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KOMATI BASIN WATER AUTHORITY (KOBWA)



KOBWA KING V APPLICATION REGISTER

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Approved By	Board Chairperson	

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KING V CODE OF CORPORATE GOVERNANCE APPLICATION REGISTER

PREAMBLE

It is the opinion of the Board of Directors that in the application of the King V principles and the implementation of its recommended practices at KOBWA, the organisation has realised value for the itself within its economic, social and environmental context in accordance with the stated governance outcomes which include Ethical Culture; Performance and Value Creation; Conformance and Prudent Control as well as Legitimacy.

The KOBWA Board of Directors exercises a strong focus on ethical leadership and good governance that incorporates the philosophies of integrated thinking, corporate citizenship, stakeholder inclusivity and the company's role and responsibility in society thorough the establishment of relevant structures such as the Board sub-committees, providing guidance and interrogating quarterly reports provided by the KOBWA Executive Management.

Our commitment to accountable and transparent governance is fundamental to our business operations. In line with its charter, the Board acts as the focal point for and custodian of corporate governance by conducting its relationships with Executive Management, Governments and other stakeholders on sound corporate governance principles.

The Board is fully committed to the four governance outcomes as set out in King V.

- ✓ The promotion of corporate governance is integral to running an organisation and delivering outcomes such as ethical culture, good performance, effective control and legitimacy.
- ✓ Reinforcing corporate governance as a holistic and interrelated set of arrangements to be understood and implemented in an integrated manner.
- ✓ Encouraging transparent and meaningful reporting to stakeholders.
- ✓ Presenting corporate governance with reference to structure and process, as well as ethical consciousness and conduct.

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PRINCIPLE 1

The governing body leads ethically and effectively as the focal point of corporate governance in the organisation.

The Board serves as the focal point and custodian of corporate governance in the organisation by managing its relationship with Executive Management, the Governments and other stakeholders. KOBWA's approach to corporate governance is based on the values and principles underpinning its activities, including responsiveness, collaboration, transparency, integrity and accountability. This requires a commitment to excellence in corporate governance standards, which KOBWA regards as fundamental to its business.

The Board members, individually and collectively, provide effective leadership and governance based on the ethical imperatives of integrity, competence, responsibility, accountability, fairness and transparency. Directors have a reputation for integrity, honesty, and service of adherence to high ethical standards.

The Board members adhere to a high standard of ethical conduct and act in accordance with the Board Charter, Code of Conduct, Conflict of Interest, Corporate Governance Policy, and King V, as adopted by the Board, and as amended from time to time. KOBWA management team is a qualified and accomplished unit that applies a hands-on strategic and operational approach to ensuring the KOBWA strategy is sound, relevant and actioned appropriately within the organisation.

The Board promotes a stakeholder inclusive approach to governance, considering the impact of operations on internal and external stakeholders. They regularly attend and participate in meetings and are afforded the opportunity to engage meaningfully in Board deliberations and challenge when they have a concern. To provide relevant and up to date leadership, the Board is trained on an annual basis on Corporate Governance and there are evaluations on their performance / leadership on an annual basis.

KOBWA has a whistle blowing policy (anonymous) that enable anyone to report any fraudulent, corrupt or unethical behavior. This policy has been workshopped to staff and is readily available on the intranet.

The scope of authority, responsibilities, composition and functions of the Board are contained in a formal Charter which is reviewed on an annual basis. As detailed in its

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charter, the Board's objective is to provide responsible business leadership to the organisation, acting ethically, with leadership and integrity in the execution of its duties with due regard to the interest of all stakeholders.

Feedback in respect of the delegated tasks is provided at the next meeting and recorded in the minutes of that meeting. Board Committees are entitled to obtain independent professional advice at cost of KOBWA on any issue within the ambit of their scope and subject to following a Board approved process.

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PRINCIPLE 2

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. The governing body governs the ethics of the organisation in a way that enables an ethical culture and responsible corporate citizenship.

The Board recognizes that it is ultimately responsible as the guardian of organisational values, ethics and governance. It sets the direction for how ethics are approached and addressed, and recognises its role is to set the tone for an ethical culture where the values and principles of the business are cultivated and adopted by all employees.

The Board has ensured that a Code of Conduct and culture, through which ethical standards are clearly articulated, have been established and implemented by establishing a Code of Conduct. Management provides regular reports to the Board in this regard through audits and quarterly Internal Audit Follow Up Reports.

Management ensures that the Values, Vision and Mission of the organisation are displayed throughout the organisation as well as communicated to employees to ensure awareness.

KOBWA acts on information which comes formally or anonymously on matters that violate ethical conduct. KOBWA Management regularly creates awareness on the organisational Values, Vision and Mission in which these are unpacked to staff to ensure understanding and embracing of same.

The Board has set the direction for how KOBWA's standing as a good corporate citizen is approached and maintained, ensuring the company's related initiatives comply with applicable laws, leading standards and its own codes of conduct and policies by establishing a Corporate Governance Policy Manual which was also workshopped to staff.

Measurable corporate citizenship programmes and policies have been developed and implemented through the KOBWA Corporate Social Responsibility (CSR) procurement and other policies and programs that aim to uplift the communities within the catchment. The Board protects, enhances and invests in the wellbeing of the economy, society and the environment. Code of Conduct and whistle-blowing arrangements; CSR projects in both countries (school ablutions, Schoemansdal Clinic, donga rehabilitation).

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The organisation has an environmental office that ensures focused environmental management within the operating area. A dedicated Health and Safety Officer was appointed and a committee representative of all departments was established to match international standards. Training programs continue to be pursued by management and respective employees on Quality, Environmental, Health and Safety matters.

The Quality, Health, Safety, Risk as well as Environmental Reports are compiled and referred to the Technical & Human Resource Committee and Finance, Risk and Audit Committee (FRAC) respectively for deliberation on a quarterly basis and reported on at Board level.

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PRINCIPLE 3

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.

The Board informs and approves strategy (as opposed to being a passive recipient of strategy as proposed by management). The strategy is aligned with the purpose of the organisation, the value drivers of its business and the legitimate interests and expectations of the stakeholders. There is a clear division of responsibilities at Board level, to ensure that no one director has unfettered power of decision-making.

The Board evaluates and approves the Business Plans after careful consideration of KOBWA's strategic direction, financial position and liquidity requirements, and other relevant factors. The approved Strategic Plan highlights the strategic objectives - short, medium and long-term of the organisation and the individual offices or departments. The Board measures executive management's performance against key performance deliverables through Business Plan quarterly provided through the Corporate Services Department.

The KOBWA Strategy is translated into key performance and risk areas (including finance, ethics, compliance and sustainability); and the associated performance and risk measures are identified and clear. Operational updates are presented at all Board meetings for deliberation.

Through the KOBWA Risk Management Framework, Strategic, Combined Assurance and Departmental Risk reports, material strategic business and sustainability risks are identified and outlined in the risk registers and mitigating controls are implemented to manage the identified risks to a tolerable level in line with the approved Risk Appetite and Tolerance. The Internal Audit Office provides assurance through Internal Audit Charter, Three Year Rolling Plan and Annual Rolling Plans against which quarterly reports are submitted to the Board through FRAC. The FRAC reviews a documented assessment by the management on a quarterly basis.

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PRINCIPLE 4

The governing body ensures that external reports issued by the organisation enable stakeholders to make informed assessments of how the organisation creates, preserves and erodes value within its economic, social and environmental context over the short, medium and long term.

With the assistance of the Board's sub-committees, the Board is responsible for the reporting of the Annual Report, the approved Annual Financial Statements and all other statutory reporting on key matters affecting KOBWA and its stakeholders. Engaging with stakeholders (employees, Governments, bond holders, local communities, tenants and suppliers) is a critical part of KOBWA's business strategy. The priority is to determine stakeholder needs and respond appropriately.

KOBWA communicates with stakeholders principally through its annual report, annual financial statements, annual reports, SENS announcements, the corporate website, presentations, community engagements and press announcements. Through the Komati Joint Operations Forum, KOBWA communicates water use reconciliation information, Basin Management, Disaster Management Related issues as well as allocation regimes. KOBWA collaborates with stakeholders such as weather and disaster management in both Member States, Agriculture to empower farmers in the catchment during change of season.

All reports that are included in the Annual Report are referred to the Board for review, and approval thereof is subject to all changes effected to the reports by the Board. The Annual Report and Annual Financial Statements are prepared in consultation with the internal stakeholders and external advisers to ensure that they comply with the relevant legislation and regulations. With the assistance of the Finance Risk and Audit Committee, the Board ensures that the Annual Report, and Annual Financial Statements enable stakeholders to make informed assessments of KOBWA's performance, value creation, preservation, erosion within her economic, social and environmental context and its short, medium and long-term objectives.

The corporate governance disclosure, Annual reports, Annual Financial Statements and related external reports are published on KOBWA's website.

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PRINCIPLE 5

The governing body ensures that its composition is balanced with respect to the mix of competencies, diversity and independence that enables it to discharge its obligations objectively and effectively.

The KOBWA Board operates as a unitary Board comprising of a diverse Non-Executive Directors who are independent and the CEO who is the ex officio member of the Board. The directors are re-appointed on a three year term by the member states; based on performance. Each country appoints three members to the Board. The respective appointing authorities ensure that candidates being appointed to serve on the Board also qualify to serve on Board Committees taking into consideration gender and other diversity issues. Five non-executive directors nominated by the Member States; two of five are women; Chair from South Africa, Vice-Chair from Eswatini. The Board skills mix covers engineering, legal, finance and water resource management.

The Chairperson of the Board is an Independent Non-Executive Director (representing South Africa). The Board has an independent Non-Executive Director (representing Eswatini) who serves as the Vice Chairperson to strengthen the independence of the Board and to offer support and guidance to the Directors. The executive directors are not members of the Board but they present to the committees on matters in their areas of technical expertise together with the CEO. The two committees Finance, Risk and Audit Committee (FRAC) and the Technical Human Resource Committee (THRC) are chaired by other Board members who are not the chairperson.

A formal induction program is in place for new directors. This includes briefings by the CEO, seminars/meetings with EXCO and key stakeholders. While there is no formal mentorship policy in place, all Directors are sent for training at KOBWA cost either for Directorship or identified needs. Directors are encouraged to complete ongoing professional development in that regard. There are no inexperienced Directors currently on the Board. The Board ensures that Directors receive regular briefings on changes in risks, laws and the business environment.

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PRINCIPLE 6

The governing body ensures that arrangements for delegation to committees and individuals within its own structures promote the objective and effective discharge of its obligations.

The Board Charter allows for the delegation of responsibilities to committees formed by it to assist in the execution of its duties, power and authorities. The delegation of authority to committees does not mitigate or discharge the Board and Directors from their duties and responsibilities. The Board ensures that it fulfils those responsibilities that have not been delegated to a specific committee.

The Board has established the following Committees:

- ☐ Finance, Risk, Audit and Technical Committee
- ☐ Technical and Human Resource Committee

The terms of reference of all Board Committees have been adopted by the Board and are reviewed every three years or as and when the need arises. Each committee's terms of reference deal with the composition, objectives, purpose, activities and delegated authorities. All committees recommend to the Board for approval or noting or may refer back to management on matters they deem not fit to table before the Board or those falling within the purview of management. Only non-executive directors of KOBWA are entitled to be members of the Committees. Executive directors and internal assurance providers who are senior management are invited to attend committee meetings to provide pertinent information and insights in their areas of responsibility.

Members of each committee collectively have the adequate and appropriate knowledge, skills, experience, and capacity to execute their duties. The Board evaluation process permits Directors to evaluate the performance and effectiveness of each committee.

The Board conducts performance assessments of the Chairperson, the Board as a whole, and Board committees, including Committee members, in order to evaluate their effectiveness and performance. The assessments were conducted through an independent evaluator (Company Secretary) in the form of a questionnaire which was completed and also via a peer review mechanism. These serve as the benchmark for performance appraisal. Results are assessed by the chairman and company secretary

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and discussed with the Board to identify training needs for directors. The evaluations are conducted annually.

COMPANY SECRETARY

First Corporate Secretaries is an independent practice providing company secretarial services to KOBWA. The Board is satisfied that the company secretary is sufficiently qualified and skilled to act in accordance with, and update directors on, the recommendations of King V, the Treaty and other relevant regulations and legislation. The Board reviews the relationship between the company secretary and itself, as well as its committees, annually. It has determined that the company secretary is independent from management and does not perform any management or executive duties on behalf of the Board.

The company secretary is not a director of KOBWA. The company secretary updates the Board on developments in ethics, corporate governance, legislation and regulation. The Board then reviews any changes and appropriate measures are implemented to comply with best practice and support sustainable performance.

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PRINCIPLE 7

The governing body ensures that the appointment and delegation to management promote operational effectiveness and that the respective roles and decision-making powers of the governing body and management are clearly defined.

The Board recommends following recruitment and the Joint Water Commission (JWC) approves the appointment of the CEO. The CEO's role and functions are set out in the Treaty, the Board Charter and in his contract of employment. The CEO is one of the links between Executive Management and the Board. There is a benchmark; i.e. performance measures, in place to evaluate the performance of the CEO. The evaluation is conducted on an annual basis by the Board Chairperson.

There is a delegation of authority document which set out matters which are strictly reserved for Board and management approvals and prescribe authority thresholds for JWC, Board, CEO and executive Directors. The delegation of authority document is reviewed at least every three years or when necessary by the JWC. The Board has delegated authority to the CEO to run the day-to-day affairs of the company. The CEO is assisted in his responsibilities by an Executive Management Committee comprising of Executive Directors who are not members of the Board.

The Board is satisfied that the delegation of authority authority contributes to role clarity and the effective exercise of authority and responsibilities is disclosed in the Integrated Report.

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PRINCIPLE 8

The governing body governs risk in a way that enables the organisation to sustain and optimise its strategy and objectives.

The Board has set the direction for how KOBWA's standing as a good corporate citizen is approached and maintained, ensuring the company's related initiatives comply with applicable laws, leading standards and its own codes of conduct and policies by establishing a Corporate Governance Policy Manual which was also workshopped to staff.

The Board's responsibility for risk governance is expressed in the Board Charter, Risk Management Framework and the Risk Management Policy manual. The Board is assisted by the Finance, Risk and Audit (FRAC) Committee in order to govern risk in a way that supports KOBWA in achieving its strategic objectives. The Risk and Quality Officer who attends the FRAC committee by invitation has been delegated CEO as the Risk Management Champion.

A Strategic risk register as well as departmental risk registers approved by the Board set out the various risks that should be considered as part of the risk identification and management process. These potential risks are reviewed and updated on a quarterly basis to ensure all relevant issues are considered. The Risk and Quality Officer facilitates the development of Departmental risk registers by the Heads of Departments which the CEO approves as well as progress reports to the Board on quarterly basis.

Through the KOBWA Risk Management Framework, Strategic, Combined Assurance and Departmental Risk reports, material strategic business and sustainability risks are identified and outlined in the risk registers and mitigating controls are implemented to manage the identified risks to a tolerable level in line with the approved Risk Appetite and Tolerance. The Internal Audit Office provides assurance through Internal Audit Charter, Three-Year Rolling Plan and Annual Rolling Plans against which quarterly reports are submitted to the Board through FRAC. The FRAC reviews a documented assessment by the management on a quarterly basis.

The Board has adopted a Risk Appetite and Tolerance Statement that sets out acceptable risk limits that KOBWA has the capacity to tolerate. Upper and lower tolerances have been set for each of the identified risk tolerance areas and they are monitored on a quarterly basis. As an approach to increase the probability of anticipating unpredictable risks, KOBWA monitors developments associated with risks on a regular

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basis. As a means of strengthening its business continuity capabilities, KOBWA has developed various Emergency Preparedness Plans.

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PRINCIPLE 9

The governing body should govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

The Board has set the direction for how KOBWA's standing as a good corporate citizen is approached and maintained, ensuring the company's related initiatives comply with applicable laws, leading standards and its own codes of conduct and policies by establishing a Corporate Governance Policy Manual which was also workshopped to staff.

Compliance with applicable laws and voluntary rules, codes and standards is the responsibility of the Board, while management is responsible for implementing and executing effective compliance processes. The Board has implemented appropriate structures, policies, processes and procedures in place to monitor compliance and remain apprised of any new legislation, non-binding rules and codes applicable to KOBWA. KOBWA has in place a legal register which entails the relevant laws and regulations.

The Board receives assurance on the effectiveness of the controls around compliance with laws, rules, codes, and standards from procedures performed by the internal auditors.

KOBWA through her environmental monitoring programme ensures environmental integrity through periodic water quality assessments, biomonitoring which includes physico-chem, microbiological components to detect pollution and report to the Member States for intervention. Communities in the catchment and beyond are protected from contracting waterborne diseases through contact and consumption. Monitoring programmes also preserve species endemic to the catchment.

The Board is committed to applying the recommendations of King V, complying with the JSE Listings Requirements and the KOBWA Treaty, and adopting relevant standards of best practice, always acting in the best interests of the company. In line with King V's "apply and explain" approach, the directors disclose the extent to which KOBWA applies these principles. The Board believes KOBWA has established an effective framework and processes to comply with laws, codes, rules and standards.

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PRINCIPLE 10

The governing body governs data, information and technology in a way that enables the organisation to sustain and optimise its strategy and objectives.

The Board assumes the responsibility for the governance of IT and recognises the importance of same as it is inter-related to the strategy, performance and business processes of the Company and therefore invests considerably in IT infrastructure. It confirms processes are in place to ensure timely, relevant, accurate and accessible reporting, communication and data storage. Equally the Board is conscious of risks that may arise in protecting classified information and intellectual capital. Management, in turn, is responsible for implementing and executing effective technology and information management, with oversight from the FRAC.

The Board ensures all personal information is treated by KOBWA as an important business asset and is identified. As such; KOBWA has developed and adopted the Protection of Personal Information Act Manual. The security of information within the company is monitored on a regular basis by internal and outsourced external experts. The Board receives quarterly reports and assurance on the effectiveness of the IT internal controls in that IT audits are included as part of the Internal Audit Strategy to provide independent assurance on the effectiveness of IT internal controls. An IT Steering Committee has been created internally which includes some EXCO members to specifically and continuously review areas of IT improvement.

The ICTO has been trained on Cyber Security to keep abreast in the evolving ICT environment. The KOBWA Board has approved ICT Framework, Strategy and Policy.

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PRINCIPLE 11

The governing body ensures that the organisation remunerates fairly, responsibly and transparently to promote sustainable value creation by the organisation within its economic, social and environmental context.

The Technical Human & Resource Committee (THRC) ensures that the KOBWA's Remuneration Policy is aligned with its strategy and it also reviews and gives mandate for the negotiations of Cost of Living Adjustment or salary increases for all employees and approves the remuneration of Executive Directors and CEO.

KOBWA remuneration comprises of guaranteed remuneration (total cost to Company). The remuneration strategy caters for thirteenth cheque, performance bonuses, retention allowances, training, transport and housing subsidy among other benefits. Annual increases negotiations are benchmarked against remuneration surveys, inflation in both countries and comparisons of remuneration for similar positions within the sector and industry.

KOBWA's continued success depends on attracting and retaining talented, experienced and motivated individuals who can execute our business strategy to achieve our vision and mission. Our philosophy emphasises the role of employees in building long-term sustainable value through fair and balanced remuneration. The Directors, Executives and employees are remunerated fairly and responsibly in line with the Remuneration Strategy. The Board is satisfied that the Remuneration Strategy achieves its objectives.

The Board Charter & Board Remuneration Policy provides a guide on how the Board will be remunerated.

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PRINCIPLE 12

The governing body ensures that assurance functions and services promote an effective internal control environment and safeguard the integrity of external reports issued by the organisation.

The Board has delegated the FRAC with the responsibility of overseeing the effectiveness of assurance arrangements within KOBWA. The Committee ensures that internal controls are effective and adequately reported on for auditing and regulatory purposes. Internal controls have been established not only over financial matters, but also operational, compliance and sustainability issues.

The Board and its committees assess the output of the company's combined assurance with objectivity and professional skepticism to form their own opinion on the integrity of information and reports and the degree to which an effective control environment has been achieved.

Assurances are currently obtained from audits performed by the internal and external auditors together with tests performed by Risk Officer and management on a regular basis. The Board through FRAC approves the external auditor's terms of engagement and remuneration and ensures cooperation between external and internal audit to avoid overlap in audit scope.

The assurance arrangements in place support the FRAC and the Board in making endorsement on the effectiveness of internal controls in the Annual Report and to support the integrity of information used for internal and external decision making.

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PRINCIPLE 13

The governing body adopts a stakeholder-inclusive approach in the execution of its duties in the long-term best interests of the organisation within its economic, social and environmental context over time.

The BOARD recognises its responsibility for the governance of stakeholders and ensuring mechanisms and processes are in place that support Stakeholders in constructive engagement with the company while the implementation of stakeholder management policies has been delegated to management. The Board acts as the focal point for and custodian of corporate governance by conducting its relationship with management, shareholders and other stakeholders along sound corporate governance principles.

The Board has adopted guidelines that support responsible and transparent communication and engagement with stakeholders to ensure that the principles on stakeholder management are adopted in line with King V. Complete, timely, relevant, accurate, honest and accessible information is provided to stakeholders while considering legal and strategic issues.

Management's priority is to determine the expectations of each stakeholder group and respond appropriately by developing a strategy and formulating policies to manage those relationships. Stakeholders who could materially affect KOBWA's operations are identified, assessed and dealt with as part of the risk management process.

KOBWA through the Komati Joint Operations Forum (KJOF) and the Dam Management Committee (DMC) has ensured continued engagement of its stakeholders. Other Board approved engagements include the signing of MOUs with institutions such as Incomati and Maputo Water Course Commission (INMACOM); SADC – GMI and centers of academic excellence.

APPROVALS

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This policy will be reviewed every year or as and when the need arises.