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KOMATI BASIN WATER AUTHORITY



DOMESTIC PROMINENT INFLUENTIAL PERSONS AND FOREIGN PROMINENT PUBLIC OFFICIALS' POLICY

	Title	Approval Initials
Created By	CS	
Reviewed By	CEO	<i>James A. I. 30.6.22</i>
Recommended By	THRC Chairperson	
Approved By	KOBWA BOARD CHAIRMAN	<i>[Signature]</i>

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DEFINITIONS AND ACRONYMS

KOBWA – Komati Basin Water Authority

Parties – Government of the Kingdom of eSwatini and the Government of the Republic of South Africa¹

Board – means the board of directors of KOBWA, being the accounting authority of KOBWA

CEO – means the Chief Executive Officer of KOBWA

CFO – means the Chief Financial officer of KOBWA

DPIP - Domestic Prominent Influential Persons

EXCO – Executive Committee

FPPO – Foreign Prominent Public Official

JSE - Johannesburg Stock Exchange

FICA – Financial Intelligence Centre Act

Compliance Officer - a dedicated person appointed by the FSP with the responsibility to ensure compliance by the employees of the accountable institution with FICA as well as the rules provided for within the FICA Act².

Prescribed Officers - Despite not being a director of a particular company, a person is a “prescribed officer” of the company for all purposes of the Companies Act if that person:

- exercises general executive control over and management of the whole, or a significant portion, of the business and activities of the company; or
- regularly, participates to a material degree in the exercise of general executive control over and management of the whole, or a significant portion, of the business and activities of the company.
- This regulation applies to a person contemplated in sub-regulation (1) irrespective of any particular title given by the company to:
 - an office held by the person in the company; or
 - a function performed by the person for the company.

RMCP - Risk Management and Compliance Programme/Policy

¹ KOBWA TREATY

² Section 43(b) of the Financial Intelligence Centre Act 38 of 2001

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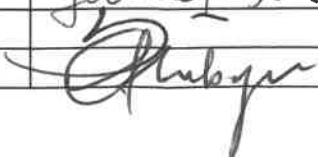
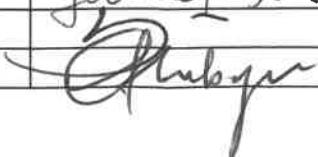
EDD - Enhanced Due Diligence

PEP - Politically Exposed Person

Beneficial Owner – refers to a person who ultimately owns, controls, and benefits from a company or trust and the income it generates, and in respect of a legal person, means a natural person, who, independently or together with another person, directly or indirectly:

- a) Owns the legal entity.
- b) Exercises Effective Control of the legal entity.

CONTROLLED

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1. INTRODUCTION

- 1.1 This policy is postured in accordance with Principles in the King IV Code which includes, inter alia Principle 13, "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".
- 1.2 In addition Principle 15 of the King IV Code states that "The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports".
- 1.3 As defined in the Securities Service Act, 2004 (Act 36 of 2004), KOBWA is an accountable institution listed in Schedule 1 of the Financial Intelligence Centre Act.
- 1.4 As a joint-state entity, KOBWA enters business relationships with customers, tenants, service providers, and/or suppliers who are or whose beneficial ownership includes individuals who may be considered to be Domestic Prominent Influential Persons (DPIPs) or Foreign Prominent Public Officials (FPPOs) and related individuals.

POLICY STATEMENT

- 1.5 As an accountable institution, KOBWA will establish relevant controls for the identification of DPIPs and FPPOs and the continuous monitoring of ongoing business relationships involving such persons or officials.
- 1.6 Although KOBWA is not prohibited from doing business with a DIP or FPPO or an entity of which such person or official is the beneficial owner, KOBWA shall not conduct or conclude business transactions, with any counterparty without having:
- 1.6.1 Considered relevant governance protocols.
 - 1.6.2 Determined the DIP or FPPO status of that counterparty; and
 - 1.6.3 Conducted a risk assessment and due diligence to assess the potential risks that may be posed by the business relationship.

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1.7 Where the risks of doing business with a DPIIP or FPPO are higher than the Company's risk tolerance, the Company reserves the right not to enter a business relationship with the said person, official, or entity.

1.8 All commercial contracts entered by KOBWA will provide for the consent of the counterparty to disclose any involvement of a DPIIP or FPPO in the commercial relationship and KOBWA will after having secured such consent, annually publish on its website a list of all business contracts entered into with DPIIP or FPPO.

2. PURPOSE

2.1 The purpose of this Policy is to outline KOBWA's approach to dealing with business relationships with persons who are classified as DPIIP or FPPO and to set out the process to be followed in the identification, treatment, and monitoring thereof.

2.2 The Policy is intended to set governing principles aimed at mitigating reputational, legal, operational, and governance risks associated with DPIIP or FPPO or any potential risk related thereto in accordance with applicable regulatory requirements and industry best practices.

3. SCOPE

This Policy is applicable to all KOBWA governance structures and/or individuals with the authority to approve business relationships with persons who are classified as DPIIP or FPPO.

4. IDENTIFICATION OF A DOMESTIC PROMINENT INFLUENTIAL PERSONS (DPIIP) AND FOREIGN PROMINENT PUBLIC OFFICIALS (FPPO)

4.1. Identification of a DPIIP or FPPO must take place before the formation of a business relationship/transaction with a prospective customer, supplier, or service provider or periodically when all existing customers, service providers, and suppliers are screened against publicly available information sources.

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4.2. The DPIIP or FPPO designation stems from the beneficial ownership or shareholding in the entity concerned. Entities will be considered or regarded as high risk for the following reasons:

- 4.2.1. If a DPIIP or FPPO is an associate and holds more than 5% voting rights in the entity
- 4.2.2. If a DPIIP or FPPO exercises significant influence over the policy, business, and strategy of that entity.

4.3. KOBWA will adopt the following procedures to identify DPIIP or FPPO:

- 4.3.1. A risk-based approach to ensure compliance with the relevant policies and regulations.
- 4.3.2. Making enquiries about the DPIIP or FPPO status of prospective counterparties during the tender, negotiation, contracting, or account opening process and that the counterparties should be compelled to make such declarations in the SBD forms;
- 4.3.3. Screening all new and existing customers, service providers, tenants, and suppliers against the DPIIP or FPPO databases as prescribed by the Financial Intelligence Centre.
- 4.3.4. Verifying the identities of all new and existing customers, service providers, and suppliers against publicly available information.
- 4.3.5. Risk profiling a person as a DPIIP or FPPO utilising the occupation as well as the industry where the individual works; and
- 4.3.6. Considering other reputable sources of information such as industry publications, government publications or press releases, and/or company-issued updates.

4.4. Once a DPIIP or FPPO is identified, enhanced due diligence (EDD) must be conducted to determine the appropriateness of establishing a business relationship. EDD shall include but will not be limited to the following measures:

- 4.4.1. Establish and verify the nature of the business.
- 4.4.2. Establish the intended purpose of the business.
- 4.4.3. Determine the ownership and control structure.

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- 4.4.4. Establish the identity of the beneficial owner.
- 4.4.5. Establish if a DPIP or FPPO influences business policies and strategy.
- 4.4.6. Establish the nature of the position held by the individual concerned (the day-to-day management position versus an individual in consultative role or a non-executive role)
- 4.4.7. Determine the source of funds for the intended transaction or business.

- 4.5. All findings on the screening/due diligence including recommendations must be reported to the Compliance Officer for record-keeping and consideration.

The FICA Compliance Officer or **an employee designated to execute the roles of the office of the Compliance Officer will:**

- 4.5.1 Review the process and provide guidance on the validity or otherwise of the screening/due diligence.
- 4.5.2 Make recommendations on how the relationship must be managed.

5. ROLES AND RESPONSIBILITIES

5.1 FICA Compliance Officer/ An employee designated to execute the role of Compliance Officer

- 5.1.1 Provide the necessary resources required to implement the policy across the Company and ensure that persons that conduct business with KOBWA must make a written declaration.
- 5.1.2 Ensure reporting in accordance with relevant regulatory requirements and other governance protocols/instruments of control.
- 5.1.3 Refer all identified DPIPs or FPPOs that exist at the Board level to the Department of Public Enterprises ("DPE") through the Board Chairperson. Notwithstanding the above, matters within this Policy involving the Chief Executive Officer and the Chief Financial Officer shall be dealt with by the Board; and
- 5.1.4 In the case of EXCO members and Prescribed Officers, matters within this Policy shall be referred to the Chief Executive Officer on the recommendation of the FICA Compliance Officer as the Policy Sponsor or the employee designated to execute the role of Compliance Officer.

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5.2 Policy Sponsor and Owner

- 5.2.1 The Policy Sponsor is accountable for the implementation of the Policy.
- 5.2.2 Ensure that there are controls in place to monitor the implementation of the Policy.
- 5.2.3 Ensure that the requirement of this Policy is incorporated into all other relevant processes across the Company; and
- 5.2.4 Review the Policy in accordance with the relevant regulations, policies, and procedures.

5.3 Approving Official/ Authority

- 5.3.1 The CFO must ensure reporting in accordance with the relevant regulatory requirements and other governance protocols/instruments of control;
- 5.3.2 The CEO refers all identified DPIPs or FPPOs that exist at the Board level to the Department of Water and Sanitation through the Board Chairperson. Notwithstanding the above, matters within this Policy involving the CEO and the CFO shall be dealt with by the Board

5.4 Company Secretary

- 5.4.1 Company Secretariat to:
 - 5.4.1.1 Monitor the DPIP or FPPO declarations at Board, Board committee, Group EXCO, and sub-committee meetings in line with the meeting Declaration of Interest register.
 - 5.4.1.2 Upload and keep records of such declarations for Board members and Prescribed Officers on the Company website and report to the relevant committees for noting.
 - 5.4.1.3 Company Secretaries to monitor DPIP or FPPO registers for their relevant committee meetings in line with the meeting declaration of interest registers and submit annual DPIP or FPPO declarations for noting.

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5.5 Employees

- 5.5.1 Comply with the provisions of this Policy; and
- 5.5.2 Disclose their status as and when necessary.

5.6 Compliance

- 5.6.1 Conduct DPIP or FPPO periodic review and provide guidance to inform decision making.
- 5.6.2 Conduct transaction-specific Due Diligence and complete and sign the DPIP or FPPO Reporting Form.
- 5.6.3 Ongoing monitoring of DPIP or FPPO as part of the compliance monitoring process and/or as part of trigger events.
- 5.6.4 Keep records of all approved DPIP or FPPO due diligence reports as required by FICA.
- 5.6.5 Compliance Officers must ensure that there is ongoing training and awareness on the Policy and FICA.
- 5.6.6 Maintain a Register of all DPIP or FPPOs for tracking and monitoring purposes.
- 5.6.7 Develop, maintain and monitor the Risk Management Compliance Programme/Policy.
- 5.6.8 Provide RMCP implementation progress report to the relevant governance structures.
- 5.6.9 Conduct regular risk assessments and proactively monitor all DPIP or FPPO-related risks and relationships.
- 5.6.10 Develop an action plan to address all identified risks; and
- 5.6.11 Commercial Agreement to include provisions relating to DPIP or FPPO.

5.7 Process Owners

- 5.7.1 Initiate the screening process by completing the DPIP or FPPO Reporting Form.
- 5.7.2 Ensure that all activities as prescribed by the Act are carried out in line with the provisions of this Policy for compliance purposes.

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- 5.7.3 Ensure that the appointed members of the KOBWA Board across KOBWA and Committees across the Company are not conflicted as per the provisions of this Policy and the Act.
- 5.7.4 Prepare clear functional processes that take into consideration the DPIP / FPPO Policy compliance requirements.
- 5.7.5 Keep records of all approved DPIP / FPPO business relationships and transactions, as well as other related records in line with the relevant regulations and KOBWA retention Schedule.
- 5.7.6 Ensure that a copy of the due diligence report and recommendations are kept as part of the overall transaction file/record.
- 5.7.7 Ensure that process specific systems are linked to the Internal DPIP / FPPO Database to make it easy to detect and for reporting purposes; and
- 5.7.8 Ensure that there is ongoing training and awareness in relation to this policy.

6. RELATED INFORMATION AND REFERENCES

6.1 Regulatory Requirements and External Documents:

- 6.1.1 Protection of Personal Information Act, 2013 (Act No. 4 of 2013)
- 6.1.2 Financial Intelligence Centre Act, 2001 as amended (Act No. 38 of 2001)
- 6.1.3 Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)
- 6.1.4 Prevention of Organised Crime Act, 1998 (Act No. 121 of 2009)
- 6.1.5 Public Finance Management Act, 1999 (Act No. 1 of 1999)
- 6.1.6 Protection of Constitutional Democracy against Terrorist and Related Activities Act, 2004 (Act No. 33 of 2004); and

7. FINANCIAL IMPLICATIONS

- 7.1 There may be financial implications in the implementation of this Policy.

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8. EXCLUSIONS

8.1 There are no exclusions to this Policy.

9. REQUEST TO DEVIATE FROM POLICY

9.1 In cases where material and compelling circumstances merit deviation(s) from particular provision(s) of this policy, written submissions shall be sent to the Board of Directors, who shall have full authority to grant such a request, in whole or in part, or to refuse same.

10. NON-COMPLIANCE

10.1 Breaches of this policy will be considered misconduct. Employees and Board members who do not conform to the Policy may be subject to disciplinary action in terms of the applicable regulatory requirements and KOBWA disciplinary processes and procedures.

10.2 Non-compliance by the Board of Directors will be referred to the Parties.

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