCost=&expiryDateFrom=&expiryDateTo=&startDateFrom=&startDateTo=&contractStatus=&awardedDateFrom=&page=&preset=&browse=false&desc=true&orderBy=startDate

Freedom of Information

Melbourne Water is subject to the *Freedom of Information Act 1982 (Vic) (FOI Act)*.

Melbourne Water's Freedom of Information Officers are:

Principal Officer:
Mr P McCafferty
Chair of the Board, Melbourne Water Corporation

Authorised Officers:
Ms K Croker
Authorised Freedom of Information Officer

Ms V Skliris
Authorised Freedom of Information Officer

Requests

Table 21: FOI statistics for the reporting period

Decisions made 23	Other requests 23
Access outcomes: • Access in full: 16 • Access in part: 7 • Access denied: 0	**Outcomes:** • Application fee not paid: 3 • Request not clear: 7 • Did not proceed: 5 • Act does not apply: 1 • Provided outside the FOI Act: 2 • Not yet finalised: 2 • Undertaking clarification: 3
Requests relating to: • Asset management: 7 • Environment and planning: 12 • Personal information: 1 • Water Act: 1 • Miscellaneous: 2	**Requests relating to:** • Asset management: 9 • Environment and planning: 10 • Personal information: 2 • Water Act: 2
Requests received in 2025-26 from: • Members of the public: 29 • Law firms: 6 • Members of the media: 3 • Community interest groups: 2	
Documents released: • Total number of documents: 204 • Documents released in full: 167 • Documents released in part: 37	

Reviews and complaints

During the reporting period, one decision review and no complaints were received from the Victorian Information Commissioner. No Victorian Civil and Administrative Tribunal (VCAT) applications were lodged in relation to reviews of decisions and complaints.

Access to documents

If you would like to make a request under the FOI Act, you may use the online Freedom of Information application form[28] on Melbourne Water's website.

We also accept applications made in writing to:

The Freedom of Information Officer
Melbourne Water
PO Box 4342
Melbourne VIC 3001

[28] https://www.melbournewater.com.au/about/publications/legislation/freedom-information

Each application must clearly identify the documents sought and must be accompanied by the required application fee of $34.50.

General enquiries about Freedom of Information can be made by contacting the authorised Freedom of Information Officers between 9am and 5pm Monday to Friday via email: foimanagement@melbournewater.com.au or by calling, 131 722.

Information required under Part 2 of the FOI Act is available on our website. This includes information about Melbourne Water's functions, decision-making, consultation arrangements, and publications.

Categories of documents

Melbourne Water uses a computerised records management system to manage its correspondence and documentation. We use online computer systems to manage our financial, human resource and other operational activities and plans relating to water supply, waterways, and drainage and sewerage responsibilities. Historical archives of our activities are available through the Public Record Office Victoria. More information is in the Part II Information Statement on our website[29].

Privacy

Melbourne Water is governed by the *Privacy and Data Protection Act 2014* (Vic), *Health Records Act 2001* (Vic) and *Privacy Act 1988* (Cth) regarding federal government identifiers such as Tax File Numbers. Melbourne Water is committed to protecting the privacy of all personal and health information it collects and does so in accordance with its Privacy Policy and privacy laws.

No complaints were received from the Office of the Victorian Information Commissioner, Health Complaints Commissioner or the Office of the Australian Information Commissioner.

If you wish to access your personal and health information that is held by Melbourne Water, seek a copy of our Privacy Policy or make a privacy complaint, please call 131 722 (within Victoria) or (03) 9679 7100 (within the rest of Australia) or write to:

The Privacy Officer
Melbourne Water
PO Box 4342
Melbourne VIC 3001

Or
Attention: Privacy Officer at privacy@melbournewater.com.au

Other information available on request

In compliance with the requirements of the Standing Directions of the Assistant Treasurer, details in respect of the items listed below have been retained by Melbourne Water and are available on request, subject to the provisions of the FOI Act and the *Water Act 1989*.

Further information is available on request about:

- pecuniary interests of relevant officers
- details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary
- details of Melbourne Water publications and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged if relevant
- details of any major external reviews carried out on Melbourne Water
- details of any major research and development activities undertaken by Melbourne Water
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of the major promotional, public relationship and marketing activities undertaken by Melbourne Water to develop community awareness of Melbourne Water and its services
- details of the assessments and measures to improve the occupational health and safety of employees
- a general statement of industrial relations within Melbourne Water and details of time lost through industrial accidents and disputes
- details of time lost through industrial accidents and disputes
- a list of major committees sponsored by Melbourne Water, the purposes of each committee and the extent to which the purposes have been achieved
- details of all consultancies and contractors including the consultants/contractors engaged, services provided and expenditure committed to for each engagement.

Phone 131 7822 or (03) 9679 7100 (within the rest of Australia) or visit the Melbourne Water website[30].

[29] https://www.melbournewater.com.au/about-us/publications-and-policies/freedom-information/information
[30] https://www.melbournewater.com.au

Public interest disclosure

The *Public Interest Disclosures Act 2012* (Vic) (PID Act) assists people to expose wrongdoing in public life and protects them from any reprisals. The PID Act applies to Melbourne Water and protects anyone who reports improper conduct or detrimental action within the Victorian public sector, to enable members of our community to have confidence that Melbourne Water and its people are conducting themselves with integrity and accountability.

Melbourne Water does not tolerate improper conduct by employees, nor reprisals against those who come forward to disclose such conduct. Melbourne Water is committed to ensuring transparency and accountability, and supports disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, conduct involving a substantial risk to public health and safety or the environment, or other improper conduct.

Melbourne Water's commitment is reflected in its Code of Conduct and Fraud, Corruption and Public Interest Disclosures Reporting and Investigation Procedure.

Where a disclosure is brought to Melbourne Water's attention by an investigative body, we will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. We will also apply the principles of natural justice to the person who is the subject of the disclosure, to the extent legally possible.

How do I make a 'public interest disclosure'?

You can make a public interest disclosure about Melbourne Water or its Board members, officers or employees by contacting the Independent Broad-based Anti-corruption Commission (IBAC) Victoria, using the contact details provided below.

Please note, Melbourne Water is not able to receive these disclosures, directly. Melbourne Water has not received any public interest disclosures from investigative bodies during the reporting period.

How can I access Melbourne Water's procedures for the protection of persons from detrimental action?

Melbourne Water has procedures in place for the protection of persons from detrimental action for making a public interest disclosure about Melbourne Water or its employees. You can access these procedures through the Melbourne Water website[31].

Contacts

Jay Dimitri
General Counsel
PO Box 4342
Melbourne VIC 3001
Phone: (03) 9473 5564

Independent Broad-based Anti-corruption Commission (IBAC), Victoria
Level 1, North Tower, 459 Collins Street
Melbourne VIC 3000
GPO Box 24234
Melbourne VIC 3000
Phone: 1300 735 135

Building compliance

Melbourne Water continues to work towards compliance with the *Building Act 1993* across our substantial property and building portfolio. We require that appropriately qualified consultants and contractors are engaged for all proposed works on land controlled by Melbourne Water and that their work and services comply with current building standards. All such consultants and contractors are expected to have appropriate mechanisms in place to ensure compliance with the building and maintenance provisions of the Building Act 1993, Building Regulations 2018 and the National Construction Code.

As part of our ongoing compliance program, we continue to obtain relevant statutory building documentation and update our Asset Management System to ensure mandatory testing and inspection is conducted to the relevant standards. These inspections inform the works program which is delivered annually through existing contracts.

In 2025-26:

- sixteen minor uplift works projects undertaken (greater than $50,000)
- four building permits and no occupancy permits or certificates of final inspection were issued in relation to buildings owned by the entity
- no emergency orders or building orders were issued in relation to buildings
- no buildings were brought into conformity with building standards during the reporting period.

[31] https://www.melbournewater.com.au/media/24696/download

Employment data

Employee-related statistics are provided as additional information in support of statutory reporting and other obligations. Employees have been correctly classified in workforce data collections and are presented in Table 22.

Table 22: Employee profile data by type for the past two years

	2025-26							2024-25						
	All employees		Ongoing			Fixed term and casual		All employees		Ongoing			Fixed term and casual	
	Number (headcount)	FTE	Full time (headcount)	Part time (headcount)	FTE	Number (headcount)	FTE	Number (headcount)	FTE	Full time (headcount)	Part time (headcount)	FTE	Number (headcount)	FTE
Total Employees	1,445	1,385.28	1,158	163	1,282.81	124	102.47	1,469	1,399.34	1,142	175	1,272.36	152	126.98
Demographic data - Gender								**Demographic data - Gender**						
Male	858	843.18	769	35	796.81	54	46.37	858	842.29	754	34	780.93	70	61.36
Female	583	538.30	386	127	482.20	70	56.10	610	556.05	387	141	490.43	82	65.62
Self-described	2	2.00	2	0	2.00	0	0.00	1	1.00	1	0	1.00	0	0.00
Prefer not to say	2	1.80	1	1	1.80	0	0.00	1	1.00	1	0	1.00	0	0.00
Demographic data - Age								**Demographic data - Age**						
Under 25	31	24.66	17	0	17	14	7.66	39	34.47	19	0	19.00	20	15.47
25-34	249	245.16	207	13	216.82	29	28.34	253	248.29	209	12	216.88	32	31.41
35-44	511	488.01	408	76	463.94	27	24.07	523	496.91	405	79	462.33	39	34.58
45-54	404	388.41	326	50	366.57	28	21.84	421	398.41	322	59	367.76	40	30.65
55-64	208	200.38	169	20	184.40	19	15.98	193	185.70	159	21	175.85	13	9.85
Over 65	42	38.66	31	4	34.08	7	4.58	40	35.56	28	4	30.54	8	5.02
Classification level								**Classification level**						
Casual	23	10.21	0	0	0	23	10.21	31	14.03	0	0	0.00	31	14.03
Enterprise Agreement (EA) total	795	766.99	641	91	710.17	63	56.82	817	783.23	635	100	707.78	82	75.45
Senior managers	621	602.08	512	72	567.64	37	34.44	614	595.08	500	75	557.58	39	37.50
Executives	6	6.00	5		5.00	1	1.00	7	7.00	7	0	7.00	0	0.00

Employment and conduct principles

Melbourne Water is committed to recruiting capable and diverse talent to join our team. The selection processes ensure the recruitment of the most suitable candidate for the position in accordance with the skills and experience required for the role, along with the Melbourne Water values and behaviours.

Local Jobs First

The Local Jobs First Policy issued under the *Local Jobs First Act 2003* comprises a Victorian Industry Participation Policy (VIPP) and a Major Project Skills Guarantee (MPSG). MPSG applies to all construction projects valued at $20 million or more.

Melbourne Water applies the Local Jobs First Policy for all procurement projects valued at $3 million or more located in Metropolitan Melbourne or statewide or $1 million or more for projects being delivered in regional Victoria.

Projects up to $50 million in value are managed as Standard Local Jobs First Projects and projects valued at or above $50 million are deemed to be Strategic Local Jobs First Projects.

Projects commenced – Local Jobs First Standard

During 2025-26, Melbourne Water commenced eight standard projects with a combined contract value of $33.1million.

The commitments made as part of the Local Jobs First Policy in Local Industry Development Plans were as follows:

- Commitment to an average of 85.42 per cent of local content.
- A total of 93.6 annualised employee equivalent (AEE) of new and retained jobs were committed to.
- Total of 3.6 AEE of apprenticeships, cadets and trainees were committed to.
- Commitments totalling 67engagements with small-to-medium sized enterprise through the supply chain of these projects.

Projects completed – Local Jobs First Standard

During 2025-26, Melbourne Water completed eight LJF standard projects totalling a contract value of $27.8 million. One project is in post-contract review and seven post-contract reviews have been completed. The outcomes from the implementation of the Local Jobs First Policy to these projects, where information was provided, were as follows:

- Commitment was made to 95.46 per cent average of local content across the projects and 94.75 per cent local content was achieved.
- Commitment of a total of 41.5 AEE of new and retained jobs was committed to and 52.8 AEE of new and retained jobs were reported.
- Commitments were made to engage 119 small-to-medium enterprises in the supply chain and contracted suppliers reported 154 engagements with small-to-medium sized enterprises.

Projects commenced – Local Jobs First Strategic

During 2025-26, Melbourne Water commenced seven contracts associated with four Local Jobs First Strategic projects that are metropolitan or statewide with a combined contract value of $407.5 million. The commitments made as part of the Local Jobs First Policy in Local Industry Development Plans were as follows:

- Commitment to an average of 92.56 per cent of local content.
- A total of 384.1AEE of new and retained jobs was committed to.
- A total of 37.5 AEE of apprentices, trainees and cadets were committed to.
- Commitments totalling 252 engagements with small-to-medium sized enterprises through the supply chain of these projects.

Projects completed – Local Jobs First Strategic

During 2025-26, Melbourne Water completed seventeen contracts associated with eight Local Jobs First Strategic projects that are metropolitan or statewide with a total contract value of $569.84 million. Three are in post-contract review and fourteen post-contract reviews have been completed. The summary outcomes from these projects were as follows:

- 93.47 per cent local content was achieved against commitments averaging 87.64 per cent.
- 534.5 AAE of new and retained jobs was reported.
- A total of 48.5 AEE of apprenticeship, cadet and traineeships work was provided against commitments to 59.7 AAE.
- Contracted suppliers reported 733 engagements with small-to-medium sized enterprises through the supply chain of these projects against commitments for 449.

Social Procurement Framework

Melbourne Water embeds social and sustainable procurement into our procurement processes in line with the Victorian Government's Social Procurement Framework (SPF) and related VGPB procurement policies throughout our internal procurement policy, procurement framework, sourcing and purchasing procedures, and guidelines.

Melbourne Water social procurement strategy includes seeking direct and indirect social value outcomes under the SPF objectives of:

- opportunities for Victorian Aboriginal people
- a sustainable Victorian social enterprise sector
- Women's Equality (applying Building Equality Policy),
- environmentally sustainable business practices
- Climate Change strategy.

Social Procurement Indicators

Table 23: Social procurement indicators – direct purchasing 2025-26

SPF Outcome	Reporting metrics	2025-26 results
Purchasing from Victorian Aboriginal businesses	Number of Aboriginal businesses directly engaged	13 suppliers directly engaged
	Total direct expenditure with Aboriginal businesses (ex-GST)	$2.28 million
Purchasing from Victorian Social Enterprises and Australian Disability Enterprises	Number of Victorian social enterprises and disability enterprises directly engaged	16 suppliers directly engaged
	Total direct expenditure with Victorian social enterprises and disability enterprises (ex-GST)	$1.0 million

Aboriginal business sector

In 2025-26 Melbourne Water issued 630 requests for tender or quotation that were open to the market or by selective competitive tender, which generated 2867 tender responses. Six tender responses were received from Aboriginal businesses, of which one was accepted.

Ethical sourcing and Modern Slavery Statement

Melbourne Water has set out a Supplier Code of Conduct policy as a mandatory policy for suppliers doing business with Melbourne Water. We undertake due diligence of potential suppliers as part of supplier selection (tender) processes and as appropriate during contract management.

There is an application of the Fair Jobs Code (FJC) to above threshold contracts, and during 2025-26 the implementation of a Reporting criminal and unlawful conduct on public construction projects policy.

Our approach to identifying and addressing modern slavery risk is set-out in our annual Modern Slavery Statement, available on the Modern Slavery Register at: https://modernslaveryregister.gov.au/statements/25780/

Appendix C – Bulk entitlements

The Victorian Government introduced bulk water reforms on 1 July 2014 that have since applied until 30 June 2026. These reforms introduced a 'source' and 'delivery' bulk entitlements model for Melbourne, with a seasonal determination process and rights to carry over unused water allocations from year to year. The four systems currently supplying Melbourne (Thomson River, Yarra River, Silver and Wallaby creeks and Tarago and Bunyip rivers) are collectively known as the Greater Yarra System – Thomson River Pool. The grant and use of bulk entitlements is governed by the *Water Act 1989* (Vic).

Melbourne Water is assigned the source bulk entitlements to the Greater Yarra System – Thomson River Pool. The delivery bulk entitlements to the Greater Yarra System – Thomson River Pool are assigned to Barwon Water, Gippsland Water, Greater Western Water, South East Water, South Gippsland Water, Westernport Water and Yarra Valley Water (the 'primary entitlement holders' [PEHs]).

As the storage manager for the Melbourne headworks system, Melbourne Water allocates water to the PEHs by making seasonal determinations to them. Melbourne Water also has the storage manager functions specified in section 122ZL of the Water Act 1989 and the obligations specified in bulk entitlements for the Melbourne headworks system, water from the Victorian Desalination Project and those held by the Melbourne retailers in the Goulburn headwork system. Table 25 fulfils the reporting requirements in Melbourne Water's bulk entitlements.

The Victorian Government has worked with Melbourne Water and the water corporations connected to the Melbourne Supply System to further reform the bulk entitlement arrangements described above to create a south-central pooled resource. These south-central bulk entitlement reforms were implemented from 1 July 2026 and will be reported on in Melbourne Water's 2026-27 Annual Report.

Table 24: Melbourne Water's bulk entitlements

Melbourne Water reporting obligation	Combined Yarra River, Silver and Wallaby creeks and Thomson River	Yarra River[2] (WSE000185)	Silver and Wallaby creeks[5] (WSE000018)	Thomson River[7] (WSE000168)	Tarago and Bunyip rivers[9] (WSE000041)
The amount of water taken by PEHs in 2025-26 (i) Total inflows[(a)]; (ii) Total storage volumes[(b)]; and (iii) Total outflows[(c)]	N/A	Clause 15.1 (a) (i) 260,800 ML (ii) 427,270 ML (iii) 217,777 ML	Clause 14.1 (a) (i) 2,463 ML (ii) No storage is available in Silver and Wallaby (iii) 2,463 ML	Clause 15.1 (a) (i) 95,819 ML (ii) 644,293 ML (iii) 261,294 ML	Clause 15.1 (a) (i) 16,752 ML (Tarago) 2,190 ML (Bunyip) (ii) 32,892 ML (Tarago) No storage is available in Bunyip (iii) 10,545 ML (Tarago) 2,190 ML (Bunyip)
Compliance with the diversion limit	462,934 ML[1]	Clause 15.1 (b) 199,177 ML[3]	Clause 14.1 (b) 6,734 ML[6]	Clause 15.1 (b) 261,294 ML[8]	Clause 15.1 (b) 11,754 ML (Tarago)[10] 2,198 ML (Bunyip)[11]
Any temporary/permanent transfer of this bulk entitlement	N/A	Clause 15.1 (c) Nil	Clause 14.1 (c) Nil	Clause 15.1 (c) Nil	Clause 15.1 (c) Nil
Any temporary/permanent transfer of a bulk entitlement which may alter the flow in the waterway	N/A	Clause 15.1 (d) Nil	Clause 14.1 (d) Nil	Clause 15.1 (d) Nil	Clause 15.1 (d) Nil
Any amendment to this bulk entitlement	N/A	Clause 15.1 (e) Nil	Clause 14.1 (e) Nil	Clause 15.1 (e) Nil	Clause 15.1 (e) Nil

Melbourne Water reporting obligation	Combined Yarra River, Silver and Wallaby creeks, Thomson River	Yarra River[2] (WSE000185)	Silver and Wallaby creeks[5] (WSE000018)	Thomson River[7] (WSE000168)	Tarago and Bunyip rivers[9] (WSE000041)
Volume of water made available to PEHs from seasonal determinations (on 1 June 2026)	N/A	Clause 15.1 (f)	Clause 14.1 (f)	Clause 15.1 (f)	Clause 15.1 (f)
		Greater Yarra System – Thomson River Pool[4] 86,359 ML (Greater Western Water) 104,148 ML (South East Water) 109,280 ML (Yarra Valley Water) 8,078 ML (Barwon Water) 505 ML (South Gippsland Water) 505 ML (Westernport Water) 1,681 ML (Gippsland Water)	N/A	N/A	N/A
Any new bulk entitlement of water granted	N/A	Clause 15.1 (g) Nil	Clause 14.1 (g) Nil	Clause 15.1 (g) Nil	Clause 15.1 (g) Nil
Any failures to comply with this bulk entitlement and any remedial action	N/A	Clause 15.1 (h) Nil	Clause 14.1 (h) Nil	Clause 15.1 (h) Nil	Clause 15.1 (h) Nil
Any difficulties experienced in complying with this bulk entitlement and any remedial action	N/A	Clause 15.1 (i) Nil	Clause 14.1 (i) Nil	Clause 15.1 (i) Nil	Clause 15.1 (i) Nil
Any other matters as required by the Minister	N/A	Clause 15.1 (j) Nil	Clause 13.1 (j) Nil	Clause 15.1 (j) Nil	Clause 15.1 (j) Nil

Note a: Total inflows for each of Melbourne Water's bulk entitlements include inflows to reservoir(s) and diversions from weirs available to Melbourne Water under its bulk entitlements.

Note b: Total storage volumes are as at 30 June 2026 for all reservoirs defined in each of Melbourne Water's bulk entitlements.

Note c: Total outflows are the volume of water diverted or released under each of Melbourne Water's bulk entitlements for consumptive and operational purposes. It excludes spills from reservoirs.

Notes for compliance with bulk entitlements

Combined Yarra River, Silver and Wallaby creeks, Thomson River

1. This is the volume diverted in 2025-26.

Yarra River

2. Melbourne Water holds the Bulk Entitlement (Yarra River – Melbourne Water) Order 2014 – WSE000185.
3. This is the volume diverted in 2025-26.

Greater Yarra System – Thomson River Pool

Greater Yarra System – Thomson River Pool

4. The Greater Yarra System – Thomson River Pool includes the following bulk entitlements held by Melbourne Water:
   a. Bulk Entitlement (Yarra River – Melbourne Water) Order 2014 – WSE000185
   b. Bulk Entitlement (Silver and Wallaby creeks – Melbourne Water) Order 2014 – WSE000018
   c. Bulk Entitlement (Tarago and Bunyip rivers – Melbourne Water) Order 2014 – WSE000041
   d. Bulk Entitlement (Thomson River – Melbourne Water) Order 2014 – WSE000168

Silver and Wallaby creeks (Goulburn Basin)

5. Melbourne Water holds the Bulk Entitlement (Silver and Wallaby creeks – Melbourne Water) Order 2014 – WSE000018.
6. Compliance with the three-year total diversion limit of 66,000 megalitres was assessed and confirmed using a three-year rolling total diversion.

Thomson River

7. Melbourne Water holds the Bulk Entitlement (Thomson River – Melbourne Water) Order 2014 – WSE000168.
8. This is the volume diverted in 2025-26.

Tarago and Bunyip rivers

9. Melbourne Water holds the Bulk Entitlement (Tarago and Bunyip rivers – Melbourne Water) Order 2014 – WSE000041.
10. Compliance with the Tarago River long-term average diversion limit of 24,950 ML was assessed and confirmed using a five-year rolling average annual diversion.
11. Compliance with the Bunyip River long-term average diversion limit of 5,560 ML was assessed and confirmed using a five- year rolling average annual diversion.

Melbourne Water's Maribyrnong Bulk Entitlement

Melbourne Water holds a Bulk Entitlement (WSE000117) to the water resources of the Maribyrnong Basin to supply irrigators diverting water from Jacksons Creek, downstream of Rosslynne Reservoir, and the Maribyrnong River between its confluence with Jacksons Creek and Shepherd Bridge.

Table 25: Compliance with the Maribyrnong River Bulk Entitlement held by Melbourne Water

Description	Clause
The volume of water taken by Melbourne Water to supply licence holders in 2025-26	Clause 19.1 (b), 235.45 ML
Compliance with the five-year rolling average annual bulk entitlement diversion limit of 1096 ML	Clause 19.1 (b) 168 ML
Melbourne Water's share of flow into Rosslynne Reservoir in 2025-26	Clause 19.1 (a,iii), 224.2 ML
Melbourne Water's share of storage volume in Rosslynne Reservoir at 30 June 2025	Clause 19.1 (a,ii), 719.71 ML
Transfer and operating losses within the system	Clause 19.1 (a,iv), 0 ML
Releases made from Rosslynne Reservoir to supply licence holders in 2025-26	Clause 19.1 (a,i), 546 ML
Releases from Melbourne Water's share of flow to meet minimum flows	Clause 19.1 (a,v), 291.3 ML
Any temporary or permanent transfers of the bulk entitlement	Clause 19.1 (c), nil
Any temporary or permanent transfer of the bulk entitlement which may alter the flow in the waterway	Clause 19.1 (d), nil
Alteration to volume of water under licences issued by Melbourne Water	Clause 19.1 (e), nil
Alteration to security of supply of entitlements under licences	Clause 19.1 (e), nil
Transfer of licences (number, amount and places)	Clause 19.1 (f), 27 (In total 27 licences were transferred to VEWH)
Any amendment to the bulk entitlement	Clause 19.1 (g), nil
Any new bulk entitlement granted to Melbourne Water	Clause 19.1 (h), nil
Implementation of metering program	Clause 19.1 (i), Yes
Any failures to comply with any provision of the bulk entitlement	Clause 19.1 (j), nil
Any difficulty experienced in complying with the bulk entitlement and if so, any remedial action taken or proposed	Clause 19.1 (k), nil

Appendix D – Compliance and enforcement: Private diversion licences

To maintain our waterway health, Melbourne Water continues to enhance our compliance and enforcement capacity. In alignment with the state government's commitment to a zero-tolerance approach towards water theft, we have implemented several initiatives to ensure compliance with water diverter obligations. These initiatives include:

- the appointment of four Authorised Water Officers in accordance with *s 291A* of the *Water Act 1989* (Vic)
- the ability to issue penalty infringement notices for selected diversions offences resulting from the introduction of the Water (Infringement) Regulations 2020
- a continued partnership with Fines Victoria for the management of issued PINs (fines) which helps with the fine collection, reminder notices and enforcement of the fine if not complied with
- implementation of IT system upgrade to automate data uploads to the Victorian Water Register to allow for greater reporting of unauthorised take
- enhanced and increased telemetry fleet with the installation of an additional 252 telemetry devices on flowmeters in 2025-26 and a significant renewal of existing devices.

Private diversion licenses

Melbourne Water manages 2120 licences to use water from farm dams, and waterways in the Yarra River, Maribyrnong River, Stony Creek, Kororoit Creek, Laverton Creek and Skeleton Creek catchments. Water is mainly used for agricultural, industrial, commercial, domestic and stock purposes. The total number of 'take and use' licences (for uses such as irrigation) is 1491 (financial year 2025-26) with a combined volume of 35,911.33 megalitres.

Melbourne Water applies permanent management trigger and restriction conditions enacted under the Diversions Drought Response Plan (a water sharing plan for all Licenced Water Users) and licence conditions. Melbourne Water has not invoked any additional drought response measures outside of the plan during 2025-26. Table 26 below details the licence type, number, volume and volume used for 2025-26.

Table 26: Licence type, number and volume used for 2025-26

Licence Totals	No. Licences	Volume (ML)	Metered Usage (ML)
Farm dam registrations	526	6775.5	13.76
Farm dam licences	43	947.50	140.10
Take and use licences Yarra	1439	34,273.63	9409.01
Take and use licences Maribyrnong	44	1026	235.45
Stormwater licences	61	3992.6	1114.86
Environmental water licence	8	1932.97	0

Compliance and enforcement management

Melbourne Water has delegated power and functions to undertake compliance and enforcement activities under the *Water Act 1989*. Following an independent statewide compliance and enforcement review undertaken in 2020, Melbourne Water has been working with DEECA to review and update compliance and enforcement strategies to ensure a coordinated, risk-based and consistent statewide approach to compliance and enforcement activities.

Our Healthy Waterways Strategy and Stream Flow Management Plans provide guidance on our compliance and enforcement priorities, which is further supported by our Compliance and Enforcement Statement. The Statement is available on our website[32] and outlines our approach to compliance and enforcement and was developed in line with DEECA's Non-Urban Compliance and Enforcement Guidelines for Water Corporations 2019.

Melbourne Water is committed to continuous improvement through adopting recommendations from the 2020 Independent Review into Compliance and Enforcement. During 2025/26, Melbourne Water continued to operationalise our Compliance and Enforcement Statement by undertaking the following priority actions:

- implementing system improvements to assist with our compliance and enforcement reporting capability and automation of consumption data to Victorian Water Register
- upgrading meters to AS4747 meters as per our Meter Action Plan
- continuing the rollout of automated meter reading technology to provide near-time access to water extraction data including commencement of largest rollout of devices to date
- continuing our communications campaign to build customer understanding of the zero-tolerance approach to improving compliance
- building the capability of our staff to deliver a zero-tolerance approach through additional training, including the Certificate IV Government Investigations, Penalty Infringement Notice Training and Customer Interaction training
- upgrading the Diversions Licencing database to improve fines reporting efficiency for Auditor General requirements
- appointing four Authorised Water Officers to support our ongoing commitment to zero tolerance on water theft
- participating in the DEECA-led Compliance Community of Practice, Water Compliance Communications Working Group, Authorised Water Officer Network, and Non-Urban Metering Working Group
- undertaken detailed customer feedback as part of developing Pricing Submission for 2026-31.

Table 27: Compliance and enforcement personnel

Category	Number
Total number of Authorised Water Officer	4
Total number of Authorised persons	0

Detailed customer feedback undertaken as part of developing the Pricing Submission for 2026-31.

[32] https://www.melbournewater.com.au/water-and-environment/water-management/waterway-diversions/water-use-compliance

Compliance and enforcement communications

Compliance and enforcement actions

A summary of the investigations into non-compliances and their resolutions over the past three years is provided in table 28. Due to increased telemetry installations there will likely be a continued increase in the number of potential breaches detected. For 2025-26 reporting, the indicator has been amended to describe the 'total number of potential breaches detected during the reporting year' – changed from 'total number of breaches'.

DECCA has identified some additional reporting indicators that will be included from 2026/27 onwards. These new indicators are summarised below:

1. Total number of Authorised Persons – captured in table 27.
2. Total number of Authorised Water Officers - captured in table 27.
3. Average age (weeks) of all negative Allocation Bank Account (ABAs) from date first negative – process under development to be able to report in 2026/27.
4. Average time taken to close investigations during the reporting year - process under development to be able to report in 2026/27.
5. Total number of investigations commenced during the reporting year – see table 28.
6. Total number of investigations finalised during the reporting year - see table 28.

Reporting on compliance actions

Table 28: Compliance actions undertaken in the past three years

Compliance Actions[1] - Rural water corporations

Category	2023-24	2024-25	2025-26
Total no. of breaches[2]	**109**	**59**	**128**
No further action required	99	52	118
Dismissed (insufficient evidence)	0	0	0
Advisory Letter	2	2	3
Formal Warning	3	5	3
Penalty Infringement Notices	0	0	0
Notice of Contravention	0	9	0
Notice of Entry	0	0	0
Lockdown	0	0	0
Prosecutions commenced	0	0	0
Prosecutions finalised	0	0	0
Number investigations commenced[3]	N/A	N/A	135
Number investigations finalised[3]	N/A	N/A	131

[1] These actions apply to offences under various sections of the *Water Act 1989*.
[2] *2023-24 and 2024-25 show total number of breaches. 2025-26 describes total number of potential breaches.*
[3] *New indicator for 2025/26.*

Metering activities

Melbourne Water has a zero-tolerance approach to unauthorised water take and a risk-based approach to licence management. To support this, we have developed and are delivering our Metering Action Plan, focused on continuing to improve the meter fleet with highly reliable Australian Standard AS4747 compliant meters and telemetry to provide real-time water usage data to Melbourne Water and our customers. This real-time data helps Melbourne Water with enforcement actions and strengthens our zero-tolerance approach. Our active meter fleet have been upgraded to AS4747 in line with the Victorian Metering Policy. With the installation of 252 telemetry devices completed in 2025-26 and the renewal of 29 flowmeters, this meets the requirements. Our Non-Urban Metering Action Plan and its summary can be found on the Melbourne Water website[33].

[33] https://www.melbournewater.com.au/services/licences-and-permits/metering-pump-and-offtake-guidelines

Managing streamflow

Melbourne Water produces Stream Flow Management Plans, Local Management Rules and a Drought Response Plan to document the way water is managed to ensure it is shared fairly between diverters and the environment.

During 2025/26, Melbourne Water maintained Stream Flow Management Plans for seven stream systems in the Yarra catchment. The plans aim to manage the water resources of the catchments, develop sustainable allocations for agriculture and other uses and maintain an environmental water regime to sustain waterway health.

We are also working with Traditional Owners to better engage on roles and opportunities in the Stream Flow Management Plan process and to build Traditional Owner cultural values into any future amendments to management plans. In 2023-24, Melbourne Water issued our first cultural water licence to the Wurundjeri Woi-wurrung Cultural Heritage Aboriginal Corporation.

Table 29: Summary of licenced meters sites as of July 2026

Category	2025-26
1. AS4747 compliant meters	571
2. Existing contemporary meters	7
3. Exempt meters	225
Total	**803**

The 803 Melbourne Water meters range in diameters from 20 to 450 millimetres in size, with most of the meters being in the 50 to 150 millimetre range. As of June 2025, we had 100 per cent of total required meter fleet compliant with AS4747 as per the DEECA requirements a year ahead of schedule.

Melbourne Water also undertakes meter validations as per AS4747. This is done on each flowmeter every three years by a Certified Meter Validator. During 2025-26, there were approximately 176 meters validated on-site. In addition, Melbourne Water undertake a program of regular maintenance of meters, including regular inspections.

Public information and education campaigns

To inform customers and promote our zero-tolerance approach to water theft, Melbourne Water continues several initiatives, including developing a compliance and enforcement web page, adding zero tolerance to water theft banners on invoices, having a compliance focus for the annual StreamNews newsletter, our officers in the field having conversations with customers and creating four fact sheets. These documents can be accessed on the Melbourne Water website[34].

Melbourne Water's compliance and enforcement program is a risk-based strategy to ensure that resources are used efficiently, focusing more on areas where there are the greatest compliance risks. Our approach to compliance and enforcement is risk-based and responsive, so our actions reflect the seriousness of the offence. We are committed to:

- emphasising education, community engagement, technology and monitoring programs, to encourage and assist with compliance
- maintaining a clear and logical escalation pathway in response to detected breaches
- working in good faith with all parties and using our enforcement powers only when needed
- undertaking activities in support of our Compliance Communications Strategy, including:
  - participation in the statewide Water Compliance Community of Practise supporting implementation of the statewide water compliance communications plan and collaboration with other rural water corporations
  - participation in the Australasian Environmental Law Enforcement and Regulators (AELERT) compliance Community of Practice – an Australia-wide working group
- updating our communications plan regarding compliance and reinforcing key messaging
- continuing to update compliance information on our website
- continuing our interaction with licence holders in relation to their obligations and the importance of maintaining a high level of compliance
- collaborating with DEECA to refine and expand key messaging around zero tolerance and taglines for Zero Tolerance for Water Theft banner, which have been used on water bills, factsheets and newsletters
- building up working relationships with other statutory authorities that have a compliance role within our operational area.

[34] https://www.melbournewater.com.au/water-and-environment/water-management/waterway-diversions/water-use-compliance

Bans and restrictions

Melbourne Water is transparent about our water use compliance strategies, protocols, and compliance and enforcement activities through website information, factsheets, regulatory and corporate reporting, and stakeholder engagement activities such as field days and Stream News publication.

In addition, during drought or low flow conditions, licenced diverters' access to water may be restricted or banned to protect the environment. Our Drought Response Plan is always active and specifies how water is shared when there is not enough to meet all users' needs. It states river flow levels which trigger restrictions or bans and how these are applied to different licence types.

These trigger points have been developed together with stream flow management plans or local management rules or plans.

The status of restrictions and bans for individual catchments is posted daily on Melbourne Water's website[35] and is available by calling Melbourne Water on 131 722 during business hours or via an automated SMS services to subscribed customers.

During 2025-26, we sent approximately 3500 text messages to 337 subscribed customers advising them of waterway pumping restrictions and/or bans.

Table 30: Summary of bans and restrictions 2025-26

Catchment	Restriction days	Ban days	Licence ban days	Days available
Arundel Creek	0	6	0	359
Cockatoo and Shepherd Creek (SFMP)	102	11	0	252
Darebin Creek	0	95	0	270
Diamond Creek	0	232	0	133
Dixons Creek (SFMP)	0	150	212	3
Don River (SFMP)	0	191	0	174
Gardiners Creek	0	0	0	365
Hoddles Creek (SFMP)	0	244	0	121
Kororoit Creek	0	0	0	365
Little Yarra River (SFMP)	89	1	0	275
Maribyrnong River (all year)	0	19	0	346
Maribyrnong River (winter-fill)	0	68	242	55
McCrae Creek (SFMP)	127	98	0	140
Merri Creek	0	4	0	361
Moonee Ponds Creek	0	6	0	359
Mullum Mullum Creek	0	69	0	296
Olinda Creek (Lower) (SFMP)	68	31	0	266
Olinda Creek (Upper) (SFMP)	23	174	0	168
Pauls Creek	0	148	212	5
Plenty River	0	74	0	291
Steels Creek	0	142	212	11
Stringybark Creek (Lower) (SFMP)	0	169	0	196
Stringybark Creek (Upper) (SFMP)	0	47	0	318
Wandin Yallock Creek (SFMP)	0	103	0	262
Watsons Creek	0	12	0	353
Watts River	0	0	0	365
Woori Yallock Creek (SFMP)	59	83	0	223
Yarra River Lower	156	11	0	198
Yarra River Upper	87	0	0	278

[35] https://www.melbournewater.com.au/services/licences-and-permits/metering-pump-and-offtake-guidelines

Statewide key performance indicators

Unauthorised take performance is reported against statewide key performance indicators being:

- no more than 1 per cent of volume of total water take is taken without authorisation at any time
- no more than 3 per cent of accounts are to be in negative at any time.

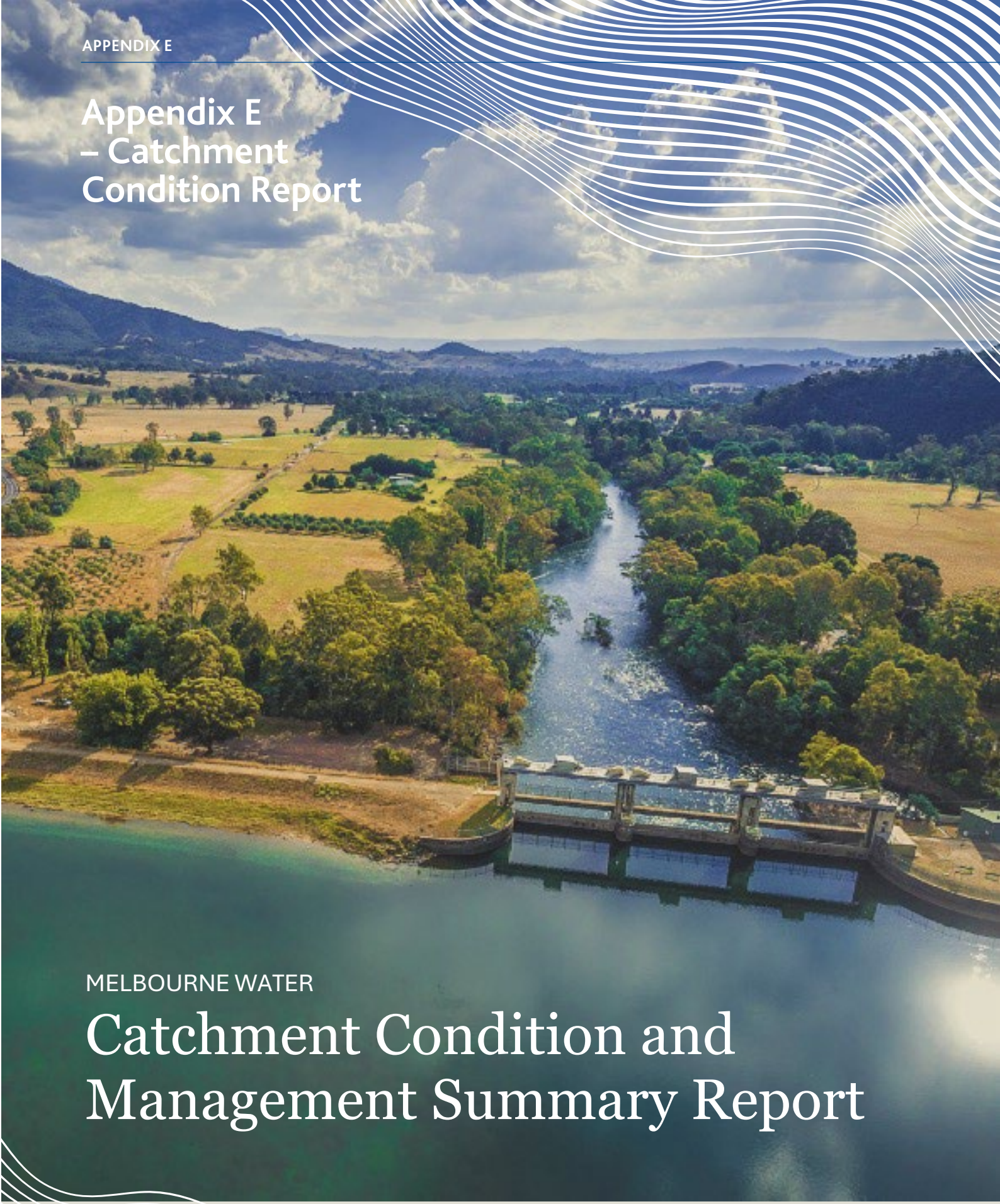
Table 31 summarises performance against the Minister for Water's statewide performance targets. These key performance indicators show that we have met both in 2025-26.

Table 31: Unauthorised take key performance indicators

	ABAs [or licences]				Volume			
Year	Total number	Number of negative ABAs	ABAs%	ABAs % (Excluding <1ML)	Volume (ML) of water taken under corporation issued licences[1]	Volume (ML) of unauthorised Take	Volume %	Volume % (excluding previous FY)
2025-26	1,188	7	0.54	0.47	9,121.01	-85.90	0.94	0.94
2024-25	1,315	3	0.22	0.22	8,754.16	-22.50	0.28	0.28
2023-24	1,221	5	0.40	0.25	7,893.05	-15.93	0.2	0.2
2022-23	1,188	7	0.54	0.47	9,121.01	-85.90	0.94	0.94

[1] Melbourne Water reads meters at the end of the licence seasons and licensed take is not captured quarterly.

Appendix E – Catchment Condition Report



MELBOURNE WATER

Catchment Condition and Management Summary Report

Our Catchments, Our Communities

VICTORIA State Government



Introduction

Under the *Catchment and Land Protection Act 1994*, 'each Catchment Management Authority must include in its report of operations prepared under Part 7 of the *Financial Management Act 1994,* a report on the condition and management of land and water resources in its region and the carrying out of its functions'. Since 2022, CMAs have worked collectively to develop an approach to enable this reporting to be undertaken, consistent with the agreed Statewide outcomes framework that links regional outcomes and activity (management) to the high level policy outcomes of the Victorian and Australian Government.

OFFICIAL

2025-26 Melbourne Water Condition and Management Report



CATCHMENT MANAGEMENT AUTHORITY
CATCHMENT CONDITION AND MANAGEMENT SUMMARY REPORT
PAGE 3

Annual catchment condition and management reporting

This report provides a summary assessment of the condition and management of the region's environment and a reflection on the likely impact of annual scale actions, events, and observed change within the previous year. A key purpose of monitoring changes in the operating context is to help identify opportunities for adapting and changing the way we manage the environment. The full catchment condition and management report is contained within each CMA's Annual Report.

The report is structured in line with the state-wide outcome framework that links the regional outcomes sought by catchment communities to the high-level policy outcomes of the Victorian and Australian Governments. These are outlined in each Regional Catchment Strategy (rcs.vic.gov.au).

In 2025-26 reporting has a focus on catchment management ratings. The 2022-23 catchment condition ratings have been adopted and provided here for completeness, with an update to be undertaken in 2027 to align with the availability of data for condition indicators and the formal evaluation needs of the *Regional Catchment Strategy*.

HOW TO INTERPRET THIS REPORT

The assessment is based on a set of state-wide indicators outlined in the RCS outcomes framework, augmented with regionally specific indicators that have been selected based on criteria including availability and quality of data, and the linkages back to regional and policy outcomes.

This report provides a summary assessment for condition and management indicators at a theme level (water, biodiversity, land, coast and marine, communities and integrated catchment management).

The management assessment for each theme assesses the delivery of CMA programs and activities.

Reporting on management indicators is undertaken annually.

Reporting on catchment condition indicators is undertaken less frequently, reflecting the timeframes to observe changes in the natural environment and the availability of the supporting data. The 2025-26 annual report includes the 2022-23 condition ratings and an update on factors that may have influenced catchment condition over the preceding year.

As much as possible, the reporting format attempts to provide a transparent path between the evidence and the assessment. It is not a definitive assessment but an assessment at a point in time, based on the best available evidence.



CONDITION RATINGS

An overall condition rating for each theme is provided based on the 2022-23 Catchment Condition Report. CMAs assigned overall condition ratings at this time based on a set of condition indicators for each theme and consideration of other influencing factors. The assessment incorporated available science, expert advice and other evidence. The annual update aims to provide an overview of the factors that may have influenced catchment condition over the preceding year or any new information relating to catchment condition that will inform future assessments.

CONDITION RATING	DESCRIPTION
GOOD	The condition is classified as good.
MODERATE	The condition is classified as moderate.
POOR	The condition is classified as poor.
NOT APPLICABLE	A condition rating is not applicable for this indicator

MANAGEMENT RATINGS

Management ratings are presented in summary form for each theme and are assessed by comparing the delivered activities for the financial year against the funded activities for the financial year. The table presents results based on the number of indicators assessed as meeting each category (Above expectations, Met expectations, Below expectations or Not applicable) with the total number of indicators assessed in each theme also provided. The overall management rating for each theme has been assigned by considering the individual indicator ratings and other influencing factors. The management summary text provides a rationale for the ratings including commentary on factors influencing the delivery of CMA programs such as climate, natural events, organisational capacity and socio-economic factors.

MANAGEMENT RATING	DESCRIPTION
ABOVE EXPECTATIONS ★★★	Delivery of activities and programs associated with this indicator is assessed as above expectations for the 12-month period (i.e. majority of activities delivered /targets met or exceeded)
MET EXPECTATIONS ★★	Delivery of activities and programs associated with this indicator is assessed as having met expectations for the 12-month period (i.e. the majority of activities delivered/targets were met or almost achieved).
BELOW EXPECTATIONS ★	Delivery of activities and programs associated with this indicator is assessed as below expectations for the 12-month period (i.e. some critical activities/targets not delivered, or the majority of activities/targets not delivered)
NOT APPLICABLE ☆	A management rating is not applicable for this indicator
UNKNOWN ☆	The rating for this indicator is not known and/or assessable

OFFICIAL

2022-2023 CATCHMENT CONDITION RATING

2022-23 CONDITION RATING					
WATER	LAND	COAST AND MARINE	BIODIVERSITY	COMMUNITY	INTEGRATED CATCHMENT MANAGEMENT
Poor	Good	NA	Poor	Good	Good

* The condition of the coastal vegetation is unknown therefore the condition rating for Coast and Marine is not applicable. The current environmental condition of the region's coasts is variable. Some areas retain high environmental values, while others have been heavily modified by urban development, coastal settlement, and recreational use.

2025-26 CATCHMENT CONDITION UPDATE

Water

As of June 2026, the Port Phillip and Westernport region is experiencing ongoing dry conditions and Melbourne's water storages are at approximately 64% capacity, down from 72% at the same time last year. This reflects the impact of below-average rainfall and low inflows over the past two years. Melbourne Water has reported that recent conditions are among the driest experienced since the Millennium Drought, with streamflows and catchment inflows significantly below long-term averages.

Land

Drought stress is a major concern for farmers in the Port Phillip and Westernport region. Dams levels are low, although rainfall in autumn has helped with crops and pasture growth. To date, there are no significant impacts reported on horticulture and seasonal harvests. Biosecurity continues to be an issue with new pest incursions in the region including Tomato Potato Psyllid in Greater Melbourne detected in late 2025 and Varroa mite detections increasing.

Coast and Marine

The H5 strain of high pathogenicity avian influenza (H5 bird flu) was detected in a migratory seabird in Western Australia. This is a significant development as it is the first time this strain of bird flu has been detected in Australia. It is a highly contagious strain that can cause serious disease in birds and other wild animals. There are currently no detections in Victoria, however Melbourne Water has set up an incident response group and is working closely with key authorities identifying risks and developing contingency response plans.

Biodiversity

Many indigenous canopy tree species are increasingly suffering dieback across the Port Phillip and Westernport region due to climate change, pathogen spread, nutrient pollution and pest plants and animals. Species affected include riparian species such as Manna Gum, Swamp Gum, Messmate, Stringybark, Candlebark & Peppermint. Vegetation dieback negatively impacts on water quality, water quantity, soil stability and carbon sequestration. Impacts from dieback also include simplification of vegetation communities, decreasing ecosystem resilience and loss of native species. In the future, the range of affected species and the extent of impact is likely to increase due to the impacts of climate change.

Community

Key challenges for volunteers in the Port Phillip and Westernport region include an ageing volunteer base and increasing administrative, compliance, and governance requirements that place pressure on small community groups. In 2025/26 some organisations in the region such as Parks Victoria took several positive steps to better support and strengthen volunteering including changes to its Volunteer Governance Framework aimed at making volunteering easier by reducing the administrative burden. The Victorian Landcare Facilitator Program which underpins volunteers received funding for the next two years.



2025-26 CATCHMENT MANAGEMENT RATING

2025-26 MANAGEMENT RATING (no. Indicators assessed as meeting each category)						
THEME	**Not Applicable**	**Below Expectations**	**Met Expectations**	**Above Expectations**	**Total no. indicators assessed**	**Overall Rating**
WATER			3		3	Met expectations
LAND			1		1	Met expectations
COAST AND MARINE			3		3	Met expectations
BIODIVERSITY			3		3	Met expectations
COMMUNITY				2	2	Above Expectations
INTEGRATED CATCHMENT MANAGEMENT				1	1	Above Expectations

2025-26 MANAGEMENT SUMMARY

Water

In 2025-26, full environmental flow compliance with winter/spring fresh, summer/autumn fresh and seasonal low flow targets was achieved in the Yarra system. In addition, an optional autumn high flow delivery was achieved because sufficient carryover volume of the Yarra Environmental Entitlement had been preserved from the previous year. For the Tarago-Bunyip system, full environmental flow compliance with winter/spring fresh, summer/autumn fresh and autumn high targets was achieved. Only partial compliance with seasonal low flow targets was achieved, despite periods of low flow supplementation, due to protracted dry and warm conditions throughout the year. In the Werribee and Maribyrnong systems, full compliance was achieved for critical summer/autumn fresh targets. System constraints, lack of appropriate allocation, and minimal unregulated flow events (below average rainfall) meant winter/spring and low flow targets were not fully achieved in the Werribee and Maribyrnong systems. In all systems described above almost all flow event targets listed were achieved through the active delivery of water for the environment due to very dry conditions.

Since 2018, over 3,190 hectares of new vegetation have been **establishe**d along waterways in priority areas across the region. 2024-25 marked the largest increase, with 643 hectares added. Figures for 2025-26 were not available at the time of writing this report.

In 2024-25 over 16,800 ha of riparian vegetation was **maintained**, the highest amount since the Healthy Waterway Strategy began. Yarra, Werribee, Westernport, and Dandenong catchments are all progressing well towards managing the required areas to maintain good habitat quality. However, Maribyrnong catchment is significantly off track, with factors such as safety concerns related to remote working and difficulties accessing private property to carry out works contributing to this outcome. Nonetheless, Maribyrnong doubled the amount of vegetation maintained from last year and increased the proportion of high-quality vegetation maintained, demonstrating a concerted effort in this catchment. Figures for 2025/26 were not available at the time of writing this report.

OFFICIAL

Land

In 2025–26, Melbourne Water continued delivering the Sustainable Agriculture Facilitator role as part of our Regional Delivery Partners Capacity Services, supported by the Australian Government through the Natural Heritage Trust. The role supports innovative, best-practice approaches to sustainable agriculture with a focus on climate resilience, productivity, and environmental outcomes. In 2025-26 the role continued to support the delivery of the Climate Smart Agriculture project as well as deliver the Carbon Farming Outreach Project and National Soil Monitoring Project.

In addition, the Melbourne Water funded Floating Wetland project with RMIT commenced and has funding for 12 months to monitor ecological benefits from floating wetlands in farm dams. Additional funding needs to be sought to continue this project.

Melbourne Water's Rural Land Program continued to provide assistance to landholders to keep soil and nutrients on their farm and out of waterways. Farmers were provided with technical support to improve management practices and financial assistance for on-ground works, such as fencing, off-water stock watering and revegetation.

Coast and Marine

In 2025-26 Melbourne Water continued to work with key stakeholders to restore estuarine and marine ecosystems within the Western Port Ramsar site. Melbourne Water established new partnership projects through the Environmental Contribution Tranche 6 (EC6) Waterway Health Program to control foxes and feral cats in order to protect resident and migratory shorebirds and waterbirds. Mangrove restoration at priority locations was also completed with the support from Bunurong Land Council and Bass Coast Landcare. State and Federal funding to restore estuarine and marine ecosystems within the Western Port Ramsar site has been reduced over recent years. Additional funding was secured through DCCEEW to withstand the impacts of a potential outbreak of H5 bird flu by managing predators and reducing invasive weeds at key sites.

Biodiversity

Through collaborative on-ground projects, Melbourne Water is working with community groups and public and private land managers to reduce the impacts of environmental weeds and pest animals while restoring habitat across the region. Supported by the Victorian Government's Our Catchments, Our Communities and Faunal Emblems Program, significant progress was made in 2025–26 across restoration initiatives in the Mid Werribee, Mid Yarra and Mid Dandenong catchments. Strong partnerships, strategic planning and early on-ground action have established a solid foundation for long-term outcomes. Melbourne Water also led a collaborative effort with DCCEEW, Parks Victoria, DEECA, French Island Landcare and the French Island community, achieving significant advances towards feral cat eradication on French Island.

Community

In July 2022, GLaWAC and Melbourne Water signed a co-developed Partnership Agreement. The agreement provides a pathway for Melbourne Water to talk about and work on ten priority commitments of mutual interest – from improved cultural understanding, recognising GLaWAC as a respected partner in land and water management, and to start the discussion about water justice. In June 2023, WTOAC and Melbourne Water signed a Partnership Agreement Wunggurwill Ngitj – which means Strong together50. This Partnership Agreement sets out the framework under which Melbourne Water and WTOAC will work together to support and implement the Paleert Tjaara Dja Wadawurrung Country Plan across the yulluks (waterways), Dja (Country) and skies of Wadawurrung Country.

Volunteer efforts provided significant environmental restoration impact over a myriad of land tenures in the Port Phillip and Western Port region. There are about 500 community environmental groups working in the CMA region, across Landcare, communities of management, and Friends of groups. These groups work in diverse settings such as farms, council reserves and other properties run by DEECA, Melbourne Water and Parks Victoria.

Regional Landcare Coordination at Melbourne Water supports this system by administering the Victorian Landcare Grants in the Port Phillip and Western Port region, by running a number of capacity building events and stakeholder forums and by telling the environmental volunteering story.

Data collected from the 2024/25 Victorian Group Health Survey reported 149 environmental groups contributed 137,958 volunteer hours representing an economic contribution of $6,092,225 from those surveyed. However the actual contribution is likely to be far higher. Figures for 2025/26 were unavailable at the time of writing this report.

Integrated Catchment Management.

Melbourne Water continued to support an integrated catchment and waterway management approach through collaborative partnerships such as Grow West, Living Links and Yarra4Life. These collaborations involving government agencies, local councils, Traditional Owners, community groups, and landholders work to improve water quality, restore habitats, protect biodiversity, encourage sustainable land use, and involve local communities in conservation. This long-term planning and coordinated approach helps support healthier and more resilient catchments and environment.

OFFICIAL

CATCHMENT MANAGEMENT INDICATORS USED IN THIS ASSESSMENT

INDICATOR NAME	USED IN THIS ASSESSMENT?	COMMENT
WATER		
Extent of protected or improved riparian land (ha)	Yes	
Fence (km)		
Water storage – trough (no.)		
Vegetation (ha)	Yes	
Weed control (ha)*		
Number of Management Agreements (perpetual or non-perpetual)		
Environmental flow compliance	Yes	
LAND		
Area of improved Agricultural Practices (ha)	Yes	
Number of Assessments		
Number of Property Plans		
BIODIVERSITY		
Vegetation (ha)	Yes	
Pest herbivore and predator control (ha)	Yes	
Weed control (ha)	Yes	
Additional area of permanent protection through CMA programs (ha)		
COAST AND MARINE		
Vegetation (ha)	Yes	
Pest herbivore and predator control (ha)	Yes	
Weed control (ha)	Yes	
Additional area of permanent protection through CMA programs (ha)		
COMMUNITY		
Number of formal partnership agreements with Traditional Owners / First Nations	Yes	
Number of participants in Engagement Events		
Number of Volunteers in CMA programs	Yes	
Total quantum of grants awarded ($)		
INTEGRATED CATCHMENT MANAGEMENT		
Number of partnerships	Yes	
ADDITIONAL NOTES		
If required please provide additional notes in this section		

Appendix F – Environmental Disclosures

Emissions and energy

Organisational boundary

Melbourne Water calculates and reports on its energy and emissions data in accordance with the NGER (Measurement) Determination 2008. For the purpose of reporting to the Clean Energy Regulator under the NGER Scheme, Melbourne Water has four facilities under its operational control: Sewerage East Facility, Sewerage West Facility, Water Facility and Waterways and Other Facility (Corporate). This same boundary and the activities within it are used for the reporting of emissions and energy information within the Annual Report. Emissions and conversion factors used in calculations have been sourced from the National Greenhouse Accounts Factors: 2024[36] published by DEECA.

Table 32: Reporting Climate Active eligible carbon offset units retired to reduce scope 1 emissions

Name and type of project/s implemented to generate retired carbon credit units / supported by carbon offset retirement	Climate Active eligible carbon credit unit	Carbon credit quantity	Serial number and hyperlink to registry transaction record [(a)]	Retirement date [(b)]	Credit unit vintage year	Public registry
Jawoyn Fire 2 - Savanna Fire Management, NT Australia	ACCUs	11,146	9,020,726,222 - 9,020,737,367	30/7/26	2024-25	ANREU
Tiwi Islands Savanna Burning for Greenhouse Gas Abatement, NT Australia	ACCUs	8,000	9,007,546,011 - 9007,554,010	30/7/26	2023-24	ANREU
Merepah Fire Project, QLD	ACCUs	9,700	9001244678 – 9001254377	30/7/26	2023-24	ANREU
Landari Calvert Plantation Forestry, 2022 (TAS)	ACCUs	6,719	9047493959 - 9047500677	30/7/26	2025-26	ANREU
Merepah Fire Project, QLD	ACCUs	1030	8332431836 - 8332432865	30/7/26	2021-22	ANREU
Nazava Water Filter Project, Indonesia	Verified Emissions Reductions (VERs)	8,142	3GS1-1-ID-GS4290-16-2023-27950-11903 – 20044	21/07/25	2023	Gold Standard

(a) As the registry that houses ACCUs is not publicly accessible, no link is available.
(b) For ACCUs, this refers to the date the retirement request was lodged with the Commonwealth.

[36] https://www.dcceew.gov.au/climate-change/publications/national-greenhouse-accounts-factors-2024

Table 33: Additional Climate Active eligible carbon offset units retired after publication of FY2025 Annual Report

If final NGERS estimates, determined after October each year according to the national process, identify any additional scope 1 or 2 emissions, additional carbon credits or RECs may then be retired to ensure emission targets are met. Additional scope 1 emissions were identified after publication of the FY2024-25 Annual Report and so extra carbon credits were used. These are reported below.

Name and type of project/s implemented to generate retired carbon offset units /supported by carbon offset retirement	Climate Active eligible offset unit	Offset quantity	Serial number and hyperlink to registry transaction record	Retirement Date	Offset unit vintage year	Public registry
Nazava Water Filter Project, Indonesia	Verified Emissions Reductions (VERs)	1,729	GS1-1-ID-GS4290-16-2023-27950-10174-11,902	21/07/2025	2023	Gold Standard

Table 34: Scope 1 emissions by greenhouse gas (in tonnes and converted to tonnes CO2-e)

	Scope 1 Emissions by greenhouse gas (source greenhouse gas reported in t CO_2-e)			
Service delivery category	Carbon dioxide (CO_2) in t CO_2	Methane (CH_4) in t CO_2-e	Nitrous oxide (N_2O) in t CO_2-e	Other in t CO_2-e
Water treatment and supply	15.50	0.02	0.04	0.00
Sewage collection, treatment, and recycling	989	201,456	42,968	14.74
Transport	1,631.9	0.3	11.2	0.00
Waterways	1,993.92	2.96	5.71	0.00
Other (e.g. offices, depots, etc.)	26.91	0.05	0.02	0.00
Total	**4,657**	**201,459**	**42,985**	**15**

Electricity Consumption

Table 35: Total energy storage system reporting (power capacity and total storage capacity)

Energy storage system	2025-26 Total energy storage system power capacity (MW)	2025-26 Total energy storage system storage capacity (MWh)	Commentary
Total: energy storage systems	N/A	N/A	*MW does not have energy storage systems*

Table 36: Electricity consumption by service

	2024-25 Total electricity consumption (MWh)	2025-26 Total electricity consumption (MWh)
Water treatment and supply	71,865.61	101,100.87
Sewage collection, treatment, and recycling	276,300	270,027
Waterways (MW only)	964	1373
Other (e.g. offices, depots, etc.)	404	440
Total all service delivery categories	**349,534**	**372,941**

Table 37: Total electricity consumption by source

Electricity Source	2024-25 Total electricity consumption (MWh)	2025-26 Total electricity consumption (MWh)	Commentary
Purchased directly through an electricity retailer	206,492	241,228	*Increased water pumping*
Not directly purchased but sourced from outside the organisation	0	0	*No comments*
Water corporation led/self-sourced activities and initiatives	143,042	131,713	Behind the meter biogas, solar and hydro electricity production
Total (all by source)	**349,534**	**372,941**	*Observed increase from water pumping operations*

Table 38: Total energy usage per water corporation Full Time Equivalent (FTE) employee

Total energy usage (fuels and electricity) in GJ	Total FTE employees	Energy usage (GJ) per FTE employee	Commentary
3,321,318	1,385	2,398	*Year-end FTE for 2025-26*

Table 39: Total electricity generation capacity and generation reporting (renewable)

Renewable electricity source	2025-26 Total on-site renewable electricity generation capacity (MW)	2025-26 Total on-site renewable electricity generated (MWh)				Commentary
		Consumed on-site	Exported	Other purposes	Total generated (By source)	
Biogas	24.44	94,347	6,011	0	100,358	*Installed capacity*
Hydroelectric	24.15	60	49,462	0	49,522	*Installed capacity*
Solar	29.12	36,636	7,588	0	44,224	*Installed capacity*
Wind	0	0	0	0	0	*No comments*
Other renewable	0	0	0	0	0	*No comments*
Total (renewable)	**77.71**	**131,043**	**63,061**	**0**	**194,104**	*Total installed capacity*

Table 40: Total other (Non-renewable electricity generation capacity and generation reporting)

Non-renewable electricity source	2025-26 Total on-site renewable electricity generation capacity (MW)	2025-26 Year Total on-site renewable electricity generated (MWh)				Commentary
		Consumed on-site	Exported	Other purposes	Total generated (By source)	
Non-renewable sources	9.31	670	0	0	670	Biogas generators at ETP supplemented with natural gas
Total (non-renewable)	**9.31**	**670**	**0**	**0**	**670**	**No comments**

Total energy use

Table 41: Total energy usage from fuels and electricity segregated by energy source, renewable and non-renewable and per FTE

Total energy usage	Renewable (in GJ)	Non-renewable (in GJ)	TOTAL (in GJ)	Commentary
From fuels	1,378	52	1,430	*Includes only measures consumed as energy used. Excludes measures consumed without resultant energy transformation (e.g. flares, combustion losses)*
From electricity	245	723	968	
Total	**1,623**	**775**	**2,398**	

Stationary fuel use

Sources of emissions from stationary fuel include natural gas used in some building heating systems, diesel back-up generators at critical facilities, and fuel-powered portable equipment. Melbourne Water collected data primarily through our fuel cards transaction history.

Table 42: Total stationary fuel use in buildings and machinery

Fuel type	in GJ[1]	in t CO_2-e[1]	Commentary
Fossil gas	18,942	976	
Biogas	1,908,511	12,272	
Diesel	27,718	1,946	*Emission conversions based on current National Greenhouse and Energy Reporting (NGER) legislated emission factors*
LPG	673	41	
Petrol	1,064	72	
Other	0	0	
Total	**1,956,908**	**15,307**	

Transportation

Melbourne Water's fleet in 2025-26 comprised 430 vehicles essential to the provision of water, sewerage, waterways, and drainage and catchment management services. Of these, 66 per cent are goods vehicles used for operational purposes and 34 per cent are passenger vehicles for transporting staff to the wide variety of sites that Melbourne Water operate. Battery electric vehicles represented 63 per cent of our passenger vehicle fleet as at 30 June 2025. In this financial year, to 30 June 2026, this had increased to 73 per cent of our passenger vehicle fleet, as we continue our journey to a low emission fleet. This year we expanded the boundary of our disclosures to also include our non-road transport vehicles which can be categorised as agricultural, excavation and marine.

Table 43: Total number and proportion of transportation vehicles segmented by engine/fuel type and vehicle category (as at end of reporting period)

Transportation vehicle category	Petrol	Diesel	LPG	Petrol Hybrid	Diesel Hybrid	Battery Electric	Other	Commentary
Passenger vehicles	35	2	-	14	-	86	-	
Goods vehicles	0	294	-	-	-	-	-	
Category Total (Number)	**35**	**296**	**0**	**14**	**0**	**86**	**0**	

Table 44: Total energy use and greenhouse gas emissions of transportation vehicles segmented by engine/fuel type and vehicle

Transportation vehicle category	Petrol	Diesel	Biodiesel	Renewable Diesel	LPG	Electricity	Other	Total energy use (GJ)	Total emissions (t CO_2-e)	Commentary
Passenger vehicles	1,733	21,674	0	0	0	0		23408		
Goods vehicles	0	0	0	0	0	0		0		
Total energy use (GJ)	**1,733**	**21,674**	**0**	**0**	**0**	**0**	**0**			
Total emissions (t CO_2-e)	**117**	**1,526**	**0**	**0**	**0**	**0**				

Table 45: Total distance travelled by commercial air travel

Commercial air travel	Passenger Kilometres (kms)	Greenhouse gas emissions (t CO_2-e)	Commentary
Commercial air travel [Note: Mandatory – Metropolitan Corporations] [Note: Optional – all other Water Corporations]	334,236	63.5	*No comments*

Water and waste

Melbourne Water currently calculates its water consumption and waste disposal figures from data recorded at its corporate office building at 990 La Trobe St. This data is then extrapolated to create an estimate of consumption across the whole organisational boundary using FTE data. This method has been used as waste and water data at our corporate office was identified as having the highest data confidence across our portfolio of sites and also has the highest percentage of FTE.

Water consumption

There has been a slight decrease in water consumption between 2024-25 and 2025-26.

Table 46: Total units of metered water consumed by water source and normalised by FTE

Indicator	2024-25	2025-26
Total potable water consumption by Melbourne Water (kilolitres)	372.7	349
Total FTE	1399	1385.3
Units of metered water consumed normalised by FTE	0.380	0.25

Waste and recycling

There has been a reduction in total waste disposal in 2025-26.

Table 47: Waste and recycling data

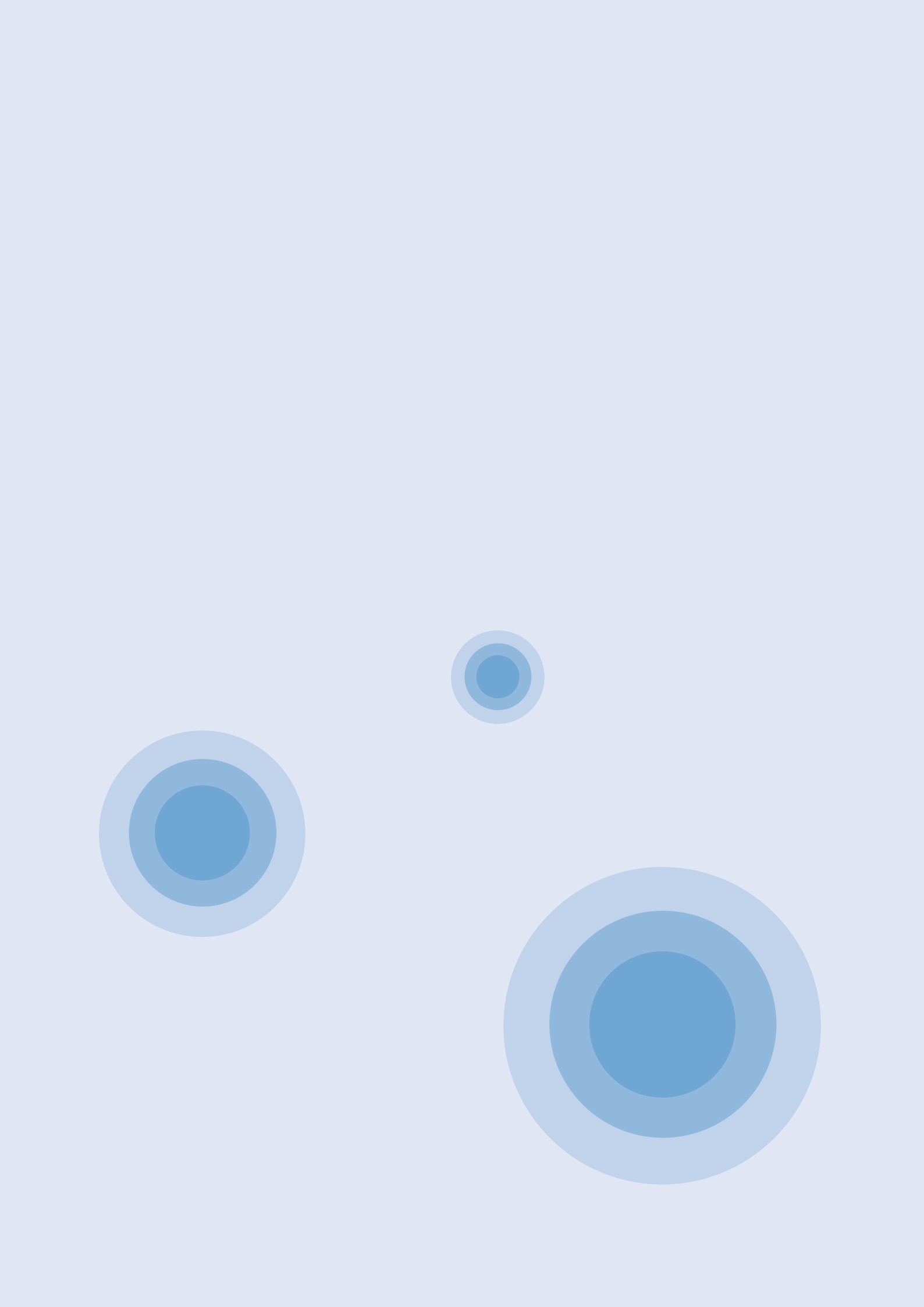
Indicator	2025-26	%	2024-25	%
Total units of waste disposed (kg and %)	18,509.12	100	18,596.50	100
Landfill (disposal)	7640.20	41.3%	10,860.00	58.4%
Recycling/recovery (disposal)	10868.92	58.7%	7,736.50	41.6%
Food and garden organics (FOGO)	2865.80	15.5%	3,260.40	17.5%
Paper and Cardboard	2099.00	11.3%	3,490.00	18.8%
Other- Mixed Recycling	5904.12	31.9%	986.10	5.3%
Percentage of office sites which are covered by dedicated collection services				
Printer cartridges		0		6
Batteries		0		0
E-waste (MW Wide)		6		6
Soft plastics		0	0	0
Total units of waste disposed of normalised by FTE (kg/FTE)	13.3		18.6	
Recycling Rate (%)		59%		42%
Greenhouse gas emissions associated with waste disposal (t CO_2-e)	30.22		35	35
Landfill	30.22		17.4	

(a) Note these figures have been updated from the 2024-25 Annual Report to correct addition errors.

Sustainable buildings and infrastructure

In 2025-26, Melbourne Water did not acquire any new major assets or leases. Melbourne Water's corporate office building at 990 La Trobe St is leased from Charter Hall and achieved the following National Australian Built Environment Rating System (NABERS) ratings during the period.

Name of building	Building type	Rating scheme	Rating	Certificate expiry
990 La Trobe St Head Office	General Office Building	NABERS – Energy	5.0	Dec 2026
990 La Trobe St Head Office	General Office Building	NABERS – Water	6.0	Dec 2026
990 La Trobe St Head Office	General Office Building	NABERS – Waste	3.0	Oct 2026







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Melbourne Water cannot guarantee the accuracy or completeness of other information in this Annual Report, nor its suitability for your specific purposes, noting that some information may be sourced from third-parties without independent verification and therefore should not be relied upon.

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