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# PART 1: INTRODUCTORY MATTERS

## 1. TERMINOLOGY, DEFINITIONS AND ACRONYMS

A list of the capitalised terms and abbreviations used in this Policy and the intended meanings thereto are contained below:

TERM	MEANING
the <b>Act</b>	Water Services Act 108 of 1997.
the <b>Constitution</b>	The Constitution of the Republic of South Africa, Act number 108 of 2006.
the <b>Minister</b>	The Minister of the Department of Water and Sanitation
the <b>PFMA</b>	Public Finance Management Act 1 of 1999.
<b>Rand Water</b>	<p>Any one or more of the following entities, as indicated by the context:</p> <ol style="list-style-type: none"> <li>1. A body corporate established in terms of Section 28 read with Section 84 of the Water Services Act 107 of 1997,</li> <li>2. Each of the subsidiaries of the body corporate identified in (i) above and its interrelated entities, which are:               <ol style="list-style-type: none"> <li>a) Rand Water Services (Pty) Ltd.</li> <li>b) Rand Water Foundation (Pty) Ltd</li> </ol> </li> </ol>
<b>Water Services</b>	<p>Means Water Supply Services and Sanitation Services, which in turn are:</p> <ol style="list-style-type: none"> <li>a) "<b>Sanitation Services</b>" mean the collection, removal, disposal or purification of human excreta, domestic waste-water, sewage and effluent resulting from the use of water for commercial purposes; and</li> <li>b) "<b>Water Supply Services</b>" mean the abstraction, conveyance, treatment and distribution of potable water, water intended to be converted to potable water, or water for commercial use but not water for industrial use.</li> </ol>

## 2. BACKGROUND, INTRODUCTION AND PURPOSE

- 2.1 The Constitution of the Republic of South Africa is the supreme law and thus supersedes all laws in South Africa. Amongst its pillars, is Chapter 2 which contains the Bill of Rights, and which forms the cornerstone of democracy in South Africa. The Bill of Rights enshrines the rights of all people and affirms the democratic values of human dignity, equality and freedom. The Constitution further provides mechanism by which national, provincial and local government are to respect, protect and promote human rights.
- 2.2 Whilst all human rights are significant, this policy statement seeks to align and make commitment to specific human rights that are innate to Rand Water's mandate. In this regard, Section 27 of the constitution affirms the right of everyone to have access to sufficient water. Rand Water, in acknowledging its mandate affirms that water is life and is one of the key human rights that materially influence other human rights such as a right to life, human dignity, health, a nonharmful environment, equality, together with all other human rights that are ancillary to water access.
- 2.3 It is recognised that the constitution, under Section 152, obligated local government for the provision of public services, which includes the provision of water and sanitation services as set out in Schedule 4 Part B. The constitution, in Section 154 and 155, further mandates national and provincial spheres of government to have the legislative and executive authority to see to the effective performance by municipalities of their functions. It is from this backdrop that the Water Services Act was promulgated, with one of its objectives being to provide for the rights of access to basic water supply and basic sanitation. The Act is one of the instruments enabling national government, specifically the Department of Water and Sanitation, to meet its constitutional obligations in respect of water services. The Act aims to ensure the realisation of fundamental human rights of access to sufficient water and an environment not harmful to health or well-being, by establishing a developmental regulatory framework for the provision of water services by local government.
- 2.4 The Act recognises and acknowledges that although municipalities have authority to administer water supply services and sanitation services, all spheres of government have a duty, within the limits of physical and financial feasibility, to work towards the objective of ensuring that the water supply services and sanitation services are provided in a manner which is efficient, equitable and sustainable. In light of this, section 28 of the Act thus enabled the establishment of water boards, whose role is pivotal in upholding the

principles of cooperative governance in the sphere of water services. This is achieved through fulfilment of their objective to provide water services to other water services institutions.

- 2.5 Rand Water is thus a water board which stems from the aforementioned legislative prescripts and objectives.
- 2.6 In terms of Section 39 of the Act, Rand Water is required to prepare and adopt a policy statement within the parameters of the Act. This document therefore contains Rand Water's policy statement and therefore outlines Rand Water's policy position on various subject matters as regulated by the Act and other governing legislation.
- 2.7 The Act is specific on matters that a policy statement must contain, and this document shall thus be structured in manner that seeks to comply with the legislative intend. From Part 2 of this document an outline of the policy statements as are prescribed the Act shall therefore be provided.

### **3. APPLICATION**

This Policy applies to Rand Water, as defined.

### **4. SCOPE AND USE OF THIS POLICY**

- 4.1 This policy shall be used in directing key policy principles that Rand Water is adopting, which principles in turn shall aid in directing the substance of various sets of policies and procedures that drive Rand Water's operations.
- 4.2 This policy therefore contains high-level policy principles adopted by Rand Water, which principles shall be expounded on through other various Policy Documents that drive Rand Water's operations.
- 4.3 In terms of the Act, Rand Water has specific averments that it must make in its policy statement. The Act requires that a policy statement must contain information concerning the water board and all other companies, institutions or bodies in which it has an interest, including:
  - a) the nature and extent of the primary and other activities to be undertaken:

- b) the area within which the activities will be undertaken:
- c) the measures to be taken to separate the primary and other activities from each other;
- d) details concerning the management of any financial risks relating to the board's primary and other activities;
- e) the board's accounting and investment policies;
- f) the rules and procedures to be followed before any investments are made by the board;
- g) the board's policy on human resources and human resource development;
- h) the board's policy on the environment, including measures to reduce water wastage to an acceptable level;
- i) the measures by which the performance of the water board will be assessed;
- j) whether any advisory forums have been or are to be established. and if so, the functions and composition thereof;
- k) the procedures for consultation with water services institutions, consumers, users and advisory forums, if established;
- l) the nature and extent of activities aimed at ensuring access to water services provided by the board within its service area and the extension and improvement of those services;
- m) the measures, including public awareness campaigns, to be taken to promote water conservation and water demand management; and
- n) any other relevant information which the Minister may prescribe from time to time.

4.4 In light of such, and in accordance with the Water Services Act, this policy statement shall contain the prescribed areas and any other subject area that the Board deems appropriate to include.

## PART 2: POLICY STATEMENT PROVISIONS

### ABOUT RAND WATER

#### 5. LEGAL MANDATE

##### 5.1 History and Legal Identity

- 5.1.1 Rand Water was established in 1903 to address water demand that was as a result of persistent water shortages experienced by the growing gold mining industry and the cities and towns that developed as a result thereof.
- 5.1.2 The developing industry was located along what was then referred to as the Witwatersrand, with its centre at Johannesburg. Prior to Rand Water, private companies were initially created to provide water to individual gold mines. It soon became evident that these private companies could not afford to make the large capital investments necessary to create a reliable, sustainable and affordable water supply system. Consequently, a public organisation was therefore established to serve the industry and the surrounding cities. This organisation was initially enacted by a Private Act of Parliament, Rand Water Board Statutes (Private) Act 17 of 1950 (as was later amended and eventually repealed). The public organisation was originally named the Rand Water Services Board, and over time became known as the Rand Water Board and now Rand Water.
- 5.1.3 The key features of Rand Water were that it was to supply potable (drinking) water in bulk to municipalities and mines on a not-for-profit generating basis but at a tariff that enabled the recovery of the full costs associated with that supply. The organisation was not to receive any financial assistance from the national government and never has. In the initial fulfilment of the above-mentioned mandate, Rand Water utilised the underground water resources in the Zuurbekom and Klipriver areas, but as the demand for water grew Rand Water built the first dam on the Vaal River, The Barrage, as the dam was named. To complement that, Rand Water also built a purification and pumping station at Vereeniging and a booster pumping station to the south of Johannesburg, to lift water to the high ground of the Witwatersrand, which exercise was completed in 1923.

- 5.1.4 The statute that created Rand Water was later repealed and the Water Services Act was the replacement legislation which, amongst its objectives was to address the monopolistic circumstances at which water supply services were provided. Rand Water, in terms of Section 28 of the Act, is deemed to have been created by the Water Services Act.
- 5.1.5 As is the definition of a water board in the Water Services Act, Rand Water is a water board, and therefore a body corporate, with powers of a natural person of full contractual capacity, except those powers which by nature can only attach to natural persons and those powers which are inconsistent with the Water Services Act.
- 5.1.6 Rand Water is further a public entity, categorised as a National Government Business Enterprise in terms of schedule 3B of the PFMA.
- 5.1.7 Since this initial investment Rand Water's supply infrastructure has been continually expanded over time to meet the growth in demand for supply in its service area. At present Rand Water is supplying, via municipalities, mines and a small number of other direct consumers, an average of 4 520 Mℓ/d and peak day demand of 5 199 Mℓ/d of water to approximately ten million people.
- 5.1.8 Its Head Office is based in Glenvista, Johannesburg, South Africa. Two of its larger pumping and purification stations are at Vereeniging and Zuikerbosch, with four main booster stations at Zwartkopjes, Palmiet, Mapleton and Eikenhof.

## 5.2 Area of Operation

- 5.2.1 A water board is an important link between water resources and water services. Its service area is determined to achieve effective, efficient and sustainable integrated water resource management, cost effective water use, regional efficiency; and economies of scale. Rand Water's area of operation is derived from the authority of the Minister of Water and Sanitation who has executive authority to assign the area of operation to a water board.
- 5.2.2 Unless directed otherwise by the Minister, Rand Water's area of service is currently Gauteng, Mpumalanga, Free State and North West, together with other extended areas as may be directed from time to time.

5.2.3 Rand Water may operate in other areas outside its directed area of service, where there is an agreement to do so and when all legislative requirements are complied with.

5.2.4 Rand Water commits to complying with the legislative requirements at each instance its area of operation is amended.

### 5.3 Vision, Mission, Values and Objectives

5.3.1 In realising its legislative mandate, Rand Water has set for itself a specific vision, mission, values and strategic objectives, which are carefully crafted to ensure alignment with its shareholder's objectives on water services. It is upon the vision that all Rand Water activities are embedded.

#### **Vision:**

5.3.2 Rand Water's vision is to be a provider of sustainable, universally competitive water and sanitation solutions for Africa.

#### **Mission:**

5.3.3 The mission is to consistently meet the expectations of Rand Water customers, partners, and the Government by strengthening the capacity to:

- a) Attract, develop, and retain leading edge skills in water services;
- b) Sustain a robust financial performance;
- c) Develop and sustain globally competitive capabilities in core areas;
- d) Enter into and sustain productive partnerships; and
- e) Develop, test, and deploy cost-effective technologies.

#### **Values:**

5.3.4 Rand Water embeds its values in its governance, operations and stakeholder management. Engagements are thus always driven by its five corporate values:  
- Innovation, Excellence, Caring, Spirit of Partnership, and Integrity.

#### **Objectives:**

5.3.5 To attain its vision, Rand Water set the following strategic objectives, which focus and direct the business activities of the organisation:

- a) Achieve Operational Integrity and Use Best Fit Technology;
- b) Achieve a High-Performance Culture;
- c) Positively Engage Stakeholder Base;
- d) Achieve Growth; and
- e) Maintain Financial Health and Sustainability

#### 5.3.6 Innovation Driven Risk Based Strategy

5.3.6.1 RW is pursuing the Innovation Driven Risk Based Strategy (IDRB Strategy) to achieve its Objectives. One of the pillars of the IDRB Strategy is to “establish a fully functional Innovation Hub (Innovation, Research and Development)”. Rand Water Institute (RWI) was created as a division within RW and to be a vehicle in ensuring the achievement of the IDRB Strategy. RWI focus areas are Research and Development, Innovation and New Technologies, Knowledge Transfer, Partnerships and Collaboration, International Water Cooperation, Sectoral Coordination and Support, Research Administration and Integration and Institute Support Services.

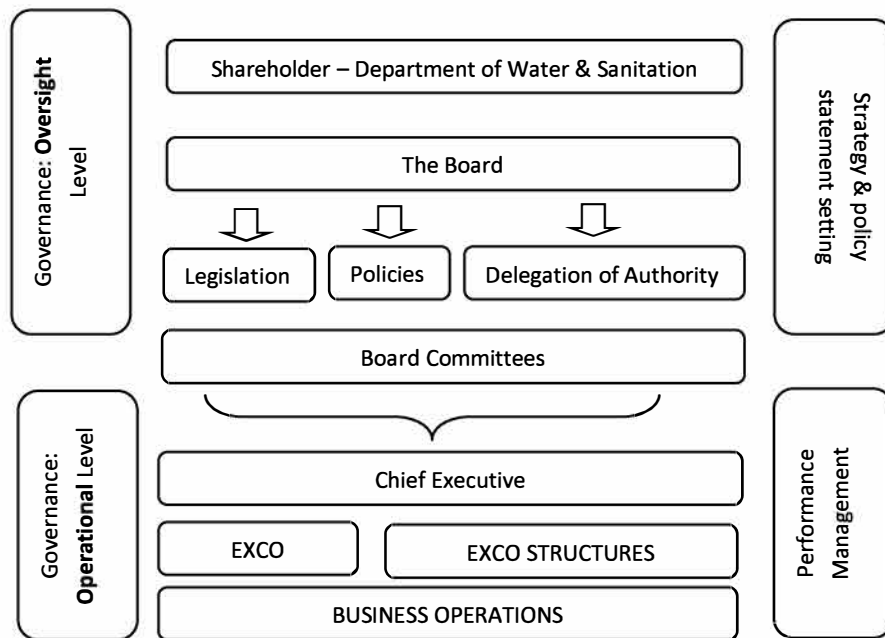
5.3.6.2 To ensure sectoral coordination and support, RW pioneered, through RWI the establishment of the Association of Water and Sanitation Institutions in SA (AWSISA). The primary objective of AWSISA is to support the mandate of DWS while pursuing the interest of water and sanitation institutions in SA.

### 5.4 Corporate Governance

5.4.1 The structural governance of Rand Water is primarily regulated by the Act.

5.4.2 As a creature of statute, Rand Water’s shareholder is the Department of Water and Sanitation, through its Minister.

5.4.3 Below is a pictorial depiction of Rand Water’s governance overview:



## The Board

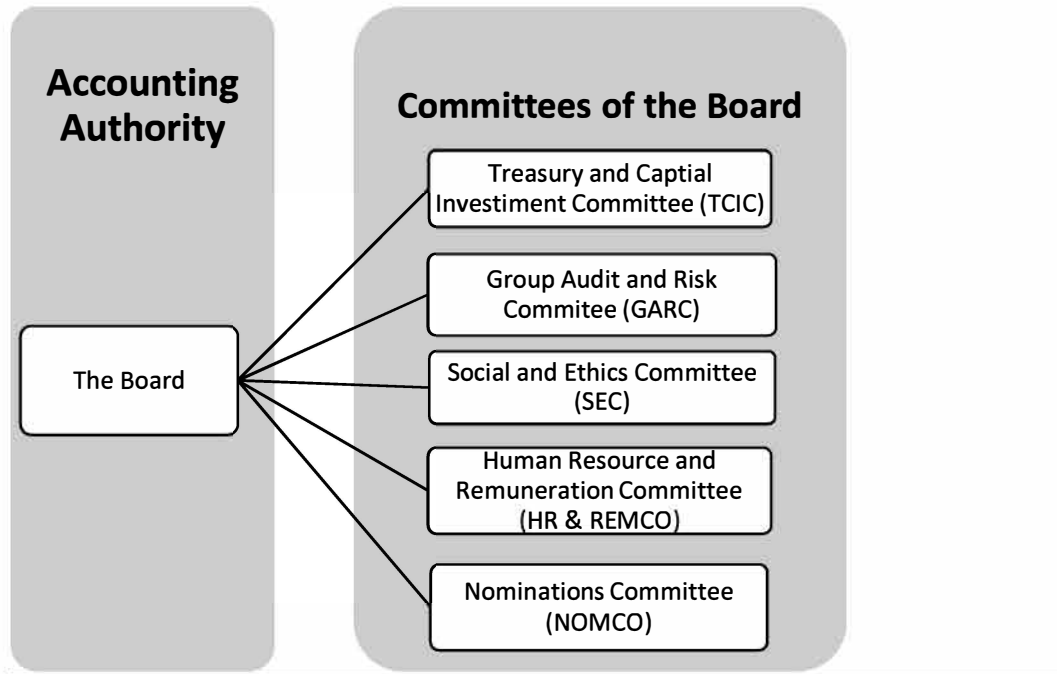
- 5.4.4 The Act commands that Rand Water must have a chairperson and other board members. The appointment of the chairperson and the board members is by the Minister and is in accordance with the prescripts of the Act.
- 5.4.5 The Minister may ask Rand Water to constitute a selection panel to recommend persons for appointment as members of its board. Such selection panel must be constituted in accordance with the prescripts of the Act. In this regard, Rand Water has established a Nominations Committee, whose purpose includes providing the required assistance to the Minister in appointing persons who are to perform the role of the selection panel as envisaged by the Act. Membership to the Nominations Committee is constituted in accordance with the Act.
- 5.4.6 The Board of Rand Water currently consists of non-executive members, inclusive of its chairperson, and one executive member (the Chief Executive), who have been carefully selected to fulfil the legislative principle that seeks to have a board that has balance of expertise, skills, expertise and experience to ensure that the board, as a collective, is equipped to guide the business and strategy of the Rand Water.

**The Board Committees**

5.4.7 The Act empowers the Board to delegate any of the operational power to a committee of the board, its chief executive or any of its employees. It is within this framework that the committees of the Board were established.

5.4.8 The committees of the Board have been established to assist the Board to discharge its roles and responsibilities. The Committees of the Board is comprised of the Treasury and Capital Investment Committee, Group Audit and Risk Committee, Social and Ethics Committee, Human Resources and Remuneration Committee, and the Nominations Committee. The Committees are appropriately constituted in accordance with the delegation of powers vested on the Chairperson by the Act, and members are appointed by the Chairperson of the Board.

5.4.9 Below is the depiction of the current structure of the Board committees:



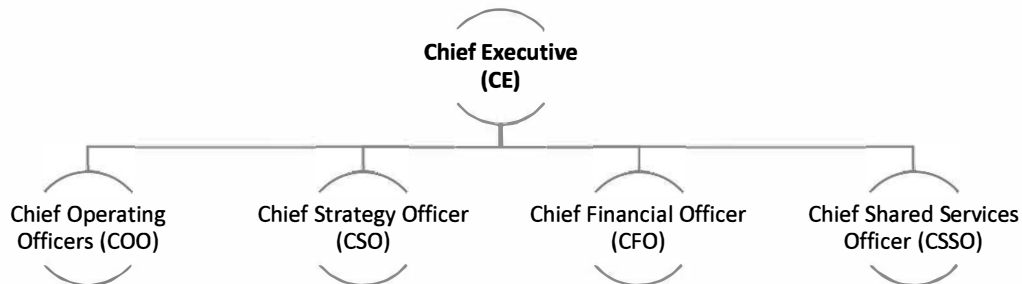
## **The Chief Executive**

- 5.4.10 The Act further requires Rand Water to appoint a suitable person as its Chief Executive. In alignment to the legislative requirements, Rand Water has appointed a Chief Executive for a renewable period, and the conditions of such appointment are set by the Board of Rand Water, which includes the salary and the key performance indicators, are determined by the Board on a written contract.
- 5.4.11 The Chief Executive is responsible for providing ethical leadership and ensuring the operations are aligned with Rand Water's strategy. The Chief Executive reports to the Board and is ultimately responsible for the day-to-day running of the business which includes formulating strategies and policies which are approved by Board for implementation.
- 5.4.12 To fulfil his mandate, the Chief Executive has formed an Executive Management Committee (EXCO), whose role is to assist the Chief Executive in fulfilling his mandate.
- 5.4.13 The roles of the Chairperson and Chief Executive are independent and separate. This division of responsibilities ensures balance, and that no individual has unrestricted decision-making authority. Both parties operate in terms of distinct mandates.

## **The Executive Committee (EXCO)**

- 5.4.14 EXCO has the authority and power to take decisions on the day to day management of business operations and implementation of strategic policy in accordance with the policies approved by the Board and within the financial limits set out in the DoA.
- 5.4.15 Amongst its roles, is the responsibility to consider and recommend the corporate strategy, business plans and annual budgets and any subsequent material changes in strategic direction or material deviations therefrom to the Board for approval.
- 5.4.16 EXCO is overcharged with the development of sound controls for the implementation of the corporate strategy, policies, plans, and for performance monitoring and risk management, which includes financial management.

5.4.17 The structure of EXCO and the functions it oversees is depicted in the following style and has been formulated in such a style that creates a balance of efficiencies to support the achievement of EXCO's mandate.



## 5.5 Nature of Business

### 5.5.1 Primary Activities

5.5.1.1 As outlined in part one of this document Rand Water's duties originates from Chapter 2 of the Constitution, in terms of which the right of access to sufficient water is entrenched. The Constitution in turn mandates municipalities, as water services authorities, with an obligation to provide services to communities in a sustainable manner, which services includes water services.

5.5.1.2 The national government, in this instance, the Department of Water and Sanitation, is constitutionally mandated to support and strengthen the capacity of the municipalities to manage their own affairs, to exercise their powers and to perform their functions. Such support is provided through promulgation of national legislation and otherwise. It is through this constitutional framework that the Water Services Act was promulgated, with an objective of setting out provisions that give effect to the right of access to basic water supply and basic sanitation and matters incidental thereto.

5.5.1.3 In terms of the Water Services Act, Rand Water's duties are primarily to provide water services within its area of operation. Provision of water services entails both the water supply services and sanitation services, as defined above.

## **A. Water Supply Services**

5.5.1.4 Rand Water supplies its water in bulk and in a potable form. This includes amongst other things, the following broad sub-grouping of activities:

- a) Investigate, obtain and store surface runoff source water;
- b) Investigate, obtain and store underground source water;
- c) Investigate, obtain and store recycled source water;
- d) Monitor the quality of all source waters (defined as raw water for the purposes of potable water production).
- e) Monitor the quality of all untreated water within the catchment that has a potential to affect and change the quality of the source waters.
- f) Abstract and treat all raw waters to potable (drinking) water quality standards;
- g) Distribute potable water in bulk to customers; and
- h) Undertake all such other things as may be necessary to support the efficient, effective and economic performance of the primary activity of bulk potable water supply.

## **B. Sanitation Services**

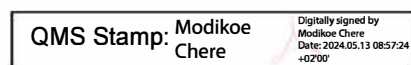
5.5.1.5 Rand Water has authority to provide sanitation services within its service area. This service aspect includes the following activities, though not limited to:

- a) Collection of bulk wastewater from water services institutions;
- b) Treatment of wastewater;
- c) Discharge of treated wastewater into the natural environment;
- d) Process monitoring;
- e) Industrial effluent monitoring;
- f) Resale of treated wastewater/effluent to industry, with the intention that such wastewater shall not be used for household purposes;

- g) Undertaking all such other things as may be necessary to support the efficient, effective, and economic performance of the primary activity of bulk sanitation services;
- 5.5.1.6 For efficiency of its service offering, Rand Water continues to ensure that its approach is proactive, by:
- 5.5.1.6.1 playing a supportive role through offering managerial, technical and operating expertise for short-term engagements;
  - 5.5.1.6.2 Engage in limited term contracts, on a principal agency contractual arrangement, to undertake the function of sanitation services on behalf of water services institutions;
  - 5.5.1.6.3 Assume long-term responsibility for sanitation services for water services institutions. This responsibility is generally structured on build, operate and transfer model (BOT), which entails the acquisition of the water services institution's the infrastructure and take responsibility for future capital investments or to accept a delegated management of the infrastructure with a defined sharing of risk and revenue between owner and operator of the system.

**5.5.2 Secondary Activities**

- 5.5.2.1 Rand Water is legislatively authorised to provide services other than its primary activity. Such other services are at times referred to as secondary activities.
- 5.5.2.2 Rand Water's intentions in undertaking other activities would be that these activities, related to the water services sector, are undertaken to support and enhance the performance of Rand Water's Primary activity for the benefit of its stakeholders, and to support and strengthen the capacity of water service authorities and institutions in providing effective, efficient sustainable and cost effective water services to customers in Rand Water's service area.
- 5.5.2.3 As such, the secondary activities are primarily entered into for profit making and the gains made therefrom are applied in enhancing the primary activities and, on a cost recovery basis, support and strengthen the capacity of water services authorities in providing effective, efficient, sustainable and cost-



effective water services. Notwithstanding the afore, some secondary activities are not for gain and are intended to provide support and educational opportunities to communication, other water institutions and municipalities.

5.5.2.4 In compliance with the Act, Rand, Rand Water shall at all times ensure that such activities:

- 5.5.2.4.1 are provided for in Rand Water's business plan;
- 5.5.2.4.2 are aligned to legislation and Rand Water's policy principles;
- 5.5.2.4.3 do not have an adverse effect on Rand Water's ability to provide its primary activity; and
- 5.5.2.4.4 will not have adverse financial effects on Rand Water, water services institutions, consumer and other users serviced by Rand Water in its area of operation.

## 5.6 SEPARATION OF PRIMARY AND SECONDARY ACTIVITIES

5.6.1 The Act requires that Rand Water must have measures in place for the separation of primary & secondary activities.

5.6.2 Section 32 of the Act mandates Rand Water to give priority to its primary activity. Further, in Section 42 the Act requires Rand Water to manage its primary activity and each of its other activities as separate units, maintain separate and itemised financial accounts for its primary activity and each of its other activities, and that transactions between units of a water board engaged in different activities of the water board must be carried out on terms and conditions which could be expected to apply to similar transactions between unrelated businesses.

5.6.3 Rand Water fulfils the above legislative requirement in the following manner:

### **A. Business plans for other activities**

5.6.3.1 Independent business plans and budgets are developed for each of the other activities that Rand Water becomes involved in.

5.6.3.2 Though each secondary activity is managed separately, business plans are presented and considered by Rand Water for risk considerations, financial effect and alignment of the plans to the objectives to both Rand Water.

**B. Financial Management**

5.6.3.3 All organisational costs and overheads incurred in relation to each other activity is charged out to the relevant activity.

5.6.3.4 In order to comply with the Act, the books of account of each of the secondary activities are managed independently for a clean disclosure on sound financial management. However, in preparation of the consolidated financial statement and reporting on such, Rand Water includes a disclosure note that clearly reflects the secondary activities that were undertaken in the specific financial year.

5.6.3.5 Rand Water's accounting policy follows the prescripts of International Financial Reporting Standards (IFRS), which allows for consolidated accounting and reporting, but with an ability to identify primary activity financial performance from secondary activities financial performance (groups of accounts where subsidiary finances are depicted with clarity) for stakeholders to make informed decisions as they engage with Rand Water.

**C. Independent assurance**

5.6.3.6 Various independent assurance checks are undertaken to confirm adequacy of the controls.

5.6.3.6.1 An independent internal audit assurance is undertaken to confirm that the controls that are in place continue to preserve the separate management, as envisaged by the Act.

5.6.3.6.2 An independent integrity and probity assessment exercise also provides assurance on ethical behaviour in the management of the primary and secondary activities, in order to affirm that a level of Chinese wall exists and is maintained to the extent expected by the Act.

5.6.3.6.3 Currently, external audit assurance is undertaken through the office of the Auditor General of South Africa, to ensure integrity and effective of

internal controls relevant to the annual financial statements, the annual performance report and compliance with legislation.

**D. Administration of Other Activities**

- 5.6.3.7 Other activities are administered in separately identified cost centres, corporate entities or stand-alone companies which record both revenue and expenditure related to each of these activities.
- 5.6.3.8 This entails a form of ring-fencing of the management structure, staff and operational finance that will primarily be focused on ensuring the success of these other activities.
- 5.6.3.9 In this regard, Rand Water incorporated **Rand Water Services (Pty) Ltd** and **Rand Water Foundation** for the purposes of administering and managing its secondary activities.

**D.1 Rand Water Services (Pty) Ltd**

- 5.6.3.9.1 Rand Water incorporated Rand Water Services as its subsidiary, which is a private company incorporated in terms of the Companies Act, incorporate to execute special projects and other water services business opportunities as authorised under Section 30 of the Act, where such are not managed within Rand Water. Activities that are managed within Rand Water Services may be offered solely by Rand Water Services or in collaboration with Rand Water or other suitable partners.
- 5.6.3.9.2 Rand Water Services shall have its own resources, but where same are shared, related costs are charged out to each unit in order to maintain sound financial management;
- 5.6.3.9.3 For each new project that has been identified has to have a business plan and a project financing model. Broadly, Rand Water has established adequate and sound finance models for Rand Water Services for its capital and operational requirements.

## **D.2 Rand Water Foundation**

5.6.3.9.4 The Rand Water Foundation was formed and registered in 2001 so that Rand Water can fulfil its mandate of being a good corporate citizen by implementing social and community development programmes in the communities that it serves. Its operations commenced in May 2003.

5.6.3.9.5 Rand Water is implementing a two-pronged corporate social responsibility programme that focuses broadly on the following:

- a) Corporate social investment on water related services. It is recognised that this is where Rand Water's core competencies excel and therefore it will be more meaningful and impactful to the communities that are served by Rand Water to also focus on the funding of water services related projects that enable the Foundation to make a greater difference on the quality of life of communities.
- b) The non-water related CSI which is focused on implementing social and community development projects on a cost recovery basis and using labour intensive methods.

5.6.3.9.6 The Rand Water Foundation activities are not commercial by nature and involve partnerships with other organisations as a means of leveraging resources and ensuring direct participation by community partnerships entered into by the Foundation. Through proactive involvement with policy makers and decision makers at National and Provincial government levels, the Foundation also endeavours to ensure that it utilises these relationships to the benefit of the projects that it is funding and also to positively influence the developmental landscape and policy making.

# ABOUT RAND WATER POLICIES

## 6. Board Policies

Rand Water has developed the following policies, amongst others, in order to give effect to the intent of Section 39 of the Water Services Act:

### 6.1 Organisational Design Policies

#### – SHEQ POLICY

6.1.1 In alignment with Section 39(3)(a), (b), and (c), of the Act, Rand Water has developed a policy that is intended to define Rand Water in term of its legislative mandate, its operational design, and further gives a high level outline on how Rand Water maintains quality of its primary and secondary services. This is policy is designed to comply with various legislation and standards, including the Water Services Act, Occupational Health and Safety Act, National Environment Management Act, International Organisation for Standardisation (ISO). To oversee all these elements the following policy has been developed:

6.1.2 The SHEQ Policy regulates how Rand Water health, safety, environmental and quality issues within its core operations. It outlines the various processes that define the core of Rand Water, being to abstract raw water, purification thereof, and distribution of potable water. It mandates Rand Water to maintain safety, health, and quality standards throughout its operations, whilst being cognisant to environment compliance demands.

### 6.2 Financial Management

In line with Section 39(3)(d), (e) and (f) of the Act, Rand Water must have policies related to financial risk management, investment management and accounting principles. In this regard, the following policies have been developed as the Board intention on financial management:

#### - *Accounting Policy*

6.2.1 In terms of the Act, the accounting policy of a water board must be consistent with generally accepted accounting practices (GAAP).

6.2.2 However, Section 216 of the Constitution commanded creation of a national legislation that must establish a national treasury, whose role would be to prescribe measures to ensure both transparency and expenditure control in each sphere of government, by introducing: generally recognised accounting practice, uniform expenditure classifications, and uniform treasury norms and standards.

6.2.3 Consequently, the PFMA was promulgated in 1999, in terms of which the Accounting Standards Board was subsequently established in terms of Section 87 of the PFMA, whose role was, amongst others,

(a) to set standards of generally recognised accounting practice (GRAP) as required by section 216 (1) (a) of the Constitution, for the annual financial statements of—

(i) departments;

(ii) public entities;

(iii) constitutional institutions;

(iv) municipalities and boards, commissions, companies, corporations, funds or other entities under the ownership control of a municipality; and

(v) Parliament and the provincial legislatures;

(b) prepare and publish directives and guidelines concerning the said standards.

6.2.4 As such, the historic practice was such that public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (GAAP), or for certain entities, International Financial Reporting Standards (IFRS)<sup>®</sup> issued by the International Accounting Standards Board. Rand Water has however been preparing its financial statements in accordance with GAAP. Since the statements of GAAP were withdrawn from 1 December 2012, public entities were then required to apply another reporting framework. In determining the reporting standard that would be applicable, the Accounting Standards Board,

issued a Directive 12, which was to assist public entities in selecting the applicable reporting standard for its nature of business.

6.2.5 The current reporting standard for Rand Water was therefore selected using Directive 12 issued by the Accounting Standards Board, directive encompasses the selection of an appropriate reporting framework by public entities. In terms of the directive, an entity shall apply IFRS as its reporting framework if it meets the criteria in paragraph 11, otherwise it shall apply Standards of GRAP. Rand Water therefore had to assess its position to determine whether it meets the criteria set in paragraph 11 of the Directive. Paragraph 11 stipulates that:

6.2.5.1 In assessing whether an entity shall apply IFRS Standards, it considers whether it meets one of the following criteria:

- (a) the entity is a financial institution;
- (b) the entity has ordinary shares or potential ordinary shares that are publicly traded on capital markets; or
- (c) its operations are such that they are:
  - (i) commercial in nature; **and**
  - (ii) only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government.

6.2.5.2 Rand Water conducted the test and met the criteria set in set out in sub-paragraph (c) above. Accordingly, Rand Water must, and is, using IFRS as its reporting framework.

6.2.5.3 In accordance to the Directive, the applicable reporting framework shall remain, unless there is a notable change in how Rand Water qualified under Directive 12. The following shall be considered as a significant change in the Group's circumstances, and will therefore trigger a test against the provisions of Directive 12:

- (a) A change in the PFMA Scheduling of Rand Water

(b) A significant increase in the amount of Government grants received, subject to; the level of dependency on this grant must also be assessed.

6.2.5.4 Therefore, Rand Water shall immediately reassess its position when there is a significant change.

6.2.5.5 In accordance with IFRS reporting standards, Rand Water prepares its financial statements in such a manner that the financial information presented provides users with useful information to the users of Rand Water's financial statements to enable such users to make an unbiased or untainted decision based on the information presented. To achieve this, Rand Water ensures that the financial information it presents is, relevant, is presented faithfully, is comparable, is verifiable, is understandable, and is timeless.

6.2.5.6 Rand Water has therefore developed an **Accounting Policy Manual** that guides operation in complying with the requirements of IFRS and further ensures that at the of each financial year, its integrated annual report aligns with the standard on financial reporting.

6.2.5.7 A complete set of financial statements includes a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flow, notes to the financial statements and a summary of accounting policies. In addition, the IFRS requires require the preparers of the financial statements to include information about the reporting entity that is useful and relevant to the industry that it operates. This therefore results in Rand Water including legislative requirements in its annual financial statements. This information provides a detailed view of the entity to its investors, lenders and other creditors in making decisions about providing resources to Rand Water.

6.2.5.8 Rand Water follows the requirements in the IFRS to ensure that faithful representation of the financial performance and position of the entity is achieved whilst ensuring that the representation is free from material errors and misstatements.

## **Reporting**

6.2.5.9 The financial year of Rand Water is from 1<sup>st</sup> of July the 30<sup>th</sup> of June.

6.2.5.10 In compliance with Section 43 and 44 of the Act, Rand Water subjects its financial statements to an independent audit and submits such audited consolidated annual financial statements to the Minister of Water and Sanitation, the relevant Provincial Department, and Parliament, within four months after the end of its financial year. These are also made available to the public.

6.2.5.11 Because Rand Water is an issuer in terms of the Financial Markets Act, and at times issued domestic medium terms notes to the public, it is required, in terms of the JSE Listing Requirements, to prepare interim financial statements. When the reviewed consolidated interim financial statements are ready, they are made available to the JSE.

### **6.2.6 Investment Framework and Financial Risk Management**

6.2.6.1 Rand Water is required to develop rules and procedures to be followed before any investments are made and is further required to establish governance protocols to manage financial risk.

6.2.6.2 In giving effect to this requirement, Rand Water annually prepares its corporate business plans, which outlines its strategic objectives, operational and strategic requirements that are necessary to achieve its plans, financial requirements and related risks. The corporate plans are considered by the Board and are submitted to the Department of Water and Sanitation.

6.2.6.3 Rand Water further prepares an annual budget which is approved by the Board, and which reflects estimated revenues, all operating and capital expenses and estimated net income. In managing its operations, Rand Water complies with the PFMA in ensuring that it operates within the parameters of its corporate plans and approved budget and to further avoid fruitless, wasteful and irregular expenditure.

6.2.6.4 The Internal Audit department and the Audit and Risk Committee, established by the Board, conducts tests on the controls that are put in place to ensure

that the strategic objectives and plans are realised. They test the adequacy and efficiency of these controls.

6.2.6.5 In addition to the Accounting Policy Manual, Rand Water has developed a **Capital Investment Policy and a Treasury Policy** as additional controls that have been put in place to ensure that Rand Water complies with its legislative requirement on sound financial management. This also includes other management controls that are intended to fulfil Rand Water's legislative obligation to pay its debts when they fall due and collect revenue owed to it.

#### – Capital Investment Policy

6.2.6.6 Sustainability has become a key requirement for government and its organs, and with it is the realization that organisations such as Rand Water must operate within a broader community and natural environment. In this regard:

6.2.6.6.1 The Act requires that Rand Water is to remain financially sustainable, whilst striking a balance between its positive contribution towards social good, economic growth and environmental protection.

6.2.6.6.2 Further, the Department of Water and Sanitation expanded Rand Water's mandate to fulfil a broader national role with added responsibilities relating to the implementation of the National Development Plan and National Water Resource Strategy.

6.2.6.7 Accordingly, Rand Water aligns with the implementation of a long-term government led infrastructure investment programme through the Presidential Infrastructure Coordinating Committee (PICC) initiatives. PICC promotes infrastructure development initiatives through Strategic Infrastructure Projects (SIP) and the water sector is categorised under number 18 (SIP18). Rand Water supports SIP 18 through its Capital Expenditure Programme. This is done partly through the on-going process of improving operational efficiencies and partly through sound investments in new markets and product streams.

6.2.6.8 To remain sustainable, Rand Water then developed a **Capital Investment Policy** that protects its financial health and sustainability, supports its wider mandate and developmental role, and which favours broad-based

sustainability investment decisions in line with the Board's stated strategic objectives.

6.2.6.9 The purpose of the capital investment policy is to direct all capital investment decision-making and actions within Rand Water in compliance with the provisions of the applicable legislation, whilst be cognisant of the developmental role that Rand Water must play.

6.2.6.10 For Rand Water, materiality of the envisage investment is key in making an informed decision on which projects to invest in and priority thereof. Subject to such materiality, Rand Water thus invests in projects related to:

- (a) Augmentation of bulk water infrastructure;
- (b) Renewal of bulk water infrastructure;
- (c) Immovable assets relating to:
  - (i) Heritage Assets;
  - (ii) Investment Property;
  - (iii) Acquisition of land and buildings;
- (d) Acquisition and Renewal of Movable Assets, Information Technology Assets, and Intangible Assets; and
- (e) Acquisitions, construction, creation, or investment in any other asset that is deemed significant in terms of the PFMA.

6.2.6.11 All investments are subjected to an evaluation process in terms of the multi-criteria analysis score card which considers discounted net project cash flows and other non-financial metrics aligned to the strategic corporate objectives. All envisaged investments are thus ranked in terms of their multi-criteria analysis scores.

6.2.6.12 Rand Water therefore commits to undertaking sound capital investment planning and decision-making in line with accepted best practice for utilities and will direct its investments to align to presidential outcomes, water services, water resource management and green (environmentally sustainable) investments, ensuring that Rand Water remains financially

viable, whilst supporting the broader corporate strategic objectives as established by the Board.

6.2.6.13 Rand water refers all capital investments for infrastructure to the Treasury and Capital Investment Committee which is constituted consider and recommend such capital investments to the Board of Rand Water for approval.

**– Corporate Treasury Policy**

6.2.6.14 Rand Water recognizes that there are various financial risks, such as interest rate risks, liquidity risks, foreign exchange risk, credit and commodity risks arising from its borrowing, investment and other operational activities. Rand Water's philosophy, on the conduct of its Treasury activities, is to ensure that the risks associated with such activity are properly identified, quantified and managed to ensure that the organisation meets its statutory obligations, and that there is minimal negative impact on Rand Water arising from such risks. The purpose of this policy is to therefore ensure that Treasury activities are managed within certain confines, still allowing Rand Water to attain its business objectives.

6.2.6.15 In this regard, Rand Water has developed a **Corporate Treasury Policy**, whose purpose is to manage financial risks and outlines a comprehensive set of policy directives and guidelines to regulate Treasury activities within Rand Water. For Rand Water, "Treasury Activities" include:

- (a) Cash Management;
- (b) Liquidity Management;
- (c) Management of Debt and Investment;
- (d) Management of in-house bank accounts;
- (e) Financial Risk Management;
- (f) Foreign Exchange Management.

6.2.6.16 The Corporate Treasury Policy is aimed at: minimising the cost of borrowings within prudent risk parameters; identify, minimise and effectively manage financial risk, and ensure professional interaction with financial markets.

6.2.6.17 The following governance structures have been formed to oversee good governance on treasury activities the Board places reliance on them in testing the adequacy and efficiency of the controls that Rand Water has put in place for financial management: Board Audit and Risk Committee, Treasury and Capital Investment Committee and ultimately the Board.

### 6.3 Human Resource Management

6.3.1 Section 39(3)(g) of the Act further requires Rand Water to have policies on human resource and human resource development. In this regard, Rand Water adopted an integrated reporting framework which includes human capital as one of the six capitals to be reported on. As such employees become a valuable resource to Rand Water due to their skills, abilities, knowledge, and experience that is intangible and invaluable in Rand Water's good will and going concern.

6.3.2 Rand Water therefore acknowledges that its employees are an essential element of its asset profile and thus form part of its obligation imposed by the PFMA, in terms of which Rand Water has a responsibility for the management, including the safe-guarding.

6.3.3 Preservation of employees entails an array of functions that are related human resources management and the development of employees. In fulfilment of its legislative mandate, Rand Water is guided by various labour laws and acceptable standards that seek to protect employees and employers, that seek to encourage a healthy workforce and that seek to promote productivity of the employer and employee. Rand Water has fully embraced the spirit of employee/employer relationships and has bound itself to abide in full measure by both the spirit and letter of all labour laws such as the Employment Equity Act, Labour Relations Act, Basic Conditions of Employment Act, Skills Development and Levies Legislation.

6.3.4 Accordingly, various policies and frameworks are overseen by both the Board and the Chief Executive, based on the nature of the governing document, with an aim of addressing various subject areas that have a bearing on human resources and human resources development. The objective of Rand Water's range of Human Resources policies and framework is to ensure that corporate goals are achieved by the appropriate calibre, commitment and freedom to act of people throughout the organisation. To this end, effective employment, development, motivation and

management of employees will remain a prerequisite. Rand Water seeks to ensure that all its people operate in an environment characterised by the values of excellence, caring, equity, integrity and a spirit of partnership.

6.3.5 The following policies are therefore designed to set a tone and regulate human resources and development, and is a basis upon which other human resources management frameworks have been established:

**– Recruitment Policy:**

This policy has been developed to commit Rand Water to systems, procedures and practices for recruitment, selection, and staff mobility in a professional, effective, fair manner in compliance with all relevant labour legislation. Its aim is to ensure that all human capital acquisition needs are aligned to the legislative and the Rand Water business requirements.

**– Capacity Building Policy:**

the purpose of which is to ensure that Rand Water's workforce continues to be developed to meet both Rand Water's strategic goals and individual career aspirations. Rand Water also has other talent management Framework that seek to ensure that management encourages development and rewards talent that stretches beyond expected standards;

**– Leave Policy:**

The objective of this policy is to align to minimum prescribed requirement of the law in relation to the employer's obligation to provide various leave benefits to employees. Whilst complying to the legislative requirements, Rand Water recognises that it has a discretion to regulate the leave benefit in order to complement what is allowed in law and as means of encouraging productivity and retention of employees. The Board thus has an oversight on this policy due to its financial impact in particular where Rand Water provides additional leave benefits above what the law prescribes.

**– Remuneration Policy; and**

**– Incentive Policy:**

Rand Water has modelled its remuneration and incentive policy in a manner that encourages productivity and retention of employees. These policies thus encourage alignment between the corporate objectives, plans together with functional and individual KPIs in such a manner that links employee reward to organisational, Business Unit and individual performance and successes. Over and above the agreed upon remuneration for performance, Rand Water has a discretionary, not guaranteed, incentive programmes, on a short and long term basis, which may be performance based or linked to special/strategic achievements. and are generally aimed at rewarding performance over and above the norm towards the achievement of the organisation's objectives.

#### **6.4 Performance Management**

6.4.1 Section 39(3)(i) requires the Board to have a policy on how Rand Water will be measured on its performance. In this regard Rand Water has developed an integrated and a balanced performance management approach for measuring its performance. This approach enables Rand Water to operationalise its strategic objectives for implementation, monitoring and evaluation. This approach considers the strategic objectives, corporate planning, the workforce and its wellness, financial requirements, risk management and stakeholder management. To give effect to this, Rand Water has adopted the following policies that have a direct effect on Rand Water's performance:

**- Performance Management Policy**

6.4.2 Performance management is triggered from a corporate level and filtered down to an individual level, with the aim of enhancing Rand Water's employees' understanding of their individual roles and responsibilities in contributing to the organisation meeting its objectives.

6.4.3 For Rand Water, performance management is triggered by the adoption of the strategic objectives, the development and approval of corporate plans, the identification of related corporate risks, the cascading of the corporate plans and risks to the business units, the development of risk responsive KPIs that are linked

to the corporate objectives and plans, the creation of a budget that is cognisant of the resources that are required to achieve the objectives, plans and mitigate related risks. As such performance management requires an integrated corporate planning, monitoring and evaluation that is synchronised to promote productivity for attainment of the corporate objectives.

- 6.4.4 Conclusion of the corporate plans eventuates into a shareholder compact being entered into with the Department of Water and Sanitation, in terms of which each acknowledges the obligations and commitments made and how same shall be monitored and evaluated. This is ultimately cascaded into the Corporate Scorecard and eventually in the individual performance contracts of all employees. The collective performance of all employees contributes towards the achievement of Strategic Objectives to foster and sustain a high performance culture”.
- 6.4.5 The integrated approach in performance management simultaneously fulfils the expectations contained in S39(3)(l), which requires Rand Water to also include, in its policy statement, **information about the nature and extent of activities aimed at ensuring access to water services within Rand Water’s service area, and the extension and improvement of those services.** In this regard the integrated performance management approach incorporates corporate planning activities. The planning generally entails the planning of capital works and the coordination with other key stakeholders, as follows:

#### 6.4.5.1 Development Plans

- 6.4.5.1.1 Detailed planning of additional infrastructure is undertaken over a two-year cycle, during which consumer requirements are determined, the various bulk water supply systems analysed, and a 15 year infrastructure plan produced (outlining the infrastructure investments required to ensure adequate capacity to meet consumers requirements).
- 6.4.5.1.2 Augmentation of Rand Water’s capacity to supply potable water is undertaken under either an Additional Water Supply Scheme (which provides integrated capacity to meet the demand over a defined period) or under an Independent Capital Work Project (in which an independent

facility or amenity is added to the infrastructure, or an existing facility is extended or increased in capacity). Infrastructure plans and resource requirements are included into the organisation's five-year business plan. On an annual basis a report is submitted to the Board of Rand Water to obtain approval to put in hand proposals for Independent Capital Work Projects on which work should be started during the ensuing financial year. Additional Water Supply Schemes, by their very nature, are executed over an extended period and are normally approved by the Board at intervals of between five and ten years.

#### 6.4.5.2 Formal meetings

Formal meetings are held on a regular and scheduled basis with:

- a) Department of Water and Sanitation (source of supply). Rand Water participates in a number of Department of Water Sanitation study steering committees, (viz Project Feasibility Studies, The Water Resources Situation Assessment Studies in various provinces etc) to ensure that Rand Water's consumers' needs are considered in the evaluation and planning of raw water augmentation projects.
- b) Water Service Authorities (future demands for water services). Rand Water collects biennial assessments of the water demands of all its major consumers to guide the infrastructure planning process. The are formalised processes to source and utilise information from Water Service Authorities' Water Service Development Plans to further inform infrastructure planning.

#### 6.4.5.3 Development and use of diagnostic frameworks and models

Rand Water is continually developing and utilising a range of decision support systems to guide infrastructure investment. Examples are: a hydraulic model, a geographic information system, a pipeline information system, a pipeline asset management plan, etc.

#### 6.4.5.4 Research work

Rand Water conducts specific applied research work that is geared toward determining the water service needs of communities in the service area and the gathering of information to inform development strategies and approaches to meet these needs. Examples of research work are:

- a) Informal settlements and service upgrading data base;
- b) Community needs and satisfaction surveys;
- c) Supply projects in support of Water Services Authorities;
- d) Culture of non-payment studies;
- e) Market segmentation studies;
- f) Social impact assessments; etc.

#### 6.4.5.5 **Planned maintenance programmes**

Planned maintenance programmes are approved and operationalised for all system and major plant involved in water service provision to minimise and mitigate the risks of unanticipated breakdown or failure.

#### 6.4.5.6 **Stand-by plant and capacity**

6.4.5.6.1 Rand Water's treatment works, pumping plant and pumping mains are designed to meet the estimated maximum 7 day demand (on average 1,23 times the annual average daily demand - AADD). Gravity fed pipelines are generally designed to meet the maximum day demand (1,3 times AADD) - the water service providers municipal reticulation system is expected to provide sufficient storage to meet the instantaneous peaks.

6.4.5.6.2 Total potable water storage provided by Rand Water in its system is generally equivalent to the expected 36 hours average demand for the highest month under normal rainfall conditions for the relevant projected period. The standby capacity provided is at least 20% of the designed capacity of the pumping station.

#### 6.4.5.7 **Adopting a regional planning approach**

Rand Water's infrastructure plans, together with the plans of municipalities, are integrated and optimised to meet the needs of the local authorities.

#### 6.4.5.8 **Infrastructure design and integration to mitigate supply failure risks**

Due to the extremely high cost of bulk potable water distribution infrastructure Rand Water has limited standby capacity in its distribution network. The network is, however, designed such that, where practical, cross connections are provided to enable a limited supply from more than one reservoir/pumping station in the event of a failure in a component of the network.

#### 6.4.5.9 **Water Quality Management**

Rand Water acknowledges that ensuring the quality of water supplied is crucial for public health. Rand Water implements stringent water quality management practices, including regular testing and treatment processes, to meet national and international standards. This also to ensure the continuous improvement of our water supply services.

#### 6.4.5.10 **Community Engagement and Collaborations**

Rand Water also plays a role in the overall value chain of water supply services in that the organization also engages with communities within its service area to raise awareness about water conservation, hygiene practices, and the importance of sustainable water use. Educational programs and campaigns are conducted to empower communities to actively participate in water management efforts. Rand Water also collaborates with government agencies, municipalities, NGOs, and other stakeholders to address water-related challenges effectively. Partnerships facilitate resource-sharing, knowledge exchange, and coordinated efforts towards achieving common goals in water service provision and management.

Rand Water is actively involved in, and collaborates with, external organisations and initiatives such as the Association of Water & Sanitation Institutions in South Africa (AWSISA), to determine, measure or benchmark against best practice.

- **Delegation of Authority Policy**

6.4.6 Owing to the Board having an overall legislative accounting authority over Rand Water, it must ensure that it appropriately delegates its powers to the CE for the development to frameworks and procedures for implementation of the above policies and for setting parameters of authority. The following policy is thus established to set those parameters:

6.4.7 The Delegation of Authority Policy is therefore to ensure that there are adequate and efficient controls and systems that the Chief Executive will put in place to implement Rand Water Strategies, objective and policy principles, within the parameters of the authority delegated by the Board;

- **Asset Management Policy**

6.4.8 Asset management entails the management of the creation, acquisition, maintenance, operation, rehabilitation, extension, and disposal of the assets of an organisation to provide an acceptable level of service in a sustainable and long-term cost-effective manner. It must adhere to the organisation's management, planning, technical and financial needs, as well as any legislative requirements.

6.4.9 Rand Water has adopted an integrated asset management approach and embeds in its governance principles a collective contribution to the overall asset management risks within Rand Water. This enables Rand Water to deliver sustainable asset-based services efficiently and effectively, optimise asset useful life and cost of ownership.

6.4.10 Rand Water further aligns to the International Accounting Standard 16 (IAS): Property, plant and Equipment, which requires that Rand Water should review the residual value and the useful life of its asset at least at each financial year-end and, if expectations differ from previous estimates, the charges shall be accounted for as a change in an accounting estimate in accordance with IAS 8.

6.4.11 To give effect to the above principles of managing and reporting on Rand Water assets, Rand Water has developed the Asset Management Policy that sees to govern asset management from planning, acquisition, management, up to disposal:

- **Enterprise Wide Risk Management Policy**

6.4.12 As Rand Water executes its business strategy, it exposes itself to uncertainty.

Therefore, the realisation of its business strategy depends on it being able to take calculated risks in a way that does not jeopardise its objectives and the direct interests of its stakeholders. Accordingly, the effective management of risk enables Rand Water to anticipate and respond to changes in the business environment, as well as make informed decisions under conditions of uncertainty.

6.4.13 In light of this the Board, EXCO and management have committed Rand Water to a process of risk management that is aligned to the principles of good corporate governance, as envisaged by the Act, the PFMA, King IV, and International Organisation for Standardisation 31000 (ISO 31000).

6.4.14 The Risk Management Policy entails a continuous, proactive and systematic process, effected by Rand Water's personnel, applied in strategic planning and across the organisation, designed to identify potential events that may affect the organisation. It manages risks to be within the organisation's risk appetite and provides reasonable assurance regarding the achievement of objectives. This means that key risks from across the organisation and its operations are included in the process of risk management and that there is a common understanding of risk across the organisation.

6.4.15 All Risk Management efforts are focused on supporting the organisation's business objectives. Equally, they are to ensure compliance with relevant legislation, and fulfil the expectations of employees, communities, shareholders and other stakeholders in terms of corporate governance.

6.4.16 All employees of Rand Water are responsible for performing their roles and adhering to the risk management policies and procedures in the area of the business entrusted to them.

- **Stakeholder Engagement Policy**

6.4.17 Rand Water stakeholder management strategy is based on the principles echoed by the Constitution of the Republic of South Africa. Having government constituted as national, provincial, and local spheres, the Constitution states that the three spheres should be seen as distinctive, interdependent, and interrelated.

The Constitution provides guiding principles and values to intergovernmental practice. This includes co-operation with one another in mutual trust and good faith and fostering friendly relations. The Intergovernmental Relations Framework Act 13 of 2005, as called for by the Constitution, enriches this constitutional requirement and governance practice.

6.4.18 In addition, Rand Water further subscribes to King IV™ principles which, in this regard, has placed stakeholder relationship as the ultimate measure of impact and charged institutions with the responsibility to measure the quality thereof. King IV™ report broadly emphasises the stakeholder model of governance that takes consideration of all legitimate expectations and interests of all its stakeholders. This must be done as guided by the pursuit of the triple bottom-line (or otherwise noted as TBL or 3BL) concerned with three parts: social, environmental (or ecological) and financial impacts.

6.4.19 Rand Water therefore advocates inclusivity, materiality and responsiveness approach to stakeholder engagement and management in line with the King IV Report on Corporate Governance (King IV™). Rand Water appreciates that the quality of its stakeholder engagement determines the quality of relationships which eventually impacts on its sustainability. In executing its mandate, Rand Water undertakes to ensure that legitimate and reasonable needs, interests, and expectations of all stakeholders are considered.

6.4.20 This Strategy uses an 'Inside-Out' approach' to identify stakeholders. The analysis of stakeholders for Rand Water aims at generating knowledge, understanding the behaviour of stakeholders, intentions, inter-relations, and interests as well as assessing the influence and resources stakeholders bring, to bear on decision-making and/or operation of Rand Water and its processes. The information from the analysis will also inform Rand Water Stakeholder Engagement Policy and form the basis for evaluating the practicality of future policy directions; facilitate the implementation of projects, decisions, and its strategic objectives; and to develop strategies for managing stakeholders.

6.4.21 In addition, Rand Water is conscious of the need for both public and private considerations in the stakeholder and intergovernmental relations. In dealing with stakeholders especially government departments, Rand Water will ensure that protocol is observed, noting the position of the organization within the South

African system of government. Within the spirit of intergovernmental stakeholder relations, engagement, and management, Rand Water will strive to achieve the following:

- a) Continue sectoral awareness of the Rand Water and its services.
- b) Promote inter-sectoral relations.
- c) Continue to support, facilitate, engage, and cooperate in sectoral agreements.
- d) Continue to initiate, chair, and support the sectoral forums and activities.
- e) Build partnerships with other government departments.

6.4.22 In light of the foregoing, and in alignment with Section 39(3)(h), (j), (k) and (m) of the Act, Rand Water has developed the Stakeholder Engagement Policy, which seeks to give effect to the above principles and does not only limit its scope to the aforesaid, but also considers other stakeholders, such as the environment, advisory forums, other water services institutions and water users, as an essential constituent to be consulted and considered in the running of Rand Water's business activities.

6.4.23 In light of the foregoing and as a minimum requirement, Rand Water will act in compliance with all Environmental legislation and relevant regulations. Rand Water has assumed and will continue to assume a leadership role in initiating, supporting and championing initiatives that engender an ethos of water conservation and demand management. This approach is founded on the recognition that water is life and is a scarce, essential, valuable and finite natural resource that must be preserved and utilised with wisdom, and that focused demand management is essential to minimise and delay impacts of water losses and extinction of natural resources. To give effect to this approach Rand Water actively initiates, supports and champions the following measures:

6.4.23.1 **Environmental Impact Assessments (EIAs)** are conducted for all projects as defined in the EIA regulations;

6.4.23.2 **Rehabilitation of natural wetland:** The initiation, management and support of projects to protect source water by the rehabilitation of natural wetlands and associated conservation projects.

6.4.23.3 **Promoting water conservation and demand management** in the total water supply industry through active support, educational programmes, participation and sponsorship of the development of legislation, codes of practise, standards and by-laws.

6.4.23.4 **Influencing consumption patterns:** Initiating and sustaining initiatives focused on changing consumption behaviour in specific consumer segments in order to reduce discretionary water consumption, water wastage, unaccounted, for water and entrench an understanding of the economic value of water through:

- a) Promoting Water Wise gardening practices.
- b) Initiating leaks repair projects in selected townships.
- c) Promoting the manufacture and use of water saving devices and fittings.
- d) Setting up of water information centres.
- e) Providing consulting and advisory services.

## 6.5 Other Policies

6.5.1 In addition to the policies prescribed above, Section 39(3)(n) allows for the Minister to prescribe any other policy requirements that a water board may have to include in its policy statement. In this regard, Rand Water deems it necessary to have the following additional policies due to the significance of the subject areas that they seek to regulate.

6.5.2 Any other governing documents referred to or not necessarily mentioned herein, are governing frameworks that shall be overseen by Rand Water's Chief Executive, due to the operational/management nature of such documents. Notwithstanding such, the Board, through its Group Audit and Risk Committee (GARC), shall, at prescribed intervals and as it may be deemed necessary, access such other governing tools to assess their adequacy and effectiveness as controls of Rand Water.

6.5.3 The following are additional policies in terms of Section 39(3)(n):

- **Corporate Social Investment Policy**

6.5.4 Rand Water has and will continue to commit itself to a range of corporate social responsibility initiatives. These are divided into water related social investment initiatives and non-water related social investment initiatives, which are both governed under the auspice of the Corporate Social Investment Policy.

6.5.4.1 The water related CSI is defined within the theme of water and sanitation, with the focus being on water conservation, environmental conservation, sanitation, community farming, job creation and SMME enterprise and skills development. The geographic area of operation extends beyond the regulated area of water as defined in the Act.

6.5.4.2 The non-water related CSI is defined within the theme of poverty alleviation, safety and security and HIV/AIDS with the focus being on children, abused women, people with disabilities, and care for the (elderly. The geographic area of operation is limited to the regulated area of supply, Gauteng as defined in the Water Act. However, where required by the external funders, community services may be provided outside the regulated areas of supply.

6.5.4.3 Water Sanitation and Hygiene (WASH), Enterprise Development, and Capacity Building of NGOs are intermediary activities, driving the WASH activities, while secondary focus is on Biodiversity and Ecosystems Management, Rural Development, and Rand Water Cares Programmes, contributing towards realisation of United Nations Development Agenda 2030, the National Development Plan 2030, Medium Term Strategic Framework (MTSF) 2021/22-2025/26 objectives, Rand Water Innovation Driven Risk Based Strategy, and the RWF WASH Impact Driven Strategy 2030.

- **Ethics Management Policies**

6.5.5 Rand Water has adopted an integrated method in managing ethical behaviour and in mitigating fraudulent activities and effects thereof. To this end, various policies and framework have been adopted by management to aid the management of ethics, with the main objective being to:

- a) Promote standards of honesty and fair conduct;

- b) Prevent fraud and corruption;
- c) Combat money laundering activities and the financing of terrorist and other related activities;
- d) Declare and manage conflict of interest;
- e) Detect and investigate fraud and corruption; and
- f) Recover any losses that may Rand Water may suffer consequent to breach of ethics;

6.5.6 These management tools are underpinned by the various sets of policies/frameworks/standard operating procedures that set the tone and intent of Rand Water on combating fraudulent activities:

6.5.7 In this regard, Rand Water commits to developing an annual Fraud Prevention Plan. This is a key principle within the integrated fraud management framework which assists Rand Water with mechanisms designed to prevent, deter, and detect fraud. The plan has and includes techniques to avoid potential key fraud risk events, consequential effects and further develops mitigation measures.

6.5.8 Rand Water promotes and encourages disclosure of potential or known fraudulent events through its Fraud Hotline and does this by maintaining confidentiality of those that report incidents.

## PART 3: ADMINISTRATIVE MATTERS

### 7. REFERENCES

This Policy is founded upon the legislation, regulations, standards and other policies, which are listed in the table below, though not necessarily limited thereto.

Document Title	Document No.	Location
The Constitution of the Republic of South Africa	108 or 1996	Public Document
Water Services Act	108 or 1997	Public Document
Public Finance Management Act	1 of 1999	Public Document

**8. POLICY STATEMENT REVIEW HISTORY AND RETENTION**

8.1 In accordance with the Act, this Policy Statement shall be reviewed every 5 years, unless intervening events necessitate its early revision or unless directed otherwise by the Minister. Each revision shall be submitted to the Minister, the relevant Province and all water services institutions within Rand Water’s service area and shall further be made accessible to the public.

8.2 The retention period applicable to this Policy Statement shall be aligned to the prevailing laws.

8.3 The following table is a representation of the various reviews that this Policy Statement had undergone and the rationale to each such review.

Date	Previous Revision Number	New Revision Number	Description of Change	LOCATION
dd/mm/2006	--	01	New policy	➤ Rand Water Records Department
Nov 2023	01	02	<ul style="list-style-type: none"> <li>➤ Required periodic review;</li> <li>➤ To align to legislative requirements;</li> <li>➤ To align to Rand Water’s revised policy development and management protocols.</li> </ul>	➤ Intranet & Rand Water Website