

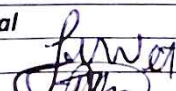
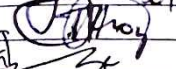
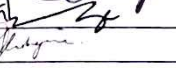
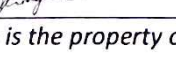
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KOMATI BASIN WATER AUTHORITY (KOBWA)



LOANS AND PROCUREMENT POLICY

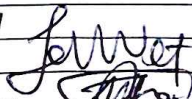
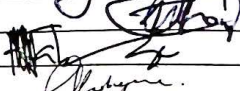
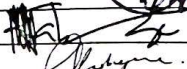
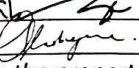
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1. Background

The Komati Basin Water Authority (KOBWA) is a bi-national entity formed in 1993 through the Treaty on the Development and Utilization of the Water Resources of the Komati River Basin which was signed in 1992. The agreement was between the Kingdom of Eswatini and the Republic of South Africa (The Parties/Shareholders).

The Purpose of KOBWA was to implement Phase 1 of the Komati River Basin Development Project. Phase 1 comprises; the design, construction, operation and maintenance of the Driekoppies Dam in South Africa (Phase 1a) and the Maguga Dam in Eswatini (Phase 1b). The construction of Maguga Dam marked the end of phase 1 of the Komati River Basin Development Project.

Phase 1b of the project was financed through a loan from the SG Hambros Bank. This loan will be redeemed in 2027.

2. Definitions and abbreviations

In this Policy, the following words shall, unless otherwise stated or inconsistent with the context in which they appear, bear the following meaning and cognate words shall bear the corresponding meaning:

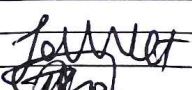
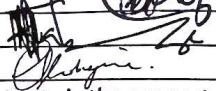
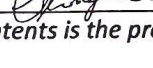
“Treaty” – means the treaty between the Republic of South Africa and the Kingdom of Eswatini on the development and utilisation of the water resources of the Komati River basin.

“Parties” – means the Parties to the above Treaty being the Republic of South Africa and the Kingdom of Eswatini as executive authorities responsible for KOBWA;

“JWC” – means the Joint Water Commission established by a separate Treaty between the Parties.

“Board” – means the board of directors of KOBWA, being the accounting authority of KOBWA as prescribed by the PFMA and its equivalent in the Kingdom of Eswatini and the Notice of Establishment;

“CEO” – means the chief executive officer of KOBWA;

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“CFO” – means the chief financial officer of KOBWA;

“Commercial Paper” – means the debt instruments issued from time-to-time by KOBWA under the provisions of Project Commercial Paper Programmes as contemplated by the Republic of South Africa Government Notice 2172 (Government Gazette Number 16167) of 14 December 1994;

“Cost-effectiveness” – means the best achievable combination of costs and utility of the overall funding solution to KOBWA;

“Cost of funding” – means the internal rate of return calculated by considering the estimated amounts and timing of all cash-flows flowing from the utilisation of funding facilities, including without limitation disbursements, interest payments, debt repayments, fees and other funding costs;

“DFI” – means development finance institution and “DFIs” shall have the corresponding meaning;

“Directives” – means the directives issued by the Parties to KOBWA in terms of section 103 (2) of the National Water Act;

“DoA” – means the approved Delegation of Authority for KOBWA, as may be amended;

“Evaluation Committee” – means the committee tasked with evaluating Funding Proposals received from Potential Lenders in accordance with the Evaluation Criteria;

“Evaluation Criteria” – means the evaluation criteria, which shall be transaction-specific and adopted by the Evaluation Committee;

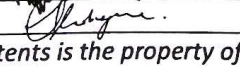
“Existing Lender” – means any person, organisation or institution who is a lender party to an existing funding arrangement with KOBWA;

“FICA Policy” – means the KOBWA policy on the Financial Intelligence Centre Act No 38 of 2001, as may be amended;

“Funding” – means the procuring of a financial commitment from a financial institution with an obligation by KOBWA to honour the debt and the associated interest payment;

“Funding Process” – means the process pertaining to the Sourcing of Funding, informed by this Policy and as set out in the Procedure for Sourcing of Funding;

“Funding Proposals” – means funding proposals submitted by Potential Lenders to KOBWA in response to the invitation contemplated in paragraph 8 below;

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“Governments” – means the national governments of the Republic of South Africa and the Kingdom of Eswatini;

“Grant Funding” – means the non-repayable funding from the Governments and/or lending institutions towards KOBWA projects;

“Invitations” – means the invitations issued by KOBWA to Potential Lenders, which invitations shall detail KOBWA’s Funding requirements as well as the Evaluation Criteria;

“JSE” – means the Johannesburg Stock Exchange Limited;

“JSE Debt Listing Requirements” – means the JSE Debt Listing Requirements as updated on 31 August 2020, as may be amended;

“Long-term Funding” – means funding with an original tenure of more than 5 (five) years;

“MDB” – means multi-lateral development banks, and “MDBs” shall have a corresponding meaning;

“Medium-term Funding” – means funding with an original tenure of a minimum of 3 (three) and a maximum of 5 (five) years;

“National Water Act” – means the National Water Act No 36 of 1998, as amended;

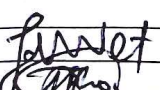
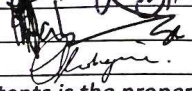
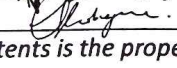
“Notice of Establishment” – means the Notice in terms of Chapter 10 of the National Water Act for the establishment of KOBWA, as amended;

“Original Lender” – means the original lending party that has concluded active finance arrangements with KOBWA.

“Policy” – means the policy for the Sourcing of Funding contained in this document, as amended, re-stated and replaced from time to time;

“Potential Lender” – means any juristic person, organisation or institution that is considered by KOBWA to be a potential lender, acting as a principal and not an agent of a third party, who is not on the United Nations Security Council sanctions list and in good standing with all of its applicable laws in its jurisdiction, for the purposes of Sourcing of Funding and whose appointment shall be subject to this Policy;

“Preferred Lender” – means any Potential Lender that has undergone and successfully concluded the process under the Evaluation Criteria;

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“SCM Policy” – means the KOBWA Supply Chain Management Policy for Procurement of General Goods, Services and Works, as amended from time to time;

“Short-term Funding” – means funding with an original tenure of a maximum of 3 (three) years;

“Sourcing of Funding” – means the sourcing of funds from Potential Lenders in accordance with this Policy;

“Standard Bidding Process” – means the bidding process for the Sourcing of Funding, which shall, save as provided otherwise in this Policy, be the default process for the Sourcing of Funding, as fully described in paragraph 8.2 below;

“Unsolicited Proposal” – means any proposal/concept received by an institution outside its normal procurement process that is not an unsolicited bid (a submission that must be innovative, unique and provided by a sole supplier) as contemplated in the Republic of South Africa National Treasury Note 11 of 2008/2009: Guidelines for institutions dealing with unsolicited proposals/concepts; and

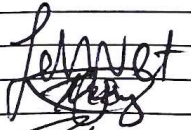
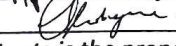
“Urgent Sourcing of Funding” – means the Sourcing of Funding subject to time constraints, when any of the provisions of this Policy may be waived in order to avert a possible event of default under existing funding facilities that could arise if such provisions were followed, or if it would ensure compliance with the timelines specified in a Directive.

3. Purpose

3.1 This Policy establishes a framework for Sourcing of Funding that is cost-effective, flexible and responsive to KOBWA project funding requirements.

3.2 The overall intent is to ensure that the application of this Policy results in all KOBWA project funding requirements being fully and adequately funded at all times, and that KOBWA's project liquidity management is supported, taking into account the constitutional principles of fairness, equitability, transparency and competitiveness in the selection of Potential Lenders that shall provide funding to KOBWA.

4. Legislative Framework

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This refers to the KOBWA Treaty and the applicable laws and regulations following from the Treaty specific to the Kingdom of Eswatini and the Republic of South Africa as per the KOBWA legal register, maintained at the KOBWA of offices.

KOBWA is empowered to raise money by way of loans and arrange overdrafts from its bankers in terms of Article 9 section 1 (d).

Further, in terms of Article 9 section 3 (f), such arrangements as stated above are subject to approval by the JWC.

5. Policy Principles

5.1 Transparency: Information pertaining to the requirement for Funding shall be made available to all Potential Lenders without favouring any Potential Lender over another.

5.2 Equitable treatment of lenders: KOBWA shall ensure fair and equitable treatment of all Potential Lenders.

5.3 Cost-effectiveness (value-for-money): KOBWA strives to achieve cost-effective Funding for all its projects that shall ensure that water users benefit from infrastructure development.

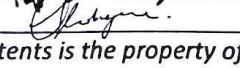
5.4 Competitiveness: KOBWA shall follow competitive funding processes unless there are justifiable reasons for Urgent Sourcing of Funding as outlined in paragraph 8.3 below. KOBWA shall also strive to diversify its pool of lenders to strengthen competition and market depth.

5.5 Efficiency: Where necessary an ad-hoc committee shall be appointed and the members of the committee working on each transaction shall be drawn from KOBWA personnel with the requisite skill, experience and capability to ensure an efficient process of securing funding for KOBWA projects.

5.6 Ethics: All members of committees appointed for each transaction shall abide by the Terms of Reference for such a committee, and any breach of ethical conduct shall be dealt with in terms of KOBWA's disciplinary policy.

6. Applicability

6.1 This policy applies globally, uniformly, and without exception to all KOBWA businesses, permanent and fixed-term contract (full-time, part-time, and flexi-time) employees, subsidiaries, business units, service providers, and other business relationships.

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6.2 This Policy shall apply to the Sourcing of Funding for all projects implemented by KOBWA as directed by the Parties, from time to time, that require off-budget funding. The Policy shall further apply to the following types of funding:

- 6.2.1 Short-Term Funding;
- 6.2.2 Medium-Term Funding; and
- 6.2.3 Long-Term Funding.

7. Exclusions

7.1 This Policy shall not apply to:

- 7.1.1 Grant Funding; and
- 7.1.2 Project Preparation Funding

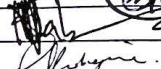
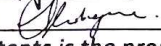
8. Processes For Sourcing of Funding

8.1 Sourcing of Funding shall follow one or more of the processes outlined in this paragraph 8. Any process for sourcing of funding that is not consistent with any of the processes listed in this paragraph 8 may only be followed with the prior approval of the Board on a transaction-by-transaction basis.

8.2 Standard Bidding Process

- 8.2.1 A Standard Bidding Process shall commence with an invitation to Potential Lenders to submit Funding Proposals, which invitation shall be published on KOBWA's website for a period of 15 (fifteen) calendar days.
- 8.2.2 To encourage responses from the market, KOBWA may issue written notifications to Potential Lenders which shall include, as a minimum, all the Existing Lenders.
- 8.2.3 Upon receipt of satisfactory Funding Proposals from Potential Lenders, KOBWA shall determine Preferred Lenders in accordance with the Evaluation Criteria.

8.3 Urgent Sourcing of Funding

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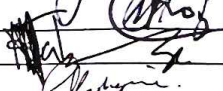
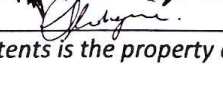
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In the event of an Urgent Sourcing of Funding, the following principles shall apply:

- 8.3.1 KOBWA shall, on an urgent basis and through the issuance of written invitations to a minimum of 3 (three) Potential Lenders (which may include the Existing Lenders), invite Funding Proposals;
- 8.3.2 The invitation to submit Funding Proposals shall not be open to the general public but shall be extended only to the Potential Lenders contemplated in paragraph 8.3.1 above; and
- 8.3.3 Upon receipt of satisfactory Funding Proposals from Potential Lenders as contemplated in this paragraph 8.3, KOBWA shall determine Preferred Lenders in accordance with the Evaluation Criteria.

8.4 Sourcing of Funding from DFIs and MDBs

- 8.4.1 KOBWA acknowledges that certain DFIs and MDBs may, as a result of their policies, be precluded from participating in bidding processes, such as the Standard Bidding Process. Accordingly, and in accordance with the Policy principles set out in paragraph 4 above, KOBWA shall also invite Potential Lenders who are DFIs or MDBs to indicate whether they are precluded from participating in bidding processes but would still be interested in funding the project subject to the conditions appearing in paragraph 8.4.10 below.
- 8.4.2 In the event that a DFI and/or MDB is not precluded from participating in bidding processes, such DFI and/or MDB may participate in the Standard Bidding Process.
- 8.4.3 KOBWA may enter direct negotiations with DFIs/MDBs (as the case may be) if:
 - 8.4.3.1 such DFIs/MDBs are subject to existing and legitimate rules or policies that prevent them from participating in bidding practices, provided that:
 - 8.4.3.2 the DFI/MDB can provide evidence or warrant to that effect and;

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8.4.3.3 it has expressed its interest to fund the project in response to KOBWA's request for expression of interest mentioned in 8.4.1; or;

8.4.3.4 the DFI/MDB operates in South Africa under protocols with National Treasuries of The Kingdom of Eswatini or The Republic of South Africa.

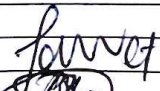
8.4.4 The direct negotiations with DFIs/MDBs in terms of paragraph 8.4.3 may be followed if the Standard Bidding Process did not yield the desired market response (for example in terms of the amount, maturity, cost or reasonableness of terms and conditions of funding).

8.4.5 The direct negotiations with DFIs/MDBs in terms of paragraph 8.4.3 may be followed if the Standard Bidding Process did not yield the desired market response (for example in terms of the amount, maturity, cost or reasonableness of terms and conditions of funding).

8.4.6 KOBWA may also enter into direct negotiations with DFIs/MDBs if it deems that DFIs/MDBs may play a lead role in undertaking project evaluation and due diligence (including internationally accepted social and environmental safeguards standards, as well as project governance, technical, procurement, financial and socio-economic aspects of the project), provided that the DFI/MDB agrees to make the project evaluation and due diligence reports and any other reports which may emanate from its studies in connection with the project, available to other relevant Preferred Lenders.

8.4.7 Without detracting from 8.4.10, for the purposes of paragraph 8.4.5, KOBWA shall approach all Potential Lenders who are DFIs/MDBs, and they may independently or jointly evaluate the project and conduct due diligence provided that they shall all agree to appoint a lead DFI/MDB in relation to the lenders' monitoring and supervision of the project.

8.4.8 The participation of the DFI/MDB under the provision of 8.4.5 shall be capped at 50% (fifty percent) of the required amount of project funding, unless there is insufficient interest from commercial lenders to provide the rest of the Funding.

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8.4.9 The maximum participation referred to in 8.4.7, above, may be reduced, at KOBWA's discretion, if the terms offered by the DFI/MDB are no less favourable overall than those which may be obtained from the other Preferred Lenders.

8.4.10 KOBWA shall, by written request to a minimum of 2 (two) DFIs/MDBs, request the DFIs/MDBs to furnish KOBWA with term sheets detailing their Funding Proposals to KOBWA.

8.4.11 The determination of which DFIs/MDBs shall participate shall be transaction-specific and may be based on locality, commencing with local, then regional/continental and ultimately international DFIs/MDBs.

8.5 Sourcing of Funding through conditional Grant Funding or Project Preparation Funding

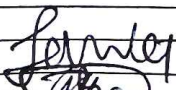
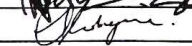
8.5.1 Grant Funding or Project Preparation Funding which is offered by a Potential Lender subject to conditions that may bind KOBWA to a future financial commitment, may be accepted on condition that the Potential Lender agrees to cap the cost of funding of the ensuing funding to the weighted average cost of any other project funding that may be sourced from other Preferred Funders (taking into account the Grant Funding or Project Preparation Funding).

8.6 Unsolicited Proposals

8.6.1 Unsolicited Proposals may only be considered if both the Standard Bidding Process and the process for Sourcing of Funding from DFIs/MDBs have been unsuccessful, or efforts at developing a viable and sustainable project funding model have not been successful, and it is deemed that the Unsolicited Proposal will lead to the development and approval of a viable funding model by the Parties.

8.7 Parties Mandate

8.7.1 KOBWA may enter into direct negotiations with a potential funder pursuant to a legitimate mandate from the Parties. This could be considered where the Parties have facilitated funding on behalf of KOBWA or as part of their other arrangements. For the avoidance of

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doubt, KOBWA shall not be under any obligation to conclude or enter into any funding agreement with such potential funder following the negotiations.

9. Evaluation Processes

9.1 Funding Proposals under paragraph 8 above shall be received, evaluated and adjudicated in terms of the administrative process described in the SCM Policy.

10. General

10.1 Services related to the Sourcing of Funding, such as structuring, arranging of Funding through syndication, market-making or otherwise, which are rendered for a consideration, shall be subject to the SCM Policy. For the avoidance of any doubt, arrangers and agents of the lenders shall be regulated outside the scope of this Policy.

10.2 Underwriting of Funding is considered to be Sourcing of Funding and shall be conducted in accordance with this Policy.

10.3 Refinancing terms concluded under the conditions of each finance agreement shall not be subject to this Policy. Any other refinancing shall be conducted in accordance with the Policy.

10.4 Assignment and transfers of rights and/or obligations under each finance agreement to third parties shall be governed by the provisions of such finance agreement.

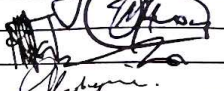
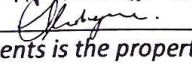
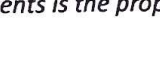
11. POLICY IMPLEMENTATION: RESPONSIBILITIES

11.1 DELEGATED AUTHORITY

In order to enhance effective corporate governance and unless otherwise specified in this Policy, the delegation of authority as outlined hereunder must be complied with at all times.

11.1.1 Board - The Board shall be responsible for approving this Policy.

11.1.2 CFO - A list of KOBWA staff members which shall have been proposed by the CFO and appointed by the CEO to serve on the Evaluation Committee.

	Title	Initial	Date
Created By	Finance Director		7-3-23
Reviewed By	CEO		7/3/23
Recommended By	FRAC Chairperson		07/03/23
Approved By	Board Chairperson		07/03/2023

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Effective date	Document No.	Dept.	Rev.	No. of Pages	Supersedes	
February, 2023	KOB/FIN-LOANS/POL07	AD	00	13 of 13	None	KOBWA WATER FOR EVER

11.1.3 CEO is responsible for:

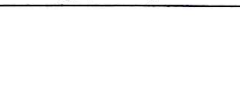
11.1.3.1 the operational management of KOBWA, including the implementation of this Policy;

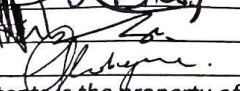
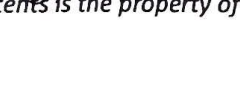
12. Monitoring And Review

- 12.1 This Policy is a living document and shall be reviewed and amended at least every 3 (three) years, or as and when necessary.
- 12.2 Notwithstanding the above, the implementation of this Policy shall be monitored on an ongoing basis as and when so required and shall be reviewed to align it to prevailing financial market conditions. An updated version shall then be brought to the Board for consideration and approval following KOBWA's internal approval processes.

13. Approval

Accounts Payable & Payments Policy approved by:

	Title	Approval Signatures	Date
Created By	Finance Director		7-3-23
Reviewed By	CEO		7/3/23
Recommended By	FRAC Chairperson		07.03.23
Approved By	Board Chairperson		07/03/2023

	Title	Initial	Date
Created By	Finance Director		7-3-23
Reviewed By	CEO		7/3/23
Recommended By	FRAC Chairperson		07.03.23
Approved By	Board Chairperson		07/03/2023

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