



ORIGINAL

KOMATI BASIN WATER AUTHORITY (KOBWA)



CORPORATE GOVERNANCE POLICY

for
K.K.M.
E.M.M. *gpk*

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Preamble

The Komati River Basin Water Authority (KOBWA) was established in 1992 by the 1992 Treaty on The Development and Utilisation of The Water Resources of the Komati River Basin between the Governments of South Africa and the Kingdom of Eswatini (formerly known as Swaziland), hereinafter referred to as 'The Treaty' to;

- Design, construct, operate and maintain the Project¹ in accordance with the provisions of the Treaty as directed by the Joint Water Commission from time to time.
- Possess legal personality in the territory of each Party.
- In its own name perform all such acts as are necessary for or incidental to the attainment and realisation of it's object, exercise its powers and execute its functions in terms of the Treaty.

The Joint Water Commission (JWC) – The JWC was established and functions in terms of the Joint Water Commission Treaty (1992) between the government of the Kingdom of Swaziland and the government of the Republic of South Africa. It is constituted of three members from each Party State. The functions and powers of the JWC are to advise the two Member States on various technical matters on common transboundary rivers. Its powers in terms of the KOBWA Treaty are defined in Article 8.

The KOBWA Board is established in terms of Article 9 of the KOBWA Treaty.

¹ "Project" means the water storage project comprising the Driekoppies Dam on the Lomati River and the Maguga Dam on the Komati River together with the ancillary works.

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Definitions & Abbreviations

Board of Directors/Board – The non-executive Directors of KOBWA as defined in the Treaty on article 8 (2).

CEO – Chief Executive Officer (ex-officio member of the Board appointed in terms of Article 9 of the Treaty)

Immediate family member - a person's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home;

JWC- Joint Water Commission

KOBWA - Komati Basin Water Authority.

Non-executive Director – members of the KOBWA Board as defined in article 8 of the Treaty.

Parties – the Government of Eswatini and the Government of the Republic of South Africa

Treaty - Treaty on The Development and Utilisation of The Water Resources of the Komati River Basin between the Governments of South Africa and the Kingdom of Eswatini (formerly known as Swaziland)

Executive Director - an individual who is involved in the day to day management of KOBWA and or is a full time salaried employee of KOBWA.

Non-Executive Director - an individual, hereinafter referred to as Director, appointed in terms of Article 8(2) (a) of the Treaty, who is not involved in the day to day to day management of KOBWA.

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1. INTRODUCTION

KOBWA subscribes to the principles of openness, integrity, and accountability. The organisation also seeks to govern in compliance with the generally accepted good corporate governance practices. The Board and executive management of Komati Basin Water Authority (KOBWA) are committed to ensuring that KOBWA maintains best practice corporate governance structures and adheres to the highest ethical standards. The Board has therefore adopted a Corporate Governance Policy to guide the governance practices of the Organisation. The Board regularly reviews and assesses KOBWA governance structures and processes to ensure that they are consistent with best practice, in both form and substance. The Policy does not, and is not intended to, modify or to constitute an interpretation of the Organisation's articles of association ("Treaty") or any law or regulation.

This Policy also only addresses KOBWA overarching governance structures and decision making principles. Specific policies, charters, policy statements, terms of reference, work instructions and procedures as well as mandates of various structures and committees are set in various approved documents as per respective Delegation of Authority.

Briefly, a Board of Directors directs the operations of KOBWA, and has three representatives from each country. The KOBWA Board elects its own chairperson for a period of two (2) years. The Board reports to and takes instructions from the JWC and the institutional framework (reporting lines) is as presented in figure 1 below.

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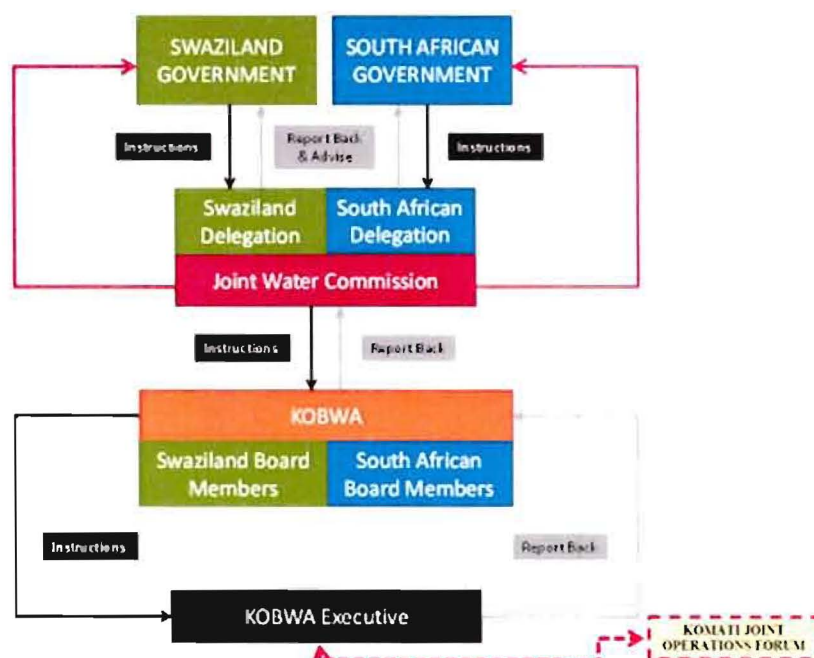


Figure 4: JWC- KOBWA institutional framework

A Chief Executive Officer (CEO) is appointed by the Board and heads the management of KOBWA. Currently (2018/19), KOBWA has four departments: Operations/Water Management, Finance, Corporate Services and Administration. In the management of the water resources of the Komati River, KOBWA liaises directly with the Departments of Water Affairs from Eswatini and South Africa. Concerning operational matters relating to the management of the water resources of the Komati River, KOBWA interacts directly with water users from the two countries through the Komati Joint Operations Forum (KJOF).

2. BOARD OF DIRECTORS

This Policy sets out the roles, composition and responsibilities of the Board of KOBWA. The responsibilities are in compliance with the KOBWA Treaty Article 9. They have been unpacked into the following specific duties, deducing as well from current Corporate Governance standards;

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- 1) Establish and direct KOBWA both as strategy and structures.
- 2) Reviewing and adopting visions, mission statements, strategic objectives, strategic plans and policies.
- 3) Giving strategic direction to the CEO
- 4) To ensure that management implement KOBWA strategy as established from time to time.
- 5) Monitoring strategic plans.
- 6) To ensure KOBWA has adequate operational and financial system of internal control.
- 7) To monitor activities of management.
- 8) To provide applicable information to shareholders
- 9) To ensure that KOBWA operates ethically.
- 10) To hold quarterly meetings.
- 11)Appointing the CEO and Directors/senior managers subject to ratification by the JWC.
- 12)Ensuring that formal performance standards are agreed with the CEO at least once a year.
- 13)Monitoring the performance of the CEO against an agreed performance standard.
- 14)Reviewing and approving annual water allocations for recommendation to the JWC.
- 15)Reviewing and approving water rationing strategies for recommendation to the JWC.
- 16)Reporting to the JWC and any other structure authorized by the shareowners;
- 17)Setting and monitoring financial and audit processes
- 18)Setting and monitoring asset management processes
- 19)Developing and maintaining organizational structure to achieve objectives
- 20)Establishing Board Committees necessary for effective discharge of Board responsibilities
- 21)Ensuring that significant risks are identified and effectively managed by the CEO.

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- 22) Ensuring that the organization has appropriate corporate governance structures in place
- 23) Defining levels of materiality, reserving essential powers to itself and formally delegating other powers to the CEO and/or Board Committees
- 24) Implementing systems of internal controls to provide reasonable assurance of the reliability of financial statements
- 25) Approving budgets for recommendation to the JWC in accordance with standards set in the Treaty and applicable legislation; and
- 26) Budget monitoring and review

3. BOARD STRUCTURE

- 1) The Treaty (Article 8(2)(a)) specifies that the JWC shall set the number of Board members on condition that it will not be less than two members with each Party equally represented. The CEO is an ex officio member with no voting rights (article 8(2) (b) and (9)). Currently the number stands at six non-executive members (3 nominated by each Party).
- 2) Any vacancy that arises shall be filled by the relevant Party within a month of the position falling vacant (Article 8(3)). Board members shall have such qualifications and expertise so as to contribute to the design, construction, operation and maintenance of the infrastructure (Article 8(2) (a)).

4. APPOINTMENT OF BOARD OF DIRECTORS.

The Board of Directors are appointed by each Party to hold office for a period specified in the instrument, Legal Notice, or Government Gazette. If no period is specified, the Director shall hold office until the appointment is revoked or upon resignation.

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5. BOARD MEMBERSHIP CRITERIA.

Candidates nominated for appointment by the Parties to the Board of Directors should possess the following;

- 1) Highest personal and professional ethics, integrity and values;
- 2) An inquiring and independent mind;
- 3) Practical wisdom and mature judgment
- 4) Experience at the policy-making level in business,
- 5) Expertise that is useful to the organisation and complementary to the background and experience of other Board members. In this regard, previous executive and board experience.
- 6) Willingness to devote the required amount of time to perform the duties and responsibilities of Board membership
- 7) Commitment to serve on the Board over a 3 year term or more to develop knowledge about KOBWAs principal operations.
- 8) Willingness to represent the best interests of all shareholders and objectively appraise management performance.
- 9) No involvement in activities or interests that create a conflict with the Director's responsibilities to KOBWA and its shareholders.

6. APPOINTMENT AND RESPONSIBILITIES OF THE BOARD CHAIRPERSON

The Chairperson is elected by the Board to hold office for two years. Upon the expiry of the two years, the Chairperson may be re-elected subject to the approval of the JWC. This appointment would be in accordance with Article 8(6) of the KOBWA Treaty. The duties of the chairperson include the following;

- 1) The Chairperson is responsible for representing the Board to the shareowners and indirectly to the general public for performance of the organisation. The Chairperson is responsible for ensuring the integrity and effectiveness of the governance process of the Board.

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- 2) The Chairperson is responsible for maintaining regular dialogue with the Chief Executive Officer ("CEO") over all operational matters and will consult with the remainder of the Board promptly over any matter that requires him/her to do so.
- 3) The Chairperson is responsible, primarily, for the working of the Board and for ensuring that all relevant issues are on the agenda and that all available information on an issue is before the Board.
- 4) The Chairperson will act as facilitator at meetings of the Board to ensure that no member, whether executive or non-executive, dominates discussion, that appropriate discussion takes place and that relevant opinion among members is forthcoming.
- 5) The Chairperson will ensure that discussions result in logical and understandable outcomes and resolutions.
- 6) Between Board meetings the Chairperson maintains an informal link between the Board and the CEO, and expects to be kept informed by the CEO on all important matters, and is available to the CEO to provide counsel, advice and guidance where appropriate.
- 7) Promoting respectful relationships among Directors and between Directors and management.
- 8) The Chairperson is responsible for evaluation of the performance of the Board and individual Directors at least once a year.

7. BOARD SECRETARY

The South African Companies Act Amendment No.3 (2011) makes it mandatory that state Companies appoint a Company Secretary (section 54) who by law is a deemed Director. KOBWA is not registered as a Company in either country. However KOBWA

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complies with the requirement in pursuit of good corporate governance. Therefore the KOBWA Company Secretary as an administration officer (not Director) must have knowledge or experience in relevant laws and resident in one of the two Party states for the duration of service in that capacity. The duties of the Company Secretary will be as outlined in Section 88 of the RSA Companies Act (2008) and King IV Report. The Board will evaluate the performance of the Company Secretary on an annual basis.

In addition to the statutory roles the KOBWA Company Secretary will perform the duties below;

- 1) Prepare Board meeting Agenda in consultation with the Chairperson and Chief Executive Officer;
- 2) Circulate Agenda and other documents at least 10 days before the date of the Board or Board Committee meeting;
- 3) Preparing and circulating draft minutes of Board and Board Committee meetings not later than 7 working days after the meeting for comments;
- 4) Keep copies of Board documents;
- 5) Advising Directors on corporate governance matters during meetings and whenever required by the Board to do so;
- 6) Updating Corporate Governance Practices, Policies and Charters
- 7) Implementation of Approved Systems and Practices;
- 8) Communication of Board resolutions;
- 9) Induction of new Board members.

8. THE CHIEF EXECUTIVE OFFICER (CEO)

The Chief executive Officer KOBWA is "the highest ranking executive in the Organisation whose main responsibilities include developing and implementing high level strategies, making major corporate decisions, managing overall operations and resources of the Organisation and acting as the main point of communication between the Board of Directors and the corporate operations":

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- 1) The Board will link KOBWA's governance and management functions through the Chief Executive Officer (CEO).
- 2) The Board will appoint the CEO in accordance with Article 9 of the Treaty on The Development and Utilization of the Water Resources of the Komati River Basin between the Government of the Republic of South Africa and the Government of the Kingdom of ESwatini (hereafter "The Treaty").
- 3) The CEO drafts policies, strategies and plans for approval by the Board. The CEO runs the day to day operational business and implements the policies, strategies and plans adopted by the Board.
- 4) All Board authority conferred on management is delegated through the CEO so that the authority and accountability of management is considered to be the authority and accountability of the CEO so far as the Board is concerned.
- 5) Only decisions of the Board acting as a body and with a quorum, as defined by the Treaty and this Board Charter, are binding on the CEO. Decisions or instructions of individual members, officers or committees are not binding except in those instances where specific authorization is given by the Board
- 6) The CEO, in association with the Chairperson, is accountable to the Board for the achievement of KOBWA's goals and objectives. The CEO is accountable for the observance of the management limitations.
- 7) At each of the Board meetings the Board should expect to receive from or through the CEO operational and other reports. These reports will provide

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such assurances as the Board considers necessary to confirm that the management limitations are being observed.

- 8) The CEO is expected to act within all specific authorities delegated to him/her by the Board.
- 9) The CEO is expected to not cause or permit any practice, activity or decision that is contrary to commonly accepted good business practice or professional ethics.
- 10) In allocating the capital and resources of KOBWA, the CEO is expected to adhere to KOBWA's goals and Policies. The CEO is expected to not cause or permit any action without taking into account their consequences on the health, safety, environmental and socio-politics of stakeholders and long-term shareowner value.
- 11) In financing KOBWA, the CEO is expected to not cause or permit any action that is likely to result in KOBWA becoming financially embarrassed.
- 12) The assets of KOBWA are expected to be adequately maintained and protected, and not unnecessarily placed at risk. In particular, KOBWA must be operated with a comprehensive system of internal controls, and assets or funds must not be received, processed or disbursed without controls

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that, as a minimum, are sufficient to meet standards acceptable to KOBWA's external auditors.

13)The CEO is expected to not permit employees and other parties working for KOBWA to be subjected to treatment or conditions that are undignified, inequitable, unfair or unsafe.

14)The CEO is expected to not cause or permit payments to be made or rewards given unless they are in return for contributions towards the purposes of the business and are proportional to the extent that the contributions in question have furthered such purposes.

15)The CEO must ensure that staff and the Board have sufficient and up to date information about the organization.

9. BOARD ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS

Board Directors shall have open access to KOBWA's executive management and independent advisors, such as attorneys or auditors. The Board encourages the CEO to bring Executive Directors into Committee meetings and other scheduled events to;

- 1) Enable the provision of additional insight into matters being considered or present Directors with future potential whom the CEO believes should be given exposure to the members of the Board.

10. CODE OF CONDUCT FOR BOARD MEMBERS

Each Director is required to exercise utmost good faith, honesty and integrity in all dealings with and on behalf of KOBWA. A Director must never permit a conflict of duties and interests and must disclose a potential conflicts of interests at the earliest opportunity.

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If an actual or potential conflict of interest develops, whether because of a change in the business operations of KOBWA, or in a Director's circumstances (for example, significant and ongoing competition between KOBWA and a business with which the Director is affiliated), or otherwise, the Director should report the matter immediately to the Board for evaluation. A significant and potentially ongoing conflict must be resolved or the Director should resign.

If a Director has a personal or business interest in a proposed transaction, arrangement or other matter before the Board involving the Organisation, or an existing transaction or arrangement with the Organisation, the Director shall disclose the interest to the Board (to the extent not already disclosed) and excuse himself or herself from participation in the related deliberations and shall abstain from voting on the matter.

11. DECLARATIONS OF INTERESTS.

Directors must always act in the best interest of KOBWA. On at least an annual basis, each Director shall present to the Board a declaration of interests, setting forth such Director's business affiliations with third parties relevant to KOBWA. Each declaration of interests shall include, without limitation, any relationship between the Directors and any entities (other than the Organisation) with which any other Directors and/or officers are affiliated, as a potential or actual conflict of interest could arise in such situations. Each Director shall present to the Board an updated completeness and accuracy.

12. DIRECTOR COMPENSATION REVIEW.

12.1 The Company Secretary or third party consultants with expertise on Director compensation shall periodically report the compensation practices in relation to other organisations of comparable size and/or relevant public organisations.

12.2 Changes in Director compensation shall be implemented upon the recommendation of the relevant Board Committee, subject to full discussion and approval by the Board and JWC.

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13. COMMITTEES OF THE BOARD

1) Formation of Board Committees

13.1.1 Board Committees will be formed only when it is a legal requirement, for efficiency or necessary to facilitate decision-making. The Board will from time to time review the number and functioning of the Committees for adequacy in achieving the Board objectives. Any changes will be reflected in the KOBWA Board Charter which is reviewed annually.

13.1.2 Board committees will observe the same rules of conduct and procedures as the Board unless the Board determines otherwise.

13.1.3 Board committees will only speak or act for the Board when so authorized. The authority conferred on a Board committee will not interfere with the authority delegated to the CEO.

13.1.4 Board Committees do not take final decisions but make recommendations to the Board. Reimbursement and remuneration conditions shall be similar to those prescribed for the Board.

13.1.5 Board Committees shall be free to take independent professional advice at KOBWA's expense as and when necessary.

13.1.6 Other committees may be formed as and when there is a need. Each committee's Terms of Reference shall be periodically (every three years) reviewed by the committee and the Board and revised if inadequacies are observed. A Director is expected to participate actively in the meetings of each committee to which he or she is appointed.

2) Finance, Risk and Audit Committee (FRAC)

The Board has currently established a Finance, Risk and Audit Committee (FRAC), to fulfil the role of finance, risk, tender, technical, and audit oversight. The FRAC reports to

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the Board and communicates freely with the Chairperson of the Board and KOBWA's Chief Executive Officer.

The FRAC should collectively (not necessarily individually) have understanding of the following:

- Integrated reporting
- Internal financial controls
- External audit process
- Internal audit process
- Corporate law
- Risk management
- Business sustainability
- Information technology governance
- KOBWA governance process
- International finance reporting standards
- Technical Operations (Water Resources Management and Infrastructure Management)

3) Human Resource and Remuneration Committee (HRRC)

The Board has also established the Human Resource and Remuneration Committee (HRRC) which shall preside over matters of staffing and remuneration social policy. The remuneration committee ensures that staff are fairly remunerated considering their individual contributions to KOBWA; reviews the broad terms and conditions of all staff of KOBWA to ensure that these are fair and competitive. Recommends its findings to the Board for approval and ratification by the Joint Water Commission where applicable.

4) Rotation of committee membership and chairpersons.

Upon recommendation of the different committees, the Board is responsible for the appointment of committee members according to criteria that it determines to be in the

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best interest of the Organisation and the Member States. The Board shall consider periodic rotation of committee membership, taking into account desirability of rotating committee members, the benefits of continuity and experience, applicable legal, regulatory and stock exchange listing requirements, and the desires of individual Directors. The Board shall also consider the desirability of rotating committee chairpersonship responsibilities when appointing or reappointing chairpersons.

14. Evaluation of Board Performance.

The Board shall annually evaluate its own performance, and its own processes and procedures to ensure that they are not unduly complex and are designated to assist the Board in effectively fulfilling its role. Individual members will be evaluated by the Chairperson. The Chairperson, or a sub-committee appointed by the Board, should appraise the performance of the CEO at least annually. The evaluation of the CEO should be based on objective criteria including, performance of the business, accomplishment of long-term strategic objectives, development of management, etc. The assessment will be considered in the course of deliberations when considering the compensation of the CEO. Board committees should regularly be reviewed by the Board to ascertain their performance and effectiveness.

14.1 Evaluation of Individual Board Director Performance.

The Nominating and Governance Committee shall develop a process whereby each of the Directors will periodically review performance of the other Directors to provide input on Director performance and to facilitate future Director nominations.

14.2 Evaluation of CEO Performance.

Each year, the Directors shall meet in executive session to evaluate the performance of the CEO. To facilitate the evaluation, the HRRC shall coordinate a process for the Directors to consider CEO performance in advance of the Board meeting during which

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the CEO's performance is to be reviewed. In evaluating the CEO, the Directors shall take into consideration the CEO's performance in both qualitative and quantitative areas, including:

- Leadership and vision;
- Integrity;
- Keeping the Board informed on matters affecting KOBWA;
- Performance of the business (including such measurements as total shareholder return and achievement of financial objectives and goals);
- Development and implementation of initiatives to provide long-term economic benefit to KOBWA;
- Accomplishment of strategic objectives; and
- Development of management.

The evaluation will be communicated to the CEO by the Chairperson of the Board and will be considered when reviewing the CEO's compensation.

14.3 Management Succession Planning.

The CEO is responsible for developing and maintaining a process for advising the Board on planning for potential successor of Chief Executive Officer, as well as for other key senior management positions in the Organisation. The Directors are responsible for oversight of succession planning in the Organisation.

15 Risk Oversight.

The Board should understand the principal risks associated with the Organisation's business on an ongoing basis and it is the responsibility of management to assure that the Board and its committees are kept well informed of these changing risks on a timely basis. It is important that the Board oversees the key risk decisions of management, which includes comprehending the appropriate balance between risks and rewards. The Board reserves oversight of the major risks facing the organisation through the approval

	<i>Title</i>	<i>Initials</i>
<i>Created By</i>	<i>RQO</i>	<i>K.K.M.</i>
<i>Reviewed By</i>	<i>CEO</i>	<i>AK</i>
<i>Recommended By</i>	<i>FRAC Chairperson</i>	<i>gah</i>
<i>Approved By</i>	<i>Board Chairperson</i>	<i>EMM</i>

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of the Risk Management Policies and has delegated risk oversight responsibility to the appropriate committees in the following areas:

15.1.1 the FRAC oversees risks relating to mostly financial and technical matters, financial reporting, auditing and the

15.1.2 HRRC Committee oversees risks relating to the design and implementation of the Organisation's compensation policies and procedures.

KOBWA has established an effective system of risk management and internal controls which include the risk management, functional compliance controls (including procedures) and internal audit functions. The authority and responsibility of these functions have been approved and set out in their respective policy statements, charters, various system operating rules, and related documents.

16. Periodic Review of these Guidelines.

This Policy will be reviewed every three (3) years by the FRAC and any recommended revisions will be submitted to the Board for consideration and approval.

17. Public Disclosure.

This Policy and relevant corporate governance documents shall be posted on KOBWA's Intranet.

18. The Delegation of Authority and Associated Documents

The KOBWA Delegation of Authority document is derived from the KOBWA Treaty in particular Article 9 (Powers and Function of KOBWA) which defines the specific functions of KOBWA organisational structures. The Delegation of Authority document is reviewed as and when necessary by the Board. The JWC has the authority to approve proposed amendments by the Board.

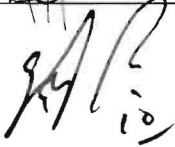
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<i>Created By</i>	<i>RQO</i>	<i>K-K.M.</i>
<i>Reviewed By</i>	<i>CEO</i>	<i>OX-L</i>
<i>Recommended By</i>	<i>FRAC Chairperson</i>	<i>gak</i>
<i>Approved By</i>	<i>Board Chairperson</i>	<i>EMM</i>

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Other associated documents are as follows;

- KOBWA Treaty
- The KOBWA Board Charter as amended
- The KOBWA sub-committees' Terms of References, as amended.

19. Approvals and Review

Designation	Name	Signature	Date
Board Chairperson	Ms. E. Magagula		4/2/2019
Finance, Risk and Audit Committee Chairperson	Dr. T. Gyedu - Ababio		29/1/2019
Chief Executive Officer	Mr. C. Zwane		23/01/2019
Risk and Quality Officer	Ms. K. Mavimbela		23.01.2019

In line with the KOBWA policies three year review period, this policy shall be reviewed in December 2021.

	Title	Initials
Created By	RQO	K K.M
Reviewed By	CEO	PXL
Recommended By	FRAC Chairperson	gah
Approved By	Board Chairperson	EMM