



Magalies Water

AMENDED CORPORATE PLAN

2019/20 to 2023/24

(2020/21 REVIEW)

Magalies Water

Prepared in accordance with section 40 of the Water Services Act 1997 and the National Treasury Guideline Framework for Corporate Planning and Shareholder's Compact September 2002, source www.treasury.gov.za

Table of Contents

Statement by the Chairperson.....	5
Statement by the Chief Executive	7
Official Sign Off.....	9
1. Introduction	10
2. Purpose of the Public Entity	11
3. Operating Principles	12
4. Environmental Scan	21
5. Strategy	28
6. Operating Model	35
7. Key Performance Areas.....	53
8. Outcomes by Major Programme with Accountability	59
9. Financial Plan.....	61
10. Tariff Management and Consultation	70
11. Risk Management Plan.....	72
12. Materiality and Significance Framework	83
13. Fraud Prevention Plan.....	84
14. Business Continuity Management.....	85
15. Supply Chain Management Plan (SCM)	86
16. Records Management Plan.....	87
17. Human Resources Plan	88
18. Bulk Potable Water Services Plan	93
20. Self - Appraisal of Performance (Quarter 4 2019/20)	113
21. Statement of Financial Viability	114
22. Bank Accounts.....	120
23. Declaration	121
24. List of Abbreviations	122

Vision

“To be the leading provider of quality water services in South Africa”

Mission

Magalies Water Board provides (bulk) water services to Water Services Authorities, Water Services Institutions and other users to positively impact the quality of life and economic growth for communities in areas of operation.

Strategic Intent

The Strategic Intent of Magalies Water is to meet its mandate of sustainable water provision and this will be achieved through reliable provision of quality water services and contribution to the socio economic development in the service areas.

Policy Statement

The Magalies Water Board has the authority to set policies and to delegate the implementation stages to the executive committee members. The organisation uses the intranet among other platforms to store such policies within the reach of all stakeholders (Interested / Affected Parties).

Core Values

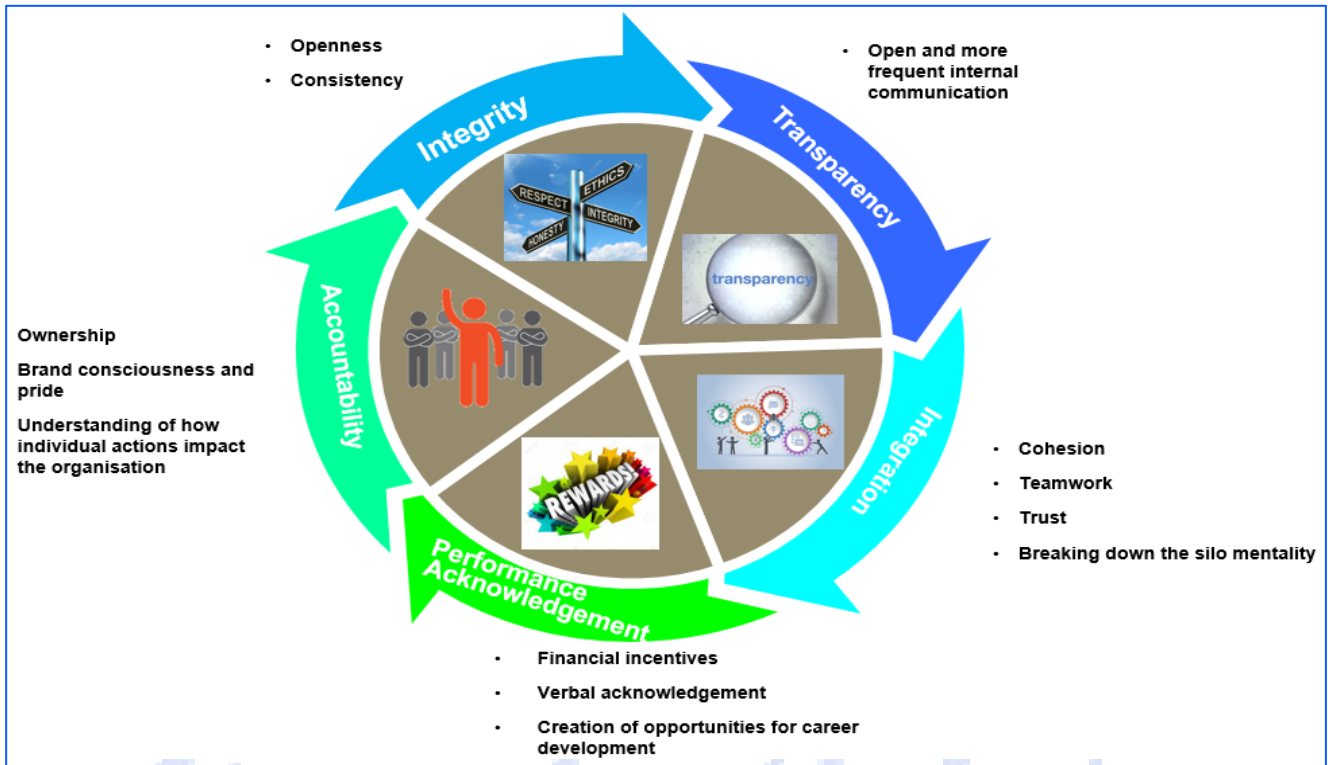
Magalies Water is guided by its values that are used as anchor-points to establish the manner in which we approach our activities and how we relate to each other and our Stakeholders.

Figure 1: Our Values



Magalies Water relies on the commitment and dedication of each of our staff members to fulfil its Vision and Mission. The entity aspires to be both a leader in the delivery of quality services and employer of choice.

Figure 2: Summary of Cultural Behaviours at Magalies Water



Magalies Water has committed to revive the internal communication mechanisms in order to foster trust and to ensure synergy and coherence between internally and externally disseminated information. Magalies Water will continue to maintain a responsive, timeous and proactive Consumer Centric Service approach to fulfil our aspirations to excel in delivering services to customers.

The set standards and performance measures will strategically re-build the Magalies Water brand, reputation, good standing and in the medium to long term to ensure expansion of the Entity's footprint.

Statement by the Chairperson

It is my pleasure to present to our Shareholder (Hon. Minister, Lindiwe Sisulu MP: Human Settlements, Water and Sanitation) and to all our Stakeholders, the Magalies Water's Corporate Plan 2020/21 Reviewed and adopted for the next financial year. We continue to adapt our business focus in line with the set developmental goals, the National Development Plan, the State of the Nation Address and the Medium Term Budget Policy Statements or any changes of the National Treasury and Department of Human Settlements, Water and Sanitation Strategic Plans.

This Plan reflects on the envisaged humanitarian impact we aim to make in areas where Magalies Water services and ensure linkages to the Sustainable Development Goals (SDGs). We focus on the modernisation of access to sanitation in order to improve health, well-being and wealth of our citizens as per the National Water and Sanitation Master Plan. Magalies Water initiatives are similar to the SDGs and the Millennium Development Goals as they address the effect of systematic barriers of socio-economic inequality, environment degradation and changes in business models due to technological advancement and the related techno-risks.

Environmental and Demographic / Socio-Economic Factors

The evident adverse impact of global warming and climate change, in other parts of the country, to the hydrological / water sources systems call for innovative adaptation strategies. Scarcity of both surface and ground water is a serious business disruptor that could lead to restrictions even to Magalies Water in recognition of the water-food-energy interconnectivity.

Economic Factors: This Plan is linked to the Government's Policy position to radically transform the RSA economy. The timing of the Policy puts the water services value-chain at a back foot as the world economic growth is sluggish. This has been evident in the recent credit downgrades to (near) junk status. The latter is not ideal to our contribution to the Government's Fiscal and Monetary Policies and it may curtail the affordability and infrastructure related Capital Projects' funding. It ultimately distracts our course to optimally service and grow our Section 29 and Section 30 existing markets.

Social / Political Factors: The majority of the societies we serve are in rural and informal settlements that are poverty-stricken and occupied by people with low levels of education. The mines lay-offs increase unemployment. This brings about the relationship of our business to the changing spatial patterns, population growth and political volatility. The increasing demand for water services and disruptions to our service will be the focus in the election manifesto.

In this instance, we continue to capacitate and strengthen our functions in risk and business continuity planning to respond appropriately to mission critical activities. We find comfort that our young and energetic employees have revived their commitments to our Values and they have outlined a range of cultural behaviours towards re-living and reviving our consciences around the spirit of Batho Pele.

Technological factors

Water utilities across the world have already embraced principles of the fourth industrial revolution on utilisation of big data in management of their operations. The internet of things is a reality and technology is viewed as one of the big disruptors to the business models of organisations. Magalies Water will continuously embrace utilisation of technology in enhancement of our Information Technology value chain. Technology enhancement will occur in the data, applications and governance areas.

Programmes to Implement Strategy

The Magalies Water Corporate Plan (2020/21 Review) exhibits our 5-year objectives and major enabling programmes designed along the Balanced Score Card perspectives of-

- Organisational Efficiency and Effectiveness
- Financial and Governance
- Customer and Stakeholder Interaction
- Organisational Capacity

The programmes design also take into account the General Performance perspective.

Our Infrastructure Master Plan enable us to achieve the commitments. It guides our investment to build, refurbish, upgrade and maintain capacity for effective water demand and supply management. The latter is one of our success factor to achieve the desirable increase in market share and financial returns in line with our Strategy Growth Plan. We continue to segment our Customers and uphold tailor made engagement approaches to our critical Stakeholders, especially our Local Governments. We determine our response to water demand according to each Municipality's classification of vulnerability to delivering services to the End Users (2013/14 assessment report). Innovatively, we set our Treatment Systems and Laboratories consistently with the applicable norms and standards set for the quality of bulk water and treated wastewater while we research for modern ways to achieve the results.

On behalf of the Board of Directors, we look forward to another term of our Shareholder's unwavering support and guidance and the DHSWS's tireless drive to transform our water sector. We further confirm our accountability for the success of this Corporate Plan Review and that we have identified appropriate talented human capital to ensure we realise the ambitions of this Plan. We have confidence in our Executive Management's capability to deliver on the Mandate of Magalies Water.



Ms. R.N Mokoto

Interim Chairperson of the Board

Statement by the Chief Executive

The Executive Committee of Magalies Water is happy to share with our Stakeholders the Corporate Plan 2020/21 that reflects our strategic "Road Map" for the 2020/21 financial year. As the Chief Executive of Magalies Water, I give re-assurance that the fundamentals of our strategic Corporate Plan are in harmony with the great strides and bold decisions we committed to in the previous financial years

The Corporate Plan presents a renewed dedication to enhance the various management actions and processes for the sole purpose of providing excellent and satisfactory service to all our customers. The desired end-state of Magalies Water is to be a fully capacitated, high performance organisation that keeps on improving and growing sustainably that carries out its mandate in the most efficient and effective possible manner.

This Corporate Plan critically involves the analysis of the external and internal environmental factors, which gave rise to the articulation of the selected and prioritised intensive strategic programmes for growing the organisation. We have recognised the possible impacts to our business of the renewal of the debates around the land redistribution models, conversation on the fourth industrial revolution, among others that our Chairman has outlined earlier.

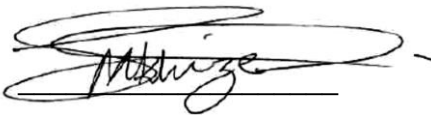
We are cognisance of the factors of uncertainties, trends and scenarios in our strategic environment. These include the following:

1. Alignment of the increasing demand for water services in our service areas to local population growth, local economic conditions (affordability) and our commitment to extending services to all in terms of our Shareholder Compact.
2. The impact of drought conditions and pollution on input water sources.
3. The availability of modern water services technologies and their applicability to our ageing legacy assets.
4. The Department's Strategic Plans for Institutional Reform and Realignment
5. The capabilities of our Water Service Authority Clients where these may have been assessed as "Extremely Vulnerable" or "Highly Vulnerable" in the Municipal Services Strategic Assessment (MuSSA) for South Africa (2013/14).
6. Our impact on the environment.
7. Magalies Water's own success in operations, capital infrastructure delivery and socio-economic development.

As a result, this Corporate Plan contains our 5-year commitment to further enhance our capabilities, achieving the “desired state”, described above, across the following major programmes:

1. Plan, design and acquire water services facilities, equipment, bulk distribution capacity and enterprise capabilities within funding constraints to achieve our Mandate of primary (Section 29) activities efficiently.
2. Deliver water services that comply with required standards of water quality and reliability of supply and satisfy our customers.
3. Enhance our Section 30 functional capacity and capability to, effectively, handle the supply and demand.
4. Maintain financial sustainability within the approved Tariffs.
5. Develop or transform the Magalies Water’s Human Capital, Suppliers and Communities through embarking on initiatives for upskilling, localising employment and effectively implementing enterprise development programmes.
6. Provide efficient and effective business support to Finance, Supply Chain, Information and Communications Technology, Governance and Risk Management.
7. Engage Stakeholders (Shareholder, Customers) towards enabling appropriate level of influence to the flexibility of our operations and planning.

On behalf of the Executive Committee and Magalies Water as an organisation, be assured that we are geared to respond to the opportunities and challenges in line with our Strategy Growth Plan. This Corporate Plan is an appropriate basis to meet legislated accountabilities and simultaneously enable Magalies Water to be a “good citizen” in the communities it serves. This Corporate Plan 2020/21 is designed for success.



Mr. S.P Mkhize

Chief Executive Officer



Official Sign Off

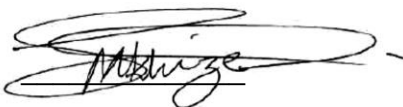
The Management of Magalies Water held a 2-Day Workshop on the 17th and 18th of February 2020 on the Corporate Plan (2020/21 Review) in order to assess progress and to identify shortcomings. The outputs of the Management Strategy Workshop were further interrogated for relevance to the coming 5-Year planning period through the guidance of our Board Members during the Board Strategy Session held on the 12th and 13th of March 2020. The latter culminated to the Board's adoption of the format and contents of the Corporate Plan 2020/21 Review, as being submitted to the Shareholder.

We certify that the Corporate Plan takes into account the Mandate, Policies, Legislation and other commitments for which Magalies Water is accountable. The Corporate Plan accurately reflects the strategic outcome oriented goals and objectives which Magalies Water will endeavour to achieve over the period.

Magalies Water certifies that all the information that the organisation is aware of and is significant to functioning and delivery of the Mandate, is disclosed in this Corporate Plan as required in terms of the Water Services Act (Act 108 of 1997), Public Finance Management Act (Act 1 of 1999), and other relevant legislation and associated Regulations, prescribed Guidelines and practice notes issued by the Department of Human Settlements, Water and Sanitation (DHSWS) and the National Treasury.



Ms. M Tabane
Chief Financial Officer



Mr. S.P Mkhize
Chief Executive Officer



Ms. R.N Mokoto
Interim Chairperson of the Board

1. Introduction

This Magalies Water Corporate Plan for 2020/21 Review has been prepared and adopted by the Magalies Water Board as required by Section 40 of the Water Services Act, 1997 (Act No. 108 of 1997). Statutory legislation requires Magalies Water to review the corporate plan as well as Shareholder Compact annually.

The Act prescribes that a "Business Plan" must at least contain information regarding the following:

- Each specific primary and other activity to be undertaken and the performance targets for each;
- The Tariff applicable to each service, the method by which it was determined, the motivation for the Tariff and the estimated Tariff income;
- Forecasts of capital expenditure for the primary and other activities for the next five years, and
- Any other information, which the Minister may prescribe from time to time.

This Corporate Plan incorporates the recommendations of the National Treasury Frameworks, Revised Strategic Plans and Annual Performance Plans from the Department of Planning Monitoring and Evaluation as well as the Framework for Managing Programme Performance Information of 2007 on strategic planning and Shareholder Compact. The information contained in this Corporate Plan is in the format and order proposed by the National Treasury Guidelines.

Magalies Water

2. Purpose of the Public Entity

Magalies Water is a Water Board established in terms of section 28 of the Water Services Act, (Act No 108 of 1997, as amended) and is classified as a Government Business Enterprise as per Schedule 3B of the Public Finance Management Act (Act No 1 of 1999, as amended). The Service Area of Magalies Water as determined by the Minister stretches over Pienaars River and Crocodile River, these being two of its major service area Catchments.

The Mandate of Magalies Water is to provide water services in terms of Section 29 and ensure viable Section 30 initiatives as prescribed in the Water Services Act, (Act No 108 of 1997).

Magalies Water will continue to contribute to the socio- economic development within the Service Areas.



3. Operating Principles

Magalies Water is a Schedule 3B: State-owned Company (SoC) and like all the businesses operating in the country (the Republic of South Africa), it is governed by all applicable country's legislation. The Magalies Water's operating relevance and its critical role is grounded in the legislative Mandate imposed through the Water Services Act, 108 of 1997, which is to ensure that the State complies with the Bill of Rights duties enshrined in Chapter 2 of the Constitution. Below is the outline of more of some of the applicable laws.

3.1 Legislative Mandate

Magalies Water as a State-owned Enterprise is governed by the following legislation, among other legal frameworks that constitute its Regulatory Universe:-

1. The Constitution of the Republic of South Africa, 1996 [(Act 108 of 1996), Bill of rights: According to Chapter 2: Bill of Rights - the State must respect, protect, promote and fulfil the Rights of all people in our country and (must) affirm the democratic values of human dignity, equality and freedom. Explicitly, Section 10 states that everyone has Rights to human dignity and Section 11 speaks of everyone's Right to life.
2. The Public Finance Management Act, 1999 [(Act 1 of 1999 as amended, PFMA)]: The PFMA classifies Magalies Water as a Schedule 3(B): National Government Business Enterprise.
3. National Water Act, 1998 [(Act 36 of 1998 as amended, (NWA))] and its Regulations: provides that the National Government is the public trustee of the national water resources. Acting through the Minister of Water and Sanitation, the National Government has the power to regulate the use, flow and control of all water in the Republic. This is to ensure that water resources are protected, used, developed, conserved and managed in a sustainable and equitable manner for the benefit of all persons.
4. Water Services Act, 1997 [(Act 108 of 1997 as amended, WSA)]: provides for the right of access to the basic water supply and the right to basic sanitation services. The WSA also provides for the establishment of Water Boards and defines their primary (Section 29) and secondary (Section 30) functions.

3.2. Overview of Business Activities

The Minister of the Human Settlements, Water and Sanitation is the custodian of water resources, including the Dams from which Magalies Water abstracts and channels water to its own Water Treatment Plants for treating before distributing through pipelines to Water Service Authorities and other Users (Customers).

3.2.1 Primary Activities (Section 29)

The primary activity of a Water Board is to provide water services to other water services institutions within its service area (Section 29). Raw water is obtained through various intermediaries (e.g., Dams, Mining associated sources, etc.) that are linked to two (2) major catchments of the Crocodile and the Pienaars Rivers.

Section (29) states that the primary activity of a Water Board is to provide water services to other water services institutions within its service area. Magalies Water service area covers 42 000 km² across the three (3) provinces of North West, Limpopo and Gauteng, within the major catchments of the Crocodile and the Pienaars rivers.

The below graphical representation shows the service area of Magalies Water.

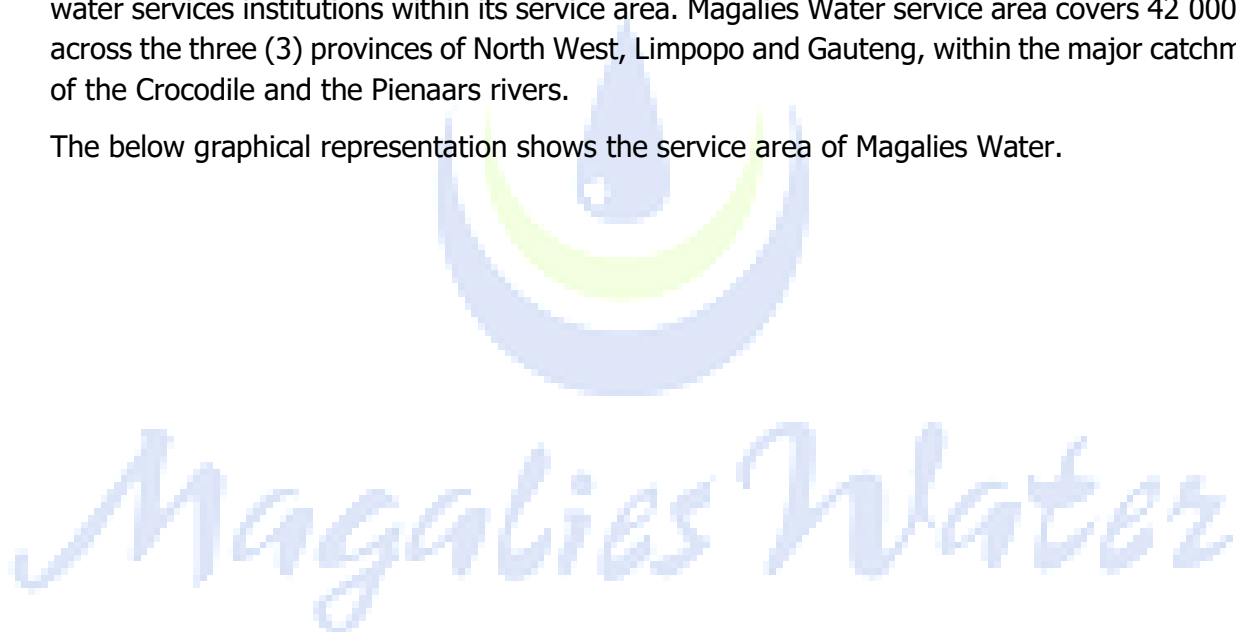
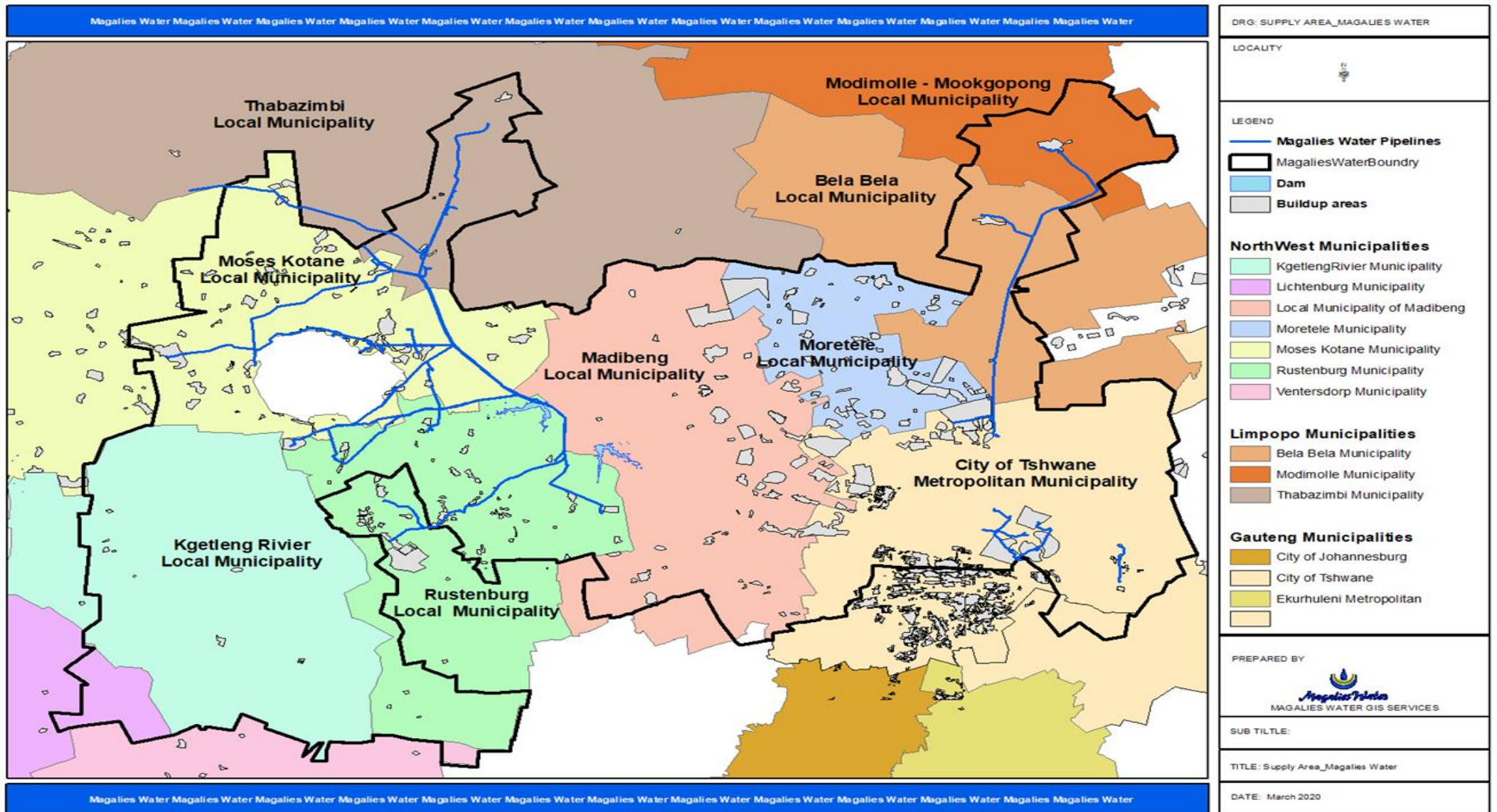


Figure 3: Magalies Water Service Area Map



3.2.2 Magalies Water Customers

Magalies Water provides bulk potable water to the following Water Service Authorities (Section 29 Activities):

Table 1: Key Customers: Water Service Authorities

Water Service Authorities
Rustenburg Local Municipality
Modimolle-Mookgophong Local Municipality
Bela Bela Local Municipality
City of Tshwane Metropolitan Municipality
Moses Kotane Local Municipality
Moretele Local Municipality
Thabazimbi Local Municipality

Table 2: Other Major Customers

Customer Name	Customer Name
Bafokeng Rasimone Platinum Mine	Pilanesberg Platinum Mines
Bakubung Minerals	Rhino Andalusite Mine
Carousel Casino	Royal Bafokeng Administration
Cullinan Diamond Mine	SA Ferrochrome (Pty)Ltd
Impala Platinum Mine	Sun City
Northam Platinum Limited	Union Section Joint Venture
Rustenburg PLATINUM Mines Limited – Amadelbult section	Rustenburg platinum mines Ltd– Boshkoppie
PPC – Dwaalboom	Siyanda Bakgatla Platinum
Glencor smelter	Maseve mine
Bakubung Wesizwe Mine	Cronimet

3.2.3 Water Treatment Plants

Magalies Water owns and operates the following Water Treatment Plants and associated Pipelines:

- 1. Vaalkop Water Treatment Plant (VWTP):** has a design capacity of **270ML/day**, abstracting raw water from the Vaalkop Dam in the Crocodile River Catchment. Potable water produced from this plant is distributed to the North West and Limpopo Provinces, with a pipeline of 455.5km in length. Below is a view of the VWTP.



2. Klipdrift Water Treatment Plant (KWTP): has a design capacity of **42ML/day** abstracting raw water from the Roodeplaat Dam in the Pienaar River Catchment area. Potable water produced from this Plant is supplied across Limpopo, North West and Gauteng Provinces through a 97 km pipeline. Below is a view of the KWTP.



3. Cullinan Water Treatment Plant (CWTP): has a design capacity of **16ML/day**, abstracting raw water from the Wilge Dam that is also in the Pienaars River Catchment. Cullinan Plant's raw water pump station and its 45km pipeline is owned, operated and maintained by the Cullinan Diamond Mine. Potable water produced from this Plant is supplied to the Cullinan Diamond Mine and the City of Tshwane through an 11km pipeline. Below is the view of the CWTP.



- 4. Wallmannsthal Water Treatment Plant (WWTP):** has a design capacity of **12ML/day**, and abstracts raw water from the Roodeplaat Dam in the Pienaars River Catchment. Potable water produced from this plant is supplied to the City of Tshwane and some individual customers through 51.9km pipeline. Below is the view of the WWTP.



3.2.4 Other Activities (Section 30)

In partnership with the DHSWS and Municipalities, Magalies Water concludes Contracts and Agreements to perform Section 30 duties and become the Implementing Agency, or as per the Minister's Directive.

With regards to Section 30 activities, Magalies Water has the capability and experience to carry out and or perform the following activities:

1. Infrastructure refurbishment
2. Potable water and wastewater treatment solutions ranging from consultancy services, treatment, monitoring and operation of potable water and wastewater treatment plants
3. Rapid response on critical interventions required on water and sanitation
4. Water conservation and demand management
5. Operations and Maintenance (O&M) of bulk water supply and bulk sanitation infrastructure
6. Magalies Water Scientific Services: The SANAS 17025 accredited laboratory-offering services in chemical, environmental and microbiological analysis to the water industry.

Magalies Water is capacitated and capable to perform the secondary activities to enhance the optimisation of the value chain of the water services business in South Africa.



Magalies Water

4. Environmental Scan

Magalies Water continuously conducts an environmental scan to assess the external and internal factors to determine risks and key capabilities. Through Environmental Scanning strategic operating conditions confronting Magalies are described and therefore gathering Information on several variables of the environment facilitates alignment between Magalies Water's strategic plans and the operational environment in which it operates in. It is imperative for Magalies Water to understand the forces of change so to develop effective response mechanisms that could secure or improve the entity's position in the future.

4.1 Environmental Analysis

Magalies Water uses the P-E-S-T-E-L (Political, Economic, Social, Technological, Environmental and Legislation) approach during the analysis of external environmental conditions / changes: See **Table 3: The Macro Operating Environment** below



Table 3: The Macro Operating Environment

Aspect	Key outcome
Political	<p>The political landscape, particularly the Policy position on Institutional Reforms and Realignment (IRR) provides a strategic imperative for Magalies Water to grow. The perception that Municipalities’ capabilities in water services delivery and operations of water and sanitation infrastructure are, generally, considered as being highly or extremely vulnerable, provide an opportunity for Magalies Water to grow through providing the necessary (e.g., Section 30) interventions.</p> <p>The different proposed approaches to land redistribution call for Magalies Water’s vigilance in ensuring that alternative plausible servitudes and land assets pockets necessary for its operations are kept intact / measured in line with the growth (expansion) plans.</p> <p>The sixth parliament will in all likelihood amend section 25 of the Constitution which strikes a delicate balance between the interest of existing property owners and the interests of society as a whole. This amendment may in short to long term affect the agriculture sector client base and their obligations to Magalies Water. The redistribution of land may affect some of the mining houses we provide service to. Some of the land which might be redistributed in the Koster area, for example, is under serviced and might require us to provide own resources, among others, if to make the land productive.</p> <p>The ongoing various Commissions of Enquiries may change how the shareholders manage State-Owned Entities (SOEs) with the good intentions to enhance controls to avoid a repeat of the allegations of corruption. If that happens, it might not be good for our already enabling corporate governance processes or controls.</p> <p>The first two (2) years of this five (5) Year Plan will be politically challenging due to the upcoming elections. Already, the elections manifestos of the competing political parties seem to be highlighting the weaknesses in the water service delivery promises, among other.</p> <p>The evident dynamics in Local Government political environment seem to lead to the advent of split ruling constituencies. Political instability in Municipalities is a threat to Magalies Water and so are the mineworkers’ strikes and the associated possible closures’ adverse effects to the value chain of our industry.</p> <p>The maturing of democracy inevitably results in the possible change of political administrations as witnessed in the 2016 Local Government elections. Magalies Water must factor in the long term planning the possibility that new administrations may not be willing to honour or proceed with prior agreements; this may affect revenue base.</p> <p>Many municipalities remain dysfunctional or distressed because of systemic and management issues associated with the alleged “political interference, corruption and incompetence”. If this situation persists, Magalies Water and similar entities may be forced to take some of the responsibilities of these municipalities, i.e. sanitation. This possibility might strain the capacity of entities to deliver water services.</p> <p>At ground level, the Magalies Water role and its brand are not ‘recognised’ separately from the role of the Municipalities we sell water to, and this calls for an intense marketing of our business as well as increased awareness on the fact that Tap Water is an easy ‘road’ to great life.</p> <p>Magalies Water needs to aggressively support black economic empowerment through its procurement process and programmes. Failure to do so might create an impression that we deliberately undermine our government’s stated objectives.</p> <p>The answer to these scenarios lie in Magalies Water’s reviewing of its approach towards having clearly designed proactive Response Plans including careful mapping of its stakeholder segments towards uniting everyone under a common service excellence banner and reliable consumers. Magalies Water needs to apply its mind to how the Utility could engage and operate better, where the Party political ideologies differ in the same local landscape.</p>

Aspect	Key outcome
Economic	<p>Constrained economic growth, tight Fiscal Policies, effects of Monetary Policy and the recent Sovereign Credit Rating Downgrades have already shown their impact on the desired future capital structures particularly in light of the implementation of high austerity measures, to mention a few. Government may not be in a position to provide funding for the social component of projects to the required levels. Yet Magalies Water has to explore other areas to improve operational efficiencies (realise cost savings) and drive its growth aspirations by establishing itself in rural rather than feature high unemployment (the inability to pay) rates.</p> <p>SOEs have a crucial role in maintaining the basic infrastructure of South Africa to deliver services. Numerous SOEs are facing financial difficulties, which has led to credit rating downgrades and, in turn, increased financial deficits. The downgrades limit SOEs funding options, since it deters risk adverse investors and investors with specific limitations to investing funds in sub-investment rated entities. The effects of the COVID-19 virus needs to be critically analysed as the operations of all entities will be affected as and when the pandemic escalates. Magalies Water need to have a response plan to be put in place in supporting National Government in containing the spread of the virus. The inability to raise funding for implementation of infrastructure projects needs to be considered.</p> <p>A funding mix will be required, which is capital contributions by customers, grant funding and borrowings only to the extent of improved cash flows and bankable Projects. Net cash flows will therefore need improvements to bring investments to optimal levels within the constraints of the latest significant factor of the increase in VAT and the exchange rate (the Rand volatility) with respect to the cost of importing the necessary equipment).</p> <p>Changing spatial patterns, economic and population growth in the service areas provide Magalies Water with an opportunity to grow its business. The ongoing infrastructure upgrades address the demand and progressively reach areas that do not have access to water services. Magalies Water takes into account the affordability impact due to the income levels in the area serviced during the Tariff review process.</p>
Social	<p>The radical economic transformation theme articulated by the State President/s bring about an opportunity for the transformation profile of Magalies Water; it should give rise to inclusive socio-economic benefits in the targeted areas of operation as well. The current levels of poverty, low-income levels and unemployment, however, continue to pose threats on financial sustainability of Magalies Water; ill-affordability levels of consumers to pay municipal services has a domino effect in the revenue of the bulk water services.</p> <p>Further to this, Magalies Water should position itself as the service provider of choice through, not only expanding its service footprint, but also creating job opportunities and skills development / youth capacitation. Corporate Social Investment initiatives designs need to encourage 'innovation' as well as research publication based Industry Specific adaptation views to changing environment (best practices within and among Water Services and Water Boards). Learnerships and Internships Programmes strive to grow our social license to operate and expand the economic base of the municipalities in which we have presence. The net effect should improve the rural and informal surrounding consumers' unemployment / affordability challenges.</p>

Aspect	Key outcome
Technological	<p>Technology, when used to support business needs, should be considered as an asset to be invested in, not a cost to be borne. When implemented properly, good technology investments resulting in a measurable return on investment (ROI). That ROI might well be achieved through lower running costs, better productivity, better customer service or simply increased sales due to increased capacity. Technology is a business enabler that doubles up as a disruptor to most business models - consideration the “internet of things”. Globally, the water sector is utilising big data to optimise business models that evolve along with times. The Technologies advancement require enhancement of research and development capabilities; operations must respond to ‘business unusual’ model – hackers pose a serious threat to our business Blue Prints.</p> <p>Now, as much as Magalies Water operates within fresh surface water resources constrained landscape, we are set to grow our customer base, raw water sources, and spatial footprint. We therefore, take cognisance of the need to adopt the emerging diversification strategic trends. Our Strategy Growth Plan already includes the use of boreholes and ground water in recent future. In the end, we might consider a mix such as, for example, innovative initiatives like 1. The zero effluent / zero discharge strategy, 2. the re-engineering of brown water / sanitation water through a closed cycle process similar to the Israel’s greening or water re-use – refer to some of the Cruise Ships, 3. Desalination that may reduce fresh raw water use, and 4. Adoption of energy efficient technologies to generate power from wastewater in order to lower the costs of production and increase competitiveness.</p> <p>Global warming and climate change requires adaptation strategies as they have an adverse impact on the hydrological systems. Groundwater resource diminishes at a faster rate than it can be naturally replenish and this translates to the surface water scarcity; one of the key business disruptors within the emergent concept of the water-food-energy nexus.</p> <p>Now, in keeping with Magalies Water’s Vision to be the leader in the delivery of bulk water services in the country, the expansion of services plans need not add pressure to natural ecological systems.</p>
Environmental	<p>To understand the human factors to the Catchment areas we draw raw water from, Research and Development efforts will include innovative technologies for the laboratories. Currently, it is possible that the emerging ‘strains’ of contaminants from the pharmaceutical industry and other ecological disruptors need smarter detection techniques.</p> <p>Magalies Water activities that could contribute negatively to the carbon footprint or potentially be legally constrained due to the surrounding natural environment’s protection requirements fall within our eco-efficiency / friendly values and we see opportunities for the future, in exploring initiatives based on water sources associated with the closing mines and the ‘raw’ polluted water from disused mining facilities. Pollution control, involvement in catchment management and environmental impact assessments are important areas where environmental impact is managed.</p> <p>In addition, critical environmental management Threats (SWOT) arising from</p> <ol style="list-style-type: none"> 1. Municipalities with weak internal control to deal with the quality of waste water released to the environment, and which increases the Magalies Water’s production costs could be addressed through partnerships that could re-direct such polluted water feedstock to electricity generation and ultimately drive tariffs down; 2. Emerging trends in severe climatic conditions including droughts and floods, which can potentially cripple any Water Board’s business continuity.

Aspect	Key outcome
Legal	<p>The current review of water sector legislation provides an opportunistic environment conducive to business growth. Magalies Water will need to prepare itself with respect to the DHSWS' Institutional Reform and Realignment (IRR) processes.</p> <p>Furthermore, the DHSWS process of establishing an Independent Regulator for water as well as Nation Water Infrastructure Agency may change the modes of interaction between the Water Boards and the DHSWS, particularly the benefits associated with Section 30.</p> <p>These factors are on the planning radar and monitored in order to strengthen Magalies Waters' business framework. The same applies to the continued efforts to monitor the Ministerial deployments and the continued planning of different engagement approaches to various constituencies or stakeholder segments include this phenomenon.</p>



4.2. Outcomes of the Environmental Analysis

The environmental analysis revealed the following:

1. Economic and population growth in our service area presents Magalies Water with an opportunity to grow the business and infrastructure to address the increasing demand and progressively reach areas that do not have access to water and sanitation services.
2. There is increasing availability of modern water services technologies globally and in South Africa.
3. There is an ongoing increase in opportunities to render Secondary services.
4. Policy positions by the Government present opportunities for Magalies Water to position itself to be relevant in achievement of Governments service delivery mandate.
5. Increasing attention to environmental impacts is required.

Table 4 below provides the contrasting and overlapping nature of the **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats (S-W-O-T Self-Analysis).

Table 4: Strengths, Weaknesses, Opportunities and Threats Matrix

Strengths	Opportunities
<ul style="list-style-type: none"> • Fully effective Board. • A good blend of experienced, knowledgeable and innovative staff. • Values driven internal stakeholder relationships (labour union and employees in general). • (Critical) skills development and retention. • Readiness for Institutional Reforms and Realignment process. • Readily crafted Growth Response Plan: ability, capacity and capabilities to respond to the increasing spatial patterns, population growth, urbanisation and increasing demand in the service area. • Ability to utilise new generation technologies in the value chain. • Ownership of assets - Water Treatment and distribution infrastructure processes. 	<ul style="list-style-type: none"> • Strategic Partnerships: Engage in partnerships and SLAs with Municipalities. • Extending Implementing Agent projects • Innovation, technology, research and development. • State-of-the-art laboratory and scientific services. • Retention and optimisation of youth based skills and organisational memory. • Institutional Reforms and Realignment process. • Introduction of Independent Water Regulator • Political environment and legislative amendments provide a conducive environment for business growth. • Innovation around treatment processes • Increasing spatial patterns, population growth, urbanisation and increasing demand in the service area. • Adaptation of new generation technologies in the value chain.

Weaknesses	Threats
<ul style="list-style-type: none"> • Containment of the operational costs. • Financial resources constraints to implement capital expansions. • Plants capacity constraints to meet the water demand. • Fiscal consolidation and austerity measures in relation to the business growth plans. • Brand and reputation protection and preservation (e.g. matching Stakeholder Communication Strategy to the media / social media developments) • Ageing infrastructure. • Funding delays. 	<ul style="list-style-type: none"> • Technological Changes (rate and frequency) • Vandalism of infrastructure. • COVID-19 pandemic and national lockdown. • Business / industry inherent risks (labour demands, Rand volatility (exchange rates, interest rates, VAT changes, etc.) • Global economic conditions and sovereign credit downgrade. • Fiscal consolidation stance and sluggish economic growth Skills and organisational memory still lie in the younger generation. • Poor quality of raw water due to pollution and contamination of water resources. • Environmental impacts due to the effects of global warming. • Organisational memory lies in the younger mobile generation • Reputational threat due to lack of understanding by communities of the organisational mandate. • Excessive Debtors days.

Magalies Water's response to the outcomes of the Environmental Analysis is through the implementation of the following Key Action Plans:

1. To prioritise increased volumes of potable water and extend services in terms of the Capital Expansion Masterplan.
2. Improve Research and Development capabilities.
3. Enhance capabilities to perform Section 30 Activities.
4. Perform a credit rating and enhance capability to borrow against the strength of Cash Flows.
5. Pay particular attention to threats posed by the natural environment.

The risk management process provides another layer of the tools we use to mitigate the impacts of the risks actually materialising.

5. Strategy

5.1 National Water and Sanitation Master Plan (NWSMP)

The NWSMP aligns with the governments transformative agenda through:

- Water security-the growing requirements of neighbouring states for water from our shared river basins could impact on water availability in South Africa
- Threat to water security -as supply decreases due to negative impact from climate change, degrading of wetlands and water resources, siltation of dams, whilst water losses and demand escalated due to population, economic growth and urbanization.

Institutional arrangement:

- Establishing nine (9) Water Boards, catchment agencies and local water resource management institutions
- National Water Resource and Service Authority to be established to finance, develop and manage and operate national water resources infrastructure and sanitation.
- National water Resources and Service Regulator to be established with the responsibilities of ensuring the development, implementation , monitoring and review of regulation across the water and sanitation value chain in accordance with the provision of the provision of the National Water Act(1998), the Water Service Act(1997) and related water and sanitation policies
- Deteriorating water quality- a major constant to economic and social development , reduces the sustainability of the available resources and impact significantly on the cost of treating water
- Application of the latest research, innovation and development in water-less alternative water and sanitation systems will be implemented to address excess demand.

Linkages between the NWSMP with the SDGs, NDP and MTSF.

Sustainable Development Goals

The Sustainable Development Goals (SDGs), approved by the United Nations in 2015, provide a unique opportunity to map a pathway to a better future for all. Goal 6, which stipulates, "to ensure the availability and sustainable management of water and sanitation for all," is central to realizing the vision of a better future for all and the NW&SMP is aligned with achieving this goal. The targets and indicators for Goal 6 are set out below:

- Target 6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all.

- Target 6.2: By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations
- Target 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
- Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
- Target 6.5: By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate
- Target 6.6: By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes
- Target 6.A: By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies
- Target 6.B: Support and strengthen the participation of local communities in improving water and sanitation management

Medium Term Strategic Framework Outcomes (MTSF)

- Outcome 6: An efficient, competitive and responsive economic infrastructure
- Outcome 7: Vibrant, equitable, sustainable rural communities contributing towards food security for all
- Outcome 9: Responsive, accountable, effective and efficient developmental local government system
- Outcome 10: Protect and enhance our environmental assets and natural resources
- Outcome 11: Related to international relations and co-operation.

Priorities for the Future: Planning

- Develop, update and maintain reconciliation planning studies to achieve optimal water mix (surface water, groundwater, re-use and desalination) and incorporate climate change into studies.
- Perform detailed feasibility studies (including Environmental Impact Assessment) of high priority interventions (identified in Reconciliation Strategies) and develop bankable projects, with business case of required infrastructure, financing, institutional arrangements for ownership and operations as implementation mandate.
- Water Resources Catchment studies (Continuously undertake hydrological monitoring in order to improve the resilience and sustainability of the available resources on account of future climate change)
- Develop and implement Provincial Water Services Delivery Master Plans to provide reliable and sustainable water supply and sanitation services to all households within South Africa.
- Provincial Bulk Services Master Plans; Reliable Services Delivery Action Plans that includes a backlog analysis and infrastructure asset management.

Priority Actions

- Revisit levels of service for water supply and sanitation services against issues of affordability.
- Include water use efficiency and conservation targets in the KPIs of municipal managers and municipal water supply and sanitation managers, and in municipal implementation plans.
- Establish financially sustainable Catchment Management Agencies across the country, and transfer staff and budget and delegated functions, including licensing of water use and monitoring and evaluation of water resources.
- Establish the National Water Resources and Services Authority (NWRSA)
- Determine the optimal configuration of water boards to manage regional bulk water supply, assist municipalities to perform their primary water and sanitation services mandate where necessary, manage regional water resources infrastructure, manage regional bulk Water Treatment Works and Wastewater Treatment Works.
- Implement accurate billing and effective revenue management systems in all entities in the water value chain with a strict "No payment = no water" approach to agriculture/industrial/commercial users and restricted supply to domestic users.
- Ensure that sufficient revenue is received through tariffs and grants to operate, maintain and improve the water supply and sanitation system. The tariff structure must allow for cross subsidisation for the indigent and building of a reserve for periods of drought.
- In all entities put in place mechanisms to deal with accumulated debts.

- Develop new policies and strategies on matters not previously addressed, in consultation with all stakeholders and facilitate the sustainability of various water sector programmes.
- Alternative Sanitation: Develop and demonstrate and validate appropriate alternative, water-less and off grid sanitation solutions.

Improving raw water quality. (Raw Water Quality Challenges)

Wide range of water quality challenges impacting on both surface water and groundwater, originating from both point source discharges such as industrial processes and municipal waste water treatment works, and from non-point sources due to run-off from land.

- Deteriorating water quality has the potential to significantly limit the economic growth potential of the country. The deterioration of water quality in rivers, streams, dams, wetlands, estuaries and aquifers impacts on the economy, on human health, and on the healthy functioning of aquatic ecosystems.
- Deteriorating water quality reduces the amount of water available for use as more water must be retained to maintain the dilution capacity in our river systems. It increases the costs of doing business as many enterprises are forced to treat water before using it in their industrial processes.
- The deterioration in water quality also impacts on human well-being, with productivity falling as more work days are lost due to water-related illnesses and, finally, it threatens several economic sectors by impacting on crop yields and making crops vulnerable to import restrictions in key trading partner countries.

These priority water quality challenges all have multi-sectoral characteristics and will need strategic regulatory collaboration and partnerships between DHSWS and various other state institutions across all three spheres of government (including CMAs, Water Boards, WSAs, DMR, DTI , the private sector and organised civil society)

Several “mega-trends” have been identified, which can be expected to unfold in South Africa during the next few decades and which could lead to new or accelerated water quality challenges in many locations across the country. These include: climate change; hydraulic fracturing; rural-urban migration and growth of inadequately serviced densely populated settlements; the adoption of new manufacturing and industrial processes, and water re-use. These trends will require new and adaptive management approaches, increased levels of cooperative governance between sectors, and ongoing monitoring and evaluation.

Priorities:

- High-level Water Quality Management Master Plan Targets.
- Prioritised focus for maintaining or improving water quality.
- Protecting and restoring ecological infrastructure.
- Identify and prosecute big polluters across the country(including municipalities), with a national communication campaign to accompany the action.
- Establish a mechanism for applying administrative penalties.
- Develop and implement a strategic action plan for the rehabilitation and upgrade of prioritized WWTWs.
- Create an informed, supportive and responsible public.
- Alignment of monitoring institutions to support National and International reporting programmes, e.g. SDGs and Agenda 63
- Establish regulations on required qualifications and experience for senior and technical positions in DHSWS,CMAs, water boards and municipal services institutions.
- Develop new policies and strategies on matters not previously addressed, in consultation with all stakeholders, to facilitate the sustainability of various water sector programmes.
- Improving raw water quality: Invest in Communities of practise that bring together built and ecological infrastructure experts and solutions.

5.2 Strategic Perspectives

The strategic perspectives to be pursued are:

1. Organisational Efficiency and Effectiveness
2. Financial Performance
3. Customer and Stakeholder Interaction
4. Organisational Capacity
5. General Performance

5.3 Strategic Objectives

The above strategic perspectives are expanded into the following strategic objectives:

1. To provide quality potable water.
2. To provide reliable and sustainable water services to customers.
3. To achieve growth and sustainable financial returns.
4. To manage financial and business risk.
5. To manage Customer and Stakeholder relations.
6. To contribute towards Transformation and Developmental Agenda.
7. To maintain and retain critical skills of all employees.

5.4 Alignment to the Outcome Oriented Goals of Government, Sustainable Development Goals and MTSF Priorities

South Africa is a signatory to the United Nations Sustainable Development Goals (SDGs) which are built on principles of the Millennium Development Goals. SDGs address key systematic barriers to sustainable development such as inequality, unsustainable consumption patterns, weak institutional capacity and environmental degradation. The DHSWS strategic priorities are also crucial in the implementation of the Governmental Strategic Objectives.

The SDG focus on the following six (6) elements:

- 1. Dignity** : To end poverty and fight inequality
- 2. Prosperity** : To grow a strong inclusive and transformative economy
- 3. Justice** : To promote safe and peaceful societies with strong institutions
- 4. Partnership** : To catalyse global partnerships for sustainable development
- 5. Planet** : To protect ecosystems for all societies and children
- 6. People** : To ensure healthy lives, knowledge and (socio-economic) inclusion of women and children.

The National Government developed National Development Plan (NDP) as the implementation Programme of the SDGs. The Medium Term Strategic Framework (MTSF) is the Governments` Strategic Plan 2019-2024 that reflects the commitments made by the State. Magalies Water alignment to all the governmental strategic priorities is fundamental.

Table 5: Alignment of the Government<>MTSF <>SDG Outcomes<>Magalies Water Strategic Objectives

No.	SDG Goals	Strategic Outcome Goals	MTSF Priorities	DHSWS Strategic Goals	Organisational Alignment to the Strategic Objective
1	Goal 6: Ensure availability and sustainable management of water and sanitation for all	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Priority 4: Consolidating the social wage through reliable and quality basic services.	➤ Equitable access to reliable, sustainable and acceptable water resources and water sanitation systems	➤ To provide reliable and sustainable water services to customers
2	Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Outcome 9: Responsive, accountable, effective and efficient Local Government system	Priority 5: Spatial integration, human settlements and local government		
3	Goal 13: Take urgent action to combat climate change and its impacts	Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced	Priority 4: Consolidating the social wage through reliable and quality basic services.	➤ Enhanced and protected water as a resource across the value chain	➤ To provide quality potable water
4	Goal 10: Reduce inequality within and among countries	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	Priority 1: Building a capable, ethical and developmental state	➤ An efficient, effective and development oriented water and sanitation sector	➤ To achieve growth and sustainable financial returns ➤ To manage Customer and Stakeholder relations
		Outcome 5: A skilled and capable workforce to support an inclusive growth path Outcome 4: Decent employment through inclusive economic growth	Priority 3: Education, skills and health	➤ An enhanced contribution to socio-economic development and transformation by the sector	➤ To maintain and retain critical skills of all employees ➤ To contribute towards transformation and developmental agenda

6. Operating Model

This Corporate Plan envisages achievement of Strategy through continuing development of Magalies Water Operating Model on the following bases:

6.1 Governance

6.1.1 Magalies Water Governance Structures.

The Board of Directors (Board) is the overarching controlling structure of Magalies Water and this is in line with the legislated good governance requirements in terms of the South African laws. In accordance with the provisions of the Water Services Act (Act 108 of 1997), the Honourable Minister: Department of Water and Sanitation, in this regard, appoints the Magalies Water Board Members. Magalies Water adopted the Board's Term of Office that does not exceed four years.

The Mandate of the Board is outlined in the adopted Board Charter, the Charter defines the Board's responsibilities, and primary functions as follows, but are not limited to:

- Fiduciary duty and duties of skill and care towards Magalies Water, providing effective, ethical leadership;
- Ensure that all decisions and actions are in the best interest of Magalies Water;
- Define and approve the Delegation of Authority to Management;
- Provide strategic direction and monitor the implementation of approved policies and strategies;
- Responsibility for the governance of risk and effective internal controls;
- Responsibility for IT Governance;
- Oversight of Performance Management and Reporting;
- Oversight of compliance with applicable laws, codes and standards;
- Oversight of integrated reporting.

The Board shall do all necessary to perform its duties and responsibilities as guided by Section 34 of the Water Services Act, 1997 and in particular to:

- direct and ensure that the objectives of the shareholder are achieved;
- contribute to and adopting the business plan;
- appoint and evaluate the performance of the Chief Executive as directed in Section 36 of the Water Services Act, 1997. The Chief Executive shall execute Board strategy;
- strive to provide efficient, reliable and sustainable water services;
- optimally using available resources;
- strive for financial viability;
- promote the efficiency of water services authorities; and
- take reasonable measures to promote water conservation and water demand management.

The Board shall further achieve its mandate by:

- ensuring that there is an effective risk management system;
- complying with legislation, regulations and applicable best practice principles;
- carrying out business in a manner that promote good corporate citizenship;
- being responsive to perceptions that affect reputation of the entity;
- ensuring that the Annual Financial Statements are prepared for each financial year, which fairly presents the affairs of Magalies Water; and
- developing and adopting a corporate code of conduct that addresses amongst others Conflict of Interest.

In order to enhance the effectiveness of its fiduciary activities and to comply with the applicable legislation, the following Board Committees have been established:

6.1.1.1. Chairperson's Coordinating Committee

The Committee is constituted as a statutory compliance Committee to ensure submission of the Quarterly Performance Information Report to the Shareholder's Office in order to comply with the legislative mandate imposed through Paragraph 29 of the Treasury Regulations of the Public Finance Management Act (Act 1 of 1999) (PFMA) and other applicable frameworks pertaining to reporting the status of Magalies Water as a state-owned entity's performance monitoring information;

The purpose of the Committee is in respect of reviewing and processing the Quarterly Performance Information Report of the Organization as a Committee of the Board to ensure that the statutory and compliance reporting duties of the Organization are efficiently and effectively processed as well as ensuring that the requirements of good corporate governance practices are met. The duties and responsibilities of the Committee members as set out in their mandate and terms of reference are in addition to those duties and responsibilities they have as members of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of the Board regarding their fiduciary duties and responsibilities of the Board and they must continue to exercise due care and judgement in accordance with their legal obligations.

The Committee has an independent role with accountability to both the Board and Shareholders of Magalies Water. The Chairpersons Coordinating Committee have the authority to:

- Approve the Quarterly Performance Information Reports of the Organization;
- Approve that the Quarterly Performance Information Report be submitted to the Department of Water and Sanitation;
- Consider other mandates or undertake such duties and responsibilities as required from time to time by the Board.

6.1.1.2. Capital Investments & Stakeholder Engagement Committee

The Capital Investment & Stakeholder Engagement Committee is tasked with reviewing the infrastructure and expansion programmes and with ensuring that the schedules are in line with Magalies Water infrastructure master plan. The committee ensures that the execution of capital programmes is within budget both in terms of time and expenses, and that all projects are guided by fair, equitable, transparent, competitive and cost-effective requirements of Section 217 of the Constitution, PFMA and PPPFA.

The key roles and responsibilities of the Capital Investment & Stakeholder Engagement Committee include the following:

- Recommend to the Board the approval of all Capital Projects to be undertaken by Magalies Water;
- Recommend to the Board a Growth Strategy in respect of physical asset acquisition, the implementation and monitoring thereof;
- Consider reports on asset acquisition and recommend appropriate policies dealing with same;
- Recommend to the Board for the approval of new water business initiatives to be undertaken by Magalies Water;
- Recommend to the Board the approval of additional infrastructure programmes;
- Recommend quarterly performance reports to the Board of the following Divisions: Water Services, Project Management Unit, Engineering Services;
- Bring to the attention of the Board any matter that warrants Board's attention on any Capital Investment matters;
- The Committee shall play an oversight role and make recommendation on a range of stakeholder and communication matters to the Board for consideration and approval;
- Recommend the approval of Stakeholder and Communication strategy to the Board;
- Note all International Trips related to Stakeholder Engagement and recommend them to the Board for approval;
- Recommend the approval of the Corporate Social Investment plan and budget to the board;
- Assess all the stakeholder, communication, business development and customer services reports and policies by Management;

6.1.1.3 Finance Committee

The Finance Committee oversees financial reporting, effective and efficient financial management, reviews the investment portfolio governance.

The key roles and responsibilities of the Finance Committee include the following:

- To recommend the approval of financial information to the Board;
- To recommend approval of the annual budget and its adjustments to the Board;
- To assess the financial reports as per the Corporate and Annual performance plans;
- To ensure that the Board approves the significance and materiality framework and that it is in place;
- To oversee the recommendation of irregular, fruitless and wasteful expenditure reports to the Board for approval;
- To monitor the quarterly approval of the management accounts by the Board;
- To recommend the audited annual financial statements to the Board for approval;
- To review the delegation of authority and recommend to the Board for approval;
- To review and recommend the Finance Committee's terms of reference in line with the Board Charter for Board approval; ;
- To conduct annual self-assessment in line with the approved finance strategy implementation plan;
- To incorporate the King IV Principles on corporate governance into drafted policies for the Board's approval;
- To oversee Magalies Water's supply chain management compliance to Treasury Regulations and other relevant policies;
- To review and report progress to the Board on debt collection and cost-recovery;
- To advise Magalies Water on investments, loan requirements, bank facilities as well as guide the setting of the borrowing limits, guarantees and grant funding for Board's approval;
- To recommend to the Board the approval of annual tariffs, among others.

6.1.1.4 Audit & Risk Committee

The Audit & Risk Committee performs its statutory function as set out in the Companies Act of 2008 and its roles and responsibilities as set out in the PFMA and Treasury Regulation 27.1. The committee is accountable to the Board and has played a critical independent oversight on corporate governance, integrated financial reporting, evaluation of the effectiveness of internal controls, enterprise-wide risk management systems, as well as internal and external audit functions. Some of the key activities and roles of the committee include the following:

- To oversee the Entity compliance with the legal and statutory provisions;
- To approve the risk areas of the entity to be covered in the scope of internal audit as per the risk assessment reports noted quarterly and annually;
- To review the audited annual financial statements and assess the adequacy, reliability and accuracy of financial information provided to end users;
- To review and recommend to the Board for approval, the management accounts, performance information report, debt management and contingent liability reports identified as a result of internal and external audit and on a quarterly basis;
- To approve the annual internal Audit Operational Plan and the internal Audit Charter;
- To review quarterly internal audit progress report;
- To note the approved risk management implementation plan;
- To review the internal and external audit findings tracking register on a quarterly basis; and
- To conduct annual self-assessment, amongst others.

In discharging its governance responsibilities relating to risk management, the Audit and Risk Committee shall:

- Review and recommend for the approval of the Board, the:
 - (i) Risk management policy;
 - (ii) Risk management strategy;
 - (iii) Risk management implementation plan; and
 - (iv) Organization's risk appetite and the risk tolerance level.
- Review the Organization's risk identification and assessment methodologies.
- Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity within the Organization.
- Evaluate the extent and effectiveness of integration of risk management within the

- Organization's operations;
- Assess the implementation of the risk management policy and strategy;
 - Evaluate the effectiveness of the mitigating strategies implemented to address the material risks of the Organization ;
 - Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations;
 - Provide timely and useful reports to the Board on the state of risk management.
 - Set out the nature, role, responsibility and authority of the risk management function within the Organization.
 - Oversee the performance of the risk management function
- The Audit and Risk Committee shall:
 - Ensure that risk assessments, risk reports and assurance on risks overseen by other Board committees are referred to those committees for their consideration;
 - Review and monitor the implementation of the Fraud Prevention policy, strategy and fraud prevention plan.
 - Review the Business Continuity Management Strategy (including Business Continuity plans, Disaster Recovery plans, Crisis management plans) and their implementation;
 - Review and provide guidance on the adequacy and effectiveness of Occupational health and safety management, Security Management and Insurance Management; and
 - Review and approve Strategic and Operational Risk registers.

6.1.1.5 Human Resource, Social & Ethics Committee

The Committee oversees and advises the organisation on human resource and human resources related matters. The role of the Human Resources, Social and Ethics Committee is to assist the Board and Executive Management to ensure that:

- Appropriate human resources policies are developed and implemented.
- It makes recommendations to the Board and advises on the implementation of affordable, competitive and fair remuneration practices throughout the organisation.
- All approved human resource and remuneration policies are fair and transparent are implemented.
- Magalies Water has the appropriate human capital to deliver in its mandate.
- Magalies Water is transparent and representative in terms of equity.

The key functional roles and responsibilities include:

- To recommend the executive organisational structure for approval to the Board;
- To regularly review and recommend to the Board for approval, all corporate services policies, e.g., Human Resources, Records Management and Information, Communication and Technology (ICT), among others;
- To undertake annual review of the committee's terms of reference in line with the Board Charter;
- To promote conducive channels of communication between the Board and the Executive Management as well as between management and staff members, on matters relating to working conditions and remuneration;
- To recommend to the Board all relevant activities relating to the agreeable minimum services agreement for the Amanzi Bargaining Council (ABC);
- To review the ABC and provide guidance on feedback on various matters pertaining to the South African Municipal Workers' Union (SAMWU) and National Education, Health and Allied Workers' Union

(NEHAWU) meetings, including the non-unionised employees. These could be in terms of compliance to:

- ✓ Safety, Health and Environment (SHE) performance and policies,
- ✓ Skills development and training and succession planning opportunities and targets,
- ✓ Employment equity targets, and
- ✓ Sharing appropriate processes for commitments;

- To oversee the implementation of the remuneration and rewards policies that are conducive to the achievement of strategic objectives and to individual performance. This role includes:

- ✓ Recommending to the Board for approval regarding general annual salary adjustments within Magalies Water's both bargaining and non-bargaining staff categories;
- ✓ Making recommendations to the Board for the approval of performance incentive bonuses for all employees;

- To review and recommend the terms and conditions for executive committee performance agreements, including review of performance and rewards; and
- To very importantly, perform annual self-assessment.

6.1.1.6 Interim Board Members

Table 6: The Magalies Water Board Members

Interim Board Member	Appointment Date	Gender	F	CC	HR	CISE	A&R
Ms. RN Mokoto (Interim Chairperson)	1 July 2020	Female		X			
Dr. TG Twalo (Interim Deputy Chairperson)	1 July 2020	Male		X	X	X	
Dr. KL Sebegu	1 July 2020	Female	X	X		X	
Ms. BE Mokgatle	1 July 2020	Female		X	X		X
Ms. EMT Malaka	1 July 2020	Female	X			X	
Mr. VAM Magqabi	1 July 2020	Male			X		X
Mr. LD Morienyane	1 July 2020	Male		X	X	X	
Ms. B Mahlutshana	1 July 2020	Female	X	X		X	
Mr. MG Shoahle	1 July 2020	Male	X		X		
Mr. I Mosala	1 July 2020	Male	X			X	

External Members of Audit Committee

Board Member	Appointment Date	Gender	F	CC	HR	CISE	A&R
S Mamotheti*	1 May 2017	Male					X
S Madikizela *##	1 May 2017	Male					X
K Moodley*	1 May 2017	Female					X

- F Finance Committee
 CC Chairpersons Coordinating Committee
 HR Human Resource, Social & Ethics Committee
 CISE Capital Investments & Stakeholder Engagement Committee
 A&R Audit & Risk Committee

* External Members of the Audit & Risk Committee

Resigned as from 3 March 2020;

The Terms of External Members of Audit Committee ended in April 2020 and was extended until the appointment of the new External Audit Committee has been completed. The process of appointment experienced delays as a result of the COVID-19 pandemic.

6.1.1.7 Code of Conduct and Promotion of Ethical Culture

The Accounting Officer promotes the implementation of the Ethical Code of Conduct's related processes through a delegated split between the Risk Specialist at internal operational and tactical level and the Company Secretary at strategic Board level. As a result, declarations of financial interests, confidentiality, conflict of interests and disclosures are made by all employees as provided for in the 1997 government's set standards for the Public Service. This practice is in line with the Financial Disclosure Framework requirements for senior officials.

6.2. Key Performance Areas

Magalies Water shall continue with the management focus on the following Key Performance Areas:

1. Bulk Potable Water Quality Compliance.
2. Management of Water Losses.
3. Reliability of Supply.
4. Financial Sustainability.
5. Efficiency of Capital Expenditure.
6. Appropriate support for public policy: rural development, Broad Based Black Economic Empowerment (BBBEE), skills development and job creation.
7. Stakeholder engagement and interaction.

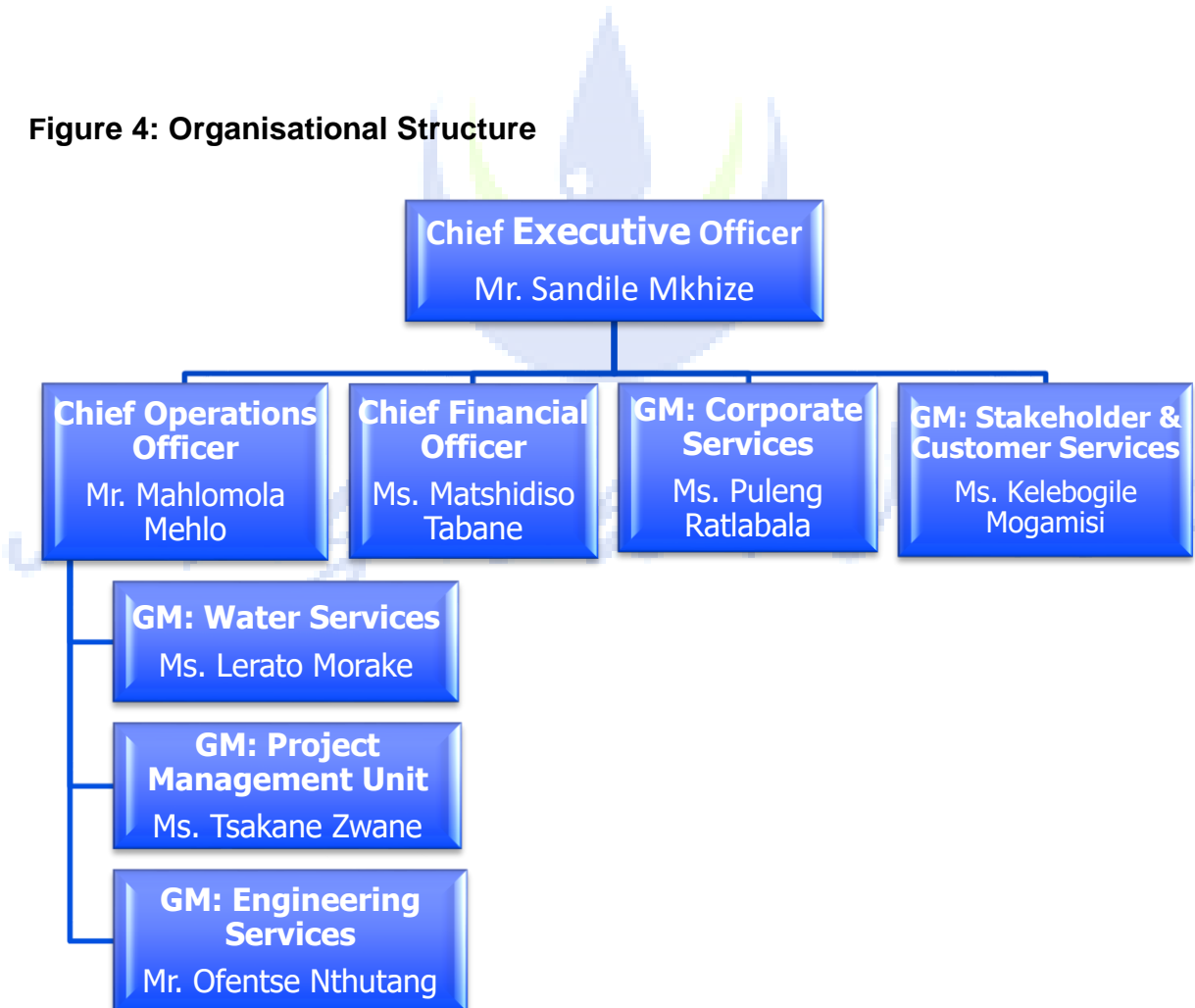
6.3. Organisational Structure and Human Resources

The primary human resources activities are documented in the Workforce Plan, which drives the critical human resource related processes to recruit, deploy, train, develop, pay and reward employees.

Magalies Water will continue to pursue the implementation of its comprehensive human resources policies established across the following area:

1. Recruitment and Placement.
2. Training and Development.
3. Employee Relations.
4. Employee Health and Wellness Support.
5. Workforce Planning.

Figure 4: Organisational Structure



6.4 Information Communications and Technology

Magalies Water will entrench, exploit benefits from its major investments in Enterprise Resource Planning Systems and pursue a Service Oriented Architecture. The overall approach to Information and Communication Technology (ICT) is shown with aspects of the ICT value chain below:

Change Services

- 1. Service Strategy:** ICT architecture and plans are aligned with the business priorities and ensure that ICT resources are deployed appropriately to fulfil the approved demand of ICT services.
- 2. Service Development:** Development of ICT services that provide sustainable value to the business through continuous and ongoing service delivery.

Run services

- 3. Service management:** Delivery of reliable ICT services to the business while improving the quality and efficiency through continuous improvements.
- 4. Information service management:** Enable ICT to deliver its commitments to the business by driving performance, making critical decisions and coordination of internal and external functions.

Based on an assessment of capabilities within the ICT value chain indicated above, the following objectives shall be pursued:

1. Align ICT appropriately with changes in business strategy and business requirements;
2. Enhance support for operations technology;
3. Deliver quality services in accordance with service level agreements;
4. Safeguard and maintain accuracy of Magalies Water confidential information and data; and
5. Deliver ICT projects to specification on time and on budget.

In order to achieve the above ICT objectives and service strategy, system integration domains should mature as follows:

1. Total alignment of Information Technology and ICT Governance;
2. Optimisation of System Applications Product (SAP) for applications to be dynamically linked to each other;
3. The architecture is already service oriented in nature, and should be moved to a state of being dynamically reconfigurable; and
4. Configuration of ICT infrastructure to dynamically respond and support full implementation of the service oriented architecture.

6.5 Secured Resources

Magalies Water proposes to place management emphasis on securing necessary input resources for its operations.

The key resources to be secured include:

1. Financial and funding capacity aligned to Infrastructure Plans, as indicated in the Projected Financial Statements
2. Human Resource Expertise and Talent in Operations and Capital Projects management
3. Rapid access to external resources in the event of critical needs and emergencies
4. Appropriate determination of the Service Area/s
5. Security of power supply
6. Enhanced capability to provide analytical insight from accumulated data.

6.6 Compliance

Magalies Water will enhance compliance with regulations and its customer commitments. These include compliance with the following:-

1. Legislation including the Water Services Act and the PFMA
2. Bulk supply agreements, notably for potable water quality compliance, reliability of supply within the current capacity
3. Reportable safety, health and environmental incidents
4. Implementation of Ministerial directives
5. Employment equity and transformation
6. The spirit and rules of BBBEE and socio-economic development.

The Shareholder has a particular interest in the number of resolutions required and those approved by the Boards in alignment to the corporate compliance cycle.

The expected corporate compliance cycle milestones are depicted in Table 7 below:

Table 7: Compliance Reporting Schedule

Compliance cycle activity	Stakeholder	Activity	Time
1. Tariff proposal	Board	Approval to seek mandate	Before end October
	Water Services Authorities	Consultation	Before end November
	National Treasury	Submission to seek written comments in accordance to legislation	01 December
	South African Local Government Association		01 December
	Board	Approval	January Board Meeting
	DHSWS	Submission for tabling in Parliament	End January
	National Assembly	Tabling	March
2. Budget	Board	Approval	May Board Meeting
3. Corporate Plan and Shareholder Compact	Board	Approval	May Board Meeting
	DHSWS and National Treasury	Submission	End May
4. Annual Financial Statements	Board	Approval	August Board Meeting
	Auditor-General and National Treasury	Submission for audit purposes	End August
5. Audit and Annual Report	Board	Approval	November Board Meeting
	DHSWS	Submission	End November
	National Treasury	Submission	End November
6. Corporate Plan review	DHSWS	Appraisal	May
7. Portfolio Committee	Water and Sanitation Portfolio Committee	Oversight	May and any other period required

6.7 Stakeholder Engagement, Communication and Marketing Plans

Magalies Water continuously engages with Stakeholders in order to provide appropriate water services support to public engagements and stakeholder goals.

6.7.1 Stakeholder Engagement (Internal and External)

Stakeholder Engagements or Stakeholder and Customer Interactions are an integral imperative of Corporate Governance and Magalies Water appreciates that Stakeholder perception can affect its reputation and brand both negatively and positively, depending on the context. Stakeholder perceptions and legitimate interests should, at all times, be managed to enhance and protect the corporate image and integrity of Magalies Water.

The approach of Magalies Water to Stakeholder Engagement will include the following:

- Identifying Stakeholders and Objectives for engagement purposes
- Identify and facilitate development of critical relationships
- Analysis of Stakeholder and Customer frames of reference, available information and assumptions
- Develop relevant channels per influencer group
- Develop a detailed systematic engagement programme
- Analysis of feedback from engagement programmes

Stakeholders have been identified and grouped as follows:

- Stakeholder who have regulatory oversight over Magalies Water
- Stakeholders that Magalies Water provides services to; and
- Stakeholders who provide services to Magalies Water

A Stakeholder Engagement Plan shall therefore be implemented to address all the material issues and achieve the intended objectives of stakeholder engagement in accordance to the Stakeholder Value Proposition.

6.7.2 Stakeholder Value Propositions

The value proposition presented below indicates how Magalies Water effectively and efficiently segments stakeholders in order to meet the needs of its various Stakeholders.

Table 8: Stakeholder Segmentation and Service Design Strategy

Stakeholder	Value Proposition	Outcomes
Stakeholders who provide Policy, Regulation and Oversight	Compliance with Government Policy on water services	<ul style="list-style-type: none"> Compliance with Legislation and Public Policies Delivery of Government's key Mandate
Stakeholders to whom services are provided (Customers)	Quality Water	<ul style="list-style-type: none"> Product quality Product quantity Reliability of supply Affordable Tariffs Good reputation
Stakeholders who provide services and resources (Customer services support)	Employer of Choice	<ul style="list-style-type: none"> Conducive working environment Fair and transparent labour practice Employment Equity
	Ethical Business Partner	<ul style="list-style-type: none"> Reliable, credible organisation respected and valued by Community Promote BBBEE Imperatives
	Terms and Conditions of Trade	<ul style="list-style-type: none"> Reliable, credible, sustainable business partner for investors, employees, suppliers
	Sound Environmental Practices	<ul style="list-style-type: none"> Compliance with Water and Waste Licences Water Conservation Demand Management

The Stakeholder Engagement Plan will be implemented to address all the material issues and to achieve the intended Strategic Objective in accordance to the Stakeholder Value Propositions.

6.7.3 Marketing and Communication

Communication initiatives will seek to elevate the brand of Magalies Water to greater levels of visibility and accentuate messages that communicate the organisational vision to its Stakeholders, resulting in the marketing of Magalies Water. An Integrated Marketing and Communication plan will be implemented as an instrument to directly work with the Water Services Authorities and other stakeholders in determining and addressing services delivery needs and drive the strategic growth of Magalies Water. Communication will be carried out utilising the following channels:

- Internal and external publications through brochures, website, intranet and outdoor advertising tools for brand elevation;
- Events to include stakeholder engagements opportunities and exhibitions at key sector events;
- Interviews and programme features on local and community radio stations on topics relevant to water;
- Supporting Provincial and Local Government initiatives and programmes.



Magalies Water

7. Key Performance Areas

7.1 Bulk Potable Water Quality Compliance

Magalies Water's strategic goal is to provide water that is safe for consumption and has an acceptable health risk that meet SANS 241: 2015 Drinking Water Standards

Table 9: SANS 241:2015 Guide to Water Quality Standards

Key Performance Indicator	Annual Target	Comments/Justification
Bulk potable water quality compliance	Acute health microbiological risk $\geq 97\%$	These measure the suitability and acceptability of water on the consideration of microbiological, chemical, physical and aesthetic health as defined in SANS 241:2015.
	Acute health chemical risk $\geq 97\%$	
	Chronic health chemical risk $\geq 95\%$	
	Aesthetic risk $\geq 93\%$	
	Operational risk $\geq 93\%$	

The major planned activities to reduce the risk of non-achievement of the target include:

1. Optimisation of treatment processes
2. Implementation of recommendations based on the outcomes of the technical process audit of each plant
3. Address identified process constraints
4. Train and retrain process controllers
5. Installation of online monitoring analysers
6. Research and development - implement recommended solutions
7. Implementation of the risk base monitoring program at catchments
8. Engage DHSWS on maintenance of the canal and negotiate a possible operation and maintenance contract

7.2 Management of Average Water Losses

Magalies Water's strategic goal is to keep Water Losses below 5% for the plants and below 7% for the bulk distribution.

Table 10: Levels of Water Losses - Tolerance Limits

Key Performance Indicator	Annual Target	Comments/Justification
Average Water Lost as a % of water produced at plants	≤5%	Quarterly measured across all Plants
Average Water Lost as a % of water produced for distribution	≤7%	Quarterly measured across all Plants

The major activities to reduce risk of non-achievement of the targets include:

1. Improve monitoring of the distribution system through SMART metering.
2. Pressure monitoring along pipelines and routine maintenance of PRVs.
3. Implementation of recommendations based on the outcomes of the technical process audit of each plant.
4. Periodic system analysis using weekly meter readings.
5. Outsourcing of maintenance services for critical assets.
6. Engagement with Cullinan Diamond Mine – Restoration of Wilge raw water supply system.

7.3 Reliability of Supply

Magalies Water's strategic goal is to avoid loss of service.

Continuous Disrupting Incidents Tolerance Limits (Number and Time)

Table 11: Incidents Tolerance Levels

Key Performance Indicator	Annual Target	Comments/Justification
Number of incidents of continuous service interruption exceeding 48 hours	≤5 incidents	MW measures the number of incidents resulting in continuous interruption of supply, lasting for 48hrs or more.

The major planned activities to reduce risk of non-achievement of the target include:

1. Enhanced focus on full compliance to scheduled maintenance plans
2. Control plant and distribution losses as above
3. Maintaining reservoir levels above 60%

7.4 Financial Sustainability

Magalies Water's strategic goal is to achieve growth and financial sustainability.

Table 12: Financial Sustainability Indicators

Key Performance Indicator	Annual Target	Comments/Justification
Current Ratio	2.3:1	These measures assume sustainability as reflected through profitable trading, effective working capital management, optimal capital structures and growth of the business.
Gross Profit Margin	≥25%	
Net Profit Margin	≥3%	
Debt/Equity	≤12%	
Return on Assets	≥1%	
Staff Remuneration as % of Total Revenue	≤30%	

The major planned activities to reduce risk of non-achievement of the targets include:

1. Enhanced controls over expenditure.
2. Enhance Supply Chain Management to effectively carry out “procure to pay” services.
3. Continuing effective management of billing accuracy, client payment plans, cash management and credit control processes applied on a monthly basis.
4. Monthly monitoring of key financial ratios.
5. Manage capital expansion costs.

7.5 Efficiency of Capital Expenditure

Magalies Water’s strategic goal is to complete capital projects on time on budget to required quality standard.

Table 13: Capital Projects and Budgets

Key Performance Indicator	Annual Target	Comments/Justification
Actual Capital Expenditure as a Percentage of Total CAPEX Budget	≥90%	This measure monitors progress on project implementation to completion of Capital Expansion Programmes compared to the allocated Budget.

The major planned activities to reduce risk of non-achievement of the targets include:

1. Enhance the Project Management Unit.
2. Implementation of projects within the confines of a project implementation framework and available resources.
3. Review of the existing bulk water infrastructure masterplan.
4. Compile a sanitation infrastructure masterplan.

7.6 Avoidance of Reportable Safety, Health and Environmental Incidents

Magalies Water's strategic goal is to avoid reportable health, safety and environmental incidents.

The major planned activities to reduce risk of reportable health, safety and environmental incidents include:

- Application of the ISO 14001 standards and maintenance of ISO certification
- Continue with implementation of ISO 45001 standard at all Magalies Water's Treatment Plants.
- Closing of all SHE audit findings.
- Improve security fencing at all Plants.
- Implement recommendations as per National Key Point Audit.
- Installation of Biometric access control to all Plant entrances.

7.7 Appropriate Support for Public Policy: Rural Development, BBBEE, Skills Development and Job Creation.

Magalies Water's Strategic Goal is to provide appropriate support for transformation and socio economic development in accordance with the Public Policy. In line with Outcome 4 on decent employment through inclusive economic growth, the table below indicates Magalies Water contribution to the state objectives.

Table 14: Job Creation and Youth Accord - Decent Employment Capacitation

Key Performance Indicator	Annual Target	Comments/Justification
Number of Corporate Social Investment initiatives implemented.	4	Magalies Water targets 4 significant projects per year
Number of people appointed on the Internship Programme (per annum)	10	As per the KPIs for Organisational Capacity Perspective
Number of people appointed on the Learnership Programme (per annum)	25	As per the KPIs for Organisational Capacity Perspective
Number of people appointed on the Graduate Programme (per annum)	4	As per the KPIs for Organisational Capacity Perspective
Number of External Bursaries awarded (per annum and/or study cycle)	5	As per the KPIs for Organisational Capacity Perspective

The major planned activities to reduce risk of non-achievement of the targets include:

- Stakeholder engagement
- Implementation engagement
- Implementation of recruitment processes Implementation of skills development programmes



Magalies Water

8. Outcomes by Major Programme with Accountability

This Section describes Major Programmes to implement strategy.

8.1 Enhanced Capabilities Programme

Objective: Plan, design and deliver enhanced water treatment facilities within funding constraints.

Outcome: To sustain delivery of our Mandate of primary activities (Section 29).

Scope: The enhanced water treatment facilities are described in the Capital Plan.

Accountability: Chief Operations Officer

8.2. Delivered Water Services to Required Standards

Objective: Deliver water services that at least comply with required standards of water quality, reliability and client satisfaction

Outcome: To achieve the strategic objectives of bulk potable water quality compliance and reliability of supply.

Scope: Management of plant and bulk distribution operations to practical design capacity for delivery of required quality and volumes.

Accountability: Chief Operations Officer

8.3. Enhance Section 30 Capabilities

Objective: Enhance capacity for delivery of Section 30 activities such that supply and demand for those services are aligned.

Outcome: Enable improved citizens' quality of life and economic growth through delivered water services.

Scope: Supply of Section 30 activities with delivery excellence.

Accountability: Chief Operation Officer

7.4. Financial Sustainability within Approved Tariffs

Objective: Maintain financial sustainability within approved Tariffs

Outcome: Long-term operational and capital sustainability without Tariff shocks

Scope: Balance sheet, income statement and cash flow management, Tariff setting, cost management and ability to fund capital expansions.

Accountability: Chief Financial Officer

8.5 Human Resource Development

The organisation seeks to create an environment in which all employees are recognised as well as qualified, professionally engaged and committed to high quality and standards.

Objective: Develop the human resources of Magalies Water, suppliers and communities through transformation, skills development, local employment and enterprise development

Outcome: Enhanced human resource capabilities for other strategic programmes and achievement of public policy targets.

Scope: Full scope talent management for Magalies Water employees, organisation development, learnerships, internships and graduate trainees, employment of local people, procurement from local SMMEs, BBBEE procurement, and Corporate Social Investments.

Accountability: General Manager - Corporate Services

8.6 Business Support and Risk Management

Objective: Provide efficient and effective business support in Finance, Supply Chain Management, Information and Communications Technology, Governance and Risk Management.

Outcome: Mitigation of applicable constraints in operations

Scope: Business support areas, notably in funding, efficient procurement in emergencies, data custody, risk management and setting parameters for performance.

Accountability: Chief Executive Officer

8.7. Stakeholder Engagement

Objective: Engage shareholder, clients and stakeholders to incorporate their appropriate influence on operations and planning.

Outcome: Avoidance of reputational risk and increased stakeholder satisfaction.

Scope: Communication with all stakeholders using meetings, forums and media with involvement of Magalies Water executives and Board.

Accountability: General Manager - Stakeholder and Customer Service

9. Financial Plan

This section provides projected financial data; including assumptions used in determining the projections. Magalies Water is planning to borrow R350 million in 2020/2021 financial year to fund capital expansion to meet the increased demand.

9.1 Basic Planning Assumptions

The following basic financial planning assumptions are applicable:

Table 15: Assumptions

Item	Year 1 (2020/21)	Year 2 (2021/22)	Year 3 (2022/23)	Year 4 (2023/24)	Year 5 (2024/25)
Inflation (CPI)	5.5%	5.1%	5.4%	5.5%	5.3%
Salary Increases	6.5%	6.6%	6.2%	6.6%	6.7%
Increase in electricity prices	12.51%	15%	15%	15%	15%
Producer Inflation (linked to increase in chemicals prices)	5.6%	5.1%	5.3%	5.3%	5.0%
Increase in raw water prices (Cullinan)	13.71%	15.1%	15.3%	15.3%	15.0%
Increase in raw water prices (Vaalkop,)	0%	15.1%	15.3%	15.3%	15.0%
Increase in raw water prices (Klipdrift)	16.5%	15.1%	15.3%	15.3%	15.0%
Increase in raw water prices (Wallmannsthal)	15.97%	15.1%	15.3%	15.3%	15.0%

Surplus Policy

Magalies Water invests surplus funds in an institution with a credit rating that has been obtained from reputable assessors. Surplus is` invested for future capital needs with more than one institution wherever practical in order to limit the risk exposure of the entity.

9.2 Statement of Profit or Loss and Other Comprehensive Income Projections

Table 16: Projected Profit/ Loss and Other Income

ITEM	BUDGET 2020/21	BUDGET 2021/22	BUDGET 2022/23	BUDGET 2023/24	BUDGET 2024/25
INCOME					
Water Sales	697 222 942	836 667 530	937 067 634	1 049 515 750	1 154 467 325
Management Fees	6 375 833	6 701 001	7 062 855	7 451 312	7 846 231
Secondary Activities Income	32 095 362	33 732 225	35 553 766	37 509 223	39 497 212
Total Income	735 694 137	877 100 757	979 684 255	1 094 476 285	1 201 810 768
EXPENSES					
Water Purchases	94 884 828	109 212 437	125 921 940	145 187 997	167 111 385
Chemicals	39 478 234	43 465 536	47 942 486	52 880 562	58 221 499
Electricity	125 075 784	143 837 151	165 412 724	190 224 632	218 758 327
Remuneration	213 862 146	232 254 291	246 654 057	262 933 224	280 549 750
Transport	9 213 241	9 683 117	10 206 005	10 767 335	11 338 004
Maintenance	37 653 038	39 573 343	41 710 303	44 004 370	46 336 602
Operating Expenses - Indirect	94 708 297	99 538 420	104 913 495	110 683 737	116 549 975
Total Expenses	614 875 568	677 564 295	742 761 010	816 681 858	898 865 542
Operating Surplus Before Depreciation & Finance Income	120 818 569	199 536 462	236 923 245	277 794 426	302 945 226
Depreciation & Impairment	109 956 463	115 564 243	121 804 712	128 503 971	135 314 681
Finance Costs	-	20 500 000	33 000 000	42 551 000	47 553 000
Operating Surplus After Depreciation & Impairment	10 862 106	63 472 219	82 118 533	106 739 456	120 077 545
Finance Income (Investments)	10 050 000	13 065 000	15 678 000	18 813 600	22 576 320
Net Surplus	20 912 106	76 537 219	97 796 533	125 553 056	142 653 865

- Increase in water sales are based on a projected increase in demand of over the five-year period.
- Magalies Water salary increases have averaged 7% to 8% per annum, linked to CPI. However, due to COVID19 a 6.5% increase for the 2020/21 financial year has been budgeted. The projected increase from 2021/222 is based on the economic forecast.
- NB:** Although the cost of energy is significantly high, Magalies Water is currently researching alternative sources of energy to reduce its total expenditure.

9.3 Statement of Financial Position Projections

Table 17: Financial Projections

Item	2020/21	2021/22	2022/23	2023/24	2024/25
Assets	R'000	R'000	R'000	R'000	R'000
Non-current assets	3 222 072	3 459 170	3 507 323	3 606 421	3 724 572
Property plant and equipment	2 858 721	3 105 026	3 222 871	3 310 581	3 427 569
Intangible assets	23 526	35 042	35 058	28 574	25 090
Construction work in progress	339 825	319 102	249 393	267 266	271 913
Current assets	644 620	689 090	675 185	687 538	678 923
Investments	75 000	90 000	103 500	115 920	130 990
Inventory	33 313	34 312	36 028	37 829	39 720
Trade receivables (Water Sales)	440 399	414 528	400 212	407 232	386 412
Other receivables	62 125	89 061	72 155	54 697	50 462
Cash	33 783	61 188	63 290	71 860	71 339
Total assets	3 866 692	4 148 260	4 182 508	4 293 959	4 403 495
Equity and Liabilities					
Equity					
Retained income	2 639 707	2 716 244	2 814 041	2 939 594	3 082 248
Long term liabilities	945 007	1 127 122	1 081 444	1 045 431	1 015 307
Capital Contributions	119 894	135 894	131 894	127 894	123 894
Borrowings	300 000	480 024	452 255	434 151	421 936
Deferred Income	525 113	511 204	497 295	483 386	469 477
Current liabilities	281 978	304 893	287 023	308 935	305 940
Accounts payable	265 569	281 746	259 861	280 847	276 834
Capital Contributions	2 500	4 000	4 000	4 000	4 000
Borrowings	-	5 238	9 254	10 179	11 197
Deferred Income	13 909	13 909	13 909	13 909	13 909

Item	2020/21	2021/22	2022/23	2023/24	2024/25
Total equity and liabilities	3 866 692	4 148 260	4 182 508	4 293 959	4 403 495

1. A long-term loan of R500 million is required to fund capital projects. Magalies Water is in the process of applying for a borrowing limit for the identified capital projects.
2. Property plant and equipment will increase by 4% over the five-year period due to the capital expansion project.
3. Excess funds are transferred to an investment account to benefit from better returns.
4. Deferred income consist of amounts received from mines to fund capital project. The related liability reduces on an annual basis over the useful life of the assets.



Magalies Water

9.4 Cash Flow Statement

Table 18: Cash Flow

Item	2020/21	2021/22	2022/23	2023/24	2024/25
CASH GENERATED FROM OPERATIONS	R'000	R'000	R'000	R'000	R'000
Cash applied in operations	92 395	199 740	226 635	289 508	304 188
Add: Interest received	10 050	13 065	15 678	18 814	22 576
Less: Interest paid	-	(20 500)	(33 000)	(42 551)	(47 553)
Net operating activities	102 445	192 305	209 313	266 770	279 211
INVESTING ACTIVITIES					
Additions to assets	(352 578)	(352 662)	(166 957)	(227 602)	(253 466)
Decrease/(increase) in investments	59 278	(15 000)	(13 500)	(12 420)	(15 070)
Net investing activities	(293 300)	(367 662)	(183 457)	(240 022)	(268 535)
FINANCING ACTIVITIES					
Capital Contributions	47 876	17 500	0	0	0
Redemption of borrowings	300 000	185 262	(23 754)	(17 179)	(11 197)
Net financing activities	347 876	202 762	(23 754)	(17 179)	(11 197)
CASH AND CASH EQUIVALENTS					
Net cash movements	157 021	27 405	2 102	8 569	(521)
Cash at the beginning	(123 238)	33 783	61 188	63 290	71 860
Cash at the end	33 783	61 188	63 290	71 860	71 339
Notes to cash flow					
Cash applied in operations	92 395	199 740	226 635	289 508	304 188
Profit before tax	20 912	76 537	97 797	125 553	142 654
Adjust for:					
Movements in working capital	<u>(14 514)</u>	<u>14 113</u>	<u>7 621</u>	<u>29 622</u>	<u>19 152</u>
(Increase)/decrease in debtors	26 669	(1 065)	31 222	10 438	25 055
Increase/(decrease) in creditors	(43 273)	16 177	(21 886)	20 986	(4 012)

Item	2020/21	2021/22	2022/23	2023/24	2024/25
(Increase)/decrease in inventory	<u>2 089</u>	<u>(999)</u>	<u>(1 716)</u>	<u>(1 801)</u>	<u>(1 891)</u>
Add: Depreciation	109 956	115 564	121 805	128 504	135 315
Add: Interest paid	0	20 500	33 000	42 551	47 553
Less: Interest received	(10 050)	(13 065)	(15 678)	(18 814)	(22 576)
Less: Deferred income	(13 909)	(13 909)	(13 909)	(13 909)	(13 909)
Less: Capital Contribution	0	0	(4 000)	(4 000)	(4 000)



Magalies Water

9.5 Five year capital expenditure plan

No	PROJECT NAME	Major / Minor	TOTAL ESTIMATED BUDGET R'000	EXPENDITURE TO DATE BUDGET R'000	CAPITAL REQUIRED FOR:	FUNDING SOURCE	2020/21 R'000	2021/22 R'000	2022/23 R'000	2023/24 R'000	2024/25 R'000
MAJOR CAPEX											
1	Pilanesberg BWSS Phase 3	Major	R 1,058,600	R 37,125	IRS Study	MW&DWS	R 4,600	R 264,650	R 264,650	R 264,650	R 264,650
2	Mafenya to Evergreen	Major	R 30,000	R 0	Cathodic protection	MW	R 5,000	R 25,000			
3	Wallmansthal Plant Upgrade	Major	R 147,848	R 10,846	Detailed design	MW		R 15,000	R 122,002		
4	Wallmansthal Reservoir (25 MI)	Major	R 60,000	R 1,339	Construction	MW			R 25,000	R 33,661	
5	Moretele South Scheme	Major	R 427,982	R 202,982	Construction	MW&DWS	R 155,400	R 90,000			
6	Klipvoor Scheme	Major	R 3,816,417	R 74,467	IRS Study	DWS		R 425,533	R 500,000	R 1,000,000	R 1,816,417
7	Smart Metering	Major	R 10,000	R 0	Construction	MW		R 10,000			
8	PMU Tender	Major	R 15,000	R 0	Assignment based	MW		R 3,000	R 6,000	R 6,000	
9	IMQS Planning Tool	Major	R 2,800	R 0	Upgrade	MW		R 2,800			
10	Chlorine dosing upgrade	Major	R 45,000	R 0	Upgrade	MW	R 5,000	R 27,000			
11	Office Space	Major	R 70,000	R 498	Design	MW		R 25,167	R 22,167	R 22,167	
12	250DN Bethanie/Modikwe pipeline upgrade	Major	R 50,000	R 0	Construction	MW		R 25,000	R 25,000		
13	350DN x2 Spitskop bulk supply pipelines upgrade	Major	R 60,000	R 0	Construction	MW		R 20,000	R 40,000		
14	Leeufontein line upgrade	Major	R 40,000	R 0	Construction	MW		R 20,000	R 20,000		
15	Lapatrie pipeline upgrade	Major	R 80,000	R 0	Construction	MW			R 20,000	R 30,000	R 40,000
16	LaPatrie to Mogwase pipeline upgrade	Major	R 85,000	R 0	Construction	MW			R 30,000	R 30,000	R 20,000
17	Lapatrie/Padda steel pipe upgrade	Major	R 60,000	R 0	Construction	MW				R 30,000	R 30,000
18	Bospoort line upgrade	Major	R 100,000	R 0	Construction	MW		R 25,000	R 25,000	R 50,000	
19	Doorenhoeck/Monakato pipeline upgrade	Major	R 20,000	R 0	Construction	MW				R 10,000	R 10,000
20	Padda junction/Spitskop steel line upgrade	Major	R 20,000	R 0	Construction	MW		R 10,000	R 10,000		
21	Pilanesburg Phase 2: Mafenya to Tlhabane/Phokeng BWSS	Major	R 723,000	R 0	Construction	DWS		R 100,000	R 250,000	350000	
22	Wallmannsthal Raw Water Pipe upgrade	Major	R 20,000	R 0	Construction	MW		R 10,000	R 10,000		
23	Cullinan raw water pipeline Upgrade	Major	R 30,000	R 0	Construction	MW				R 15,000	R 15,000
TOTAL			R 6,971,647	R 327,257			R 170,000	R 1,841,882	R 2,046,951	R 1,841,478	R 2,873,199

9.6 Financial Ratio Projections

Table 19: Financial Ratios' Projections

Item	2020/21	2021/22	2022/23	2023/24	2024/25
Gross Profit	≥25%	≥27%	≥29%	≥31%	≥32%
EBITDA Margin	16%	23%	24%	25%	25%
Effective Interest Rate	0%	4%	7%	10%	11%
Net Profit	≥3%	≥9%	≥10%	≥11%	≥12%
Working Ratio	84%	77%	76%	75%	75%
Capital Gearing Ratio	0.10	0.15	0.14	0.13	0.12
Interest-Bearing Debt: Equity Ratio	0.11	0.18	0.16	0.15	0.14
Total Debt %	8%	12%	11%	10%	10%
Total Debt to Equity %	≤11%	≤18%	≤16%	≤15%	≤14%
Interest Cover Times	0	9.73	7.18	6.53	6.37
Current Ratio	2.3:1	2.3:1	2.4:1	2.2:1	2.2:1
Acid-Test Ratio	2.2	2.1	2.2	2.1	2.1
Return on Equity	1%	3%	3%	4%	5%
Return on Capital Employed	1%	2%	3%	4%	4%
Return on Total Assets	≥1%	≥2%	≥2%	≥3%	≥3%
Asset Turnover	0.18	0.20	0.22	0.24	0.26
Debtors Collection Days	≤60	≤55	≤50	≤45	≤40
% Staff Remuneration to revenue	≤30%	≤30%	≤30%	≤30%	≤30%

9.7 Financial Risk Management

Using the Materiality and Significance Framework, the following trends emerge:

1. Implementation of the Klipvoor Scheme and Pilanesberg Bulk Water Supply Scheme will require huge capital investments and this may have an impact on the capital structures of Magalies Water.
2. Engagements with the DHWS are essential for grant funding since the schemes will also cater for domestic demand. Engagements will take place with the economic users of the Scheme for capital contributions or payment of capital Tariffs as a measure to mitigate financial risks. Borrowings may be required to implement some components of the Scheme and that will require Ministerial approval.

9.8 Borrowing Limits and Maturity Profile of Debt

Magalies Water has not yet utilised gearing to fund its Capital Expansion Implementation Programmes. The credit rating process to enable Magalies Water to utilise or increase its borrowing limits and is one of the steps that started during 2017/18 financial year. Once finalised, an application to obtain the approval of the Honourable Minister of Human Settlements, Water and Sanitation and subsequently the National Treasury will follow the provisions of Section 54 of the Public Finance Management Act, 1999 (Act 1 of 1999).

Magalies Water

10. Tariff Management and Consultation

Tariffs management is in accordance with the Magalies Water's Tariff Methodology provides the most appropriate set of guidelines determine water prices to achieve social equity, water conservation and sustainability. The Tariffs Policy aims to achieve consistency, accuracy and transparency in how the Tariffs are set.

The Tariffs Policy incorporates the following principles:

1. Independent Tariffs are set for each bulk water scheme due to differing structures, geographic locations and resource circumstances.;
2. Tariffs should be underpinned by efficiency of operations such that prices do not lead to an increase in inflation;
3. Tariffs should be set in a manner to promote economic development;
4. Tariffs should be set in a manner that takes cognisance of inequalities and attempts to bridge such gaps;
5. Customers will be consulted and adequately informed on the cost components of a Tariff to inform customer budget processes;
6. Tariffs should be reflective of the costs incurred in providing the water services including costs incurred to augment supply and other capital investment costs in such a manner that Magalies Water is able to:
 - Repay and service its current debts;
 - Recover its capital and maintenance costs;
 - Make reasonable provision for the depreciation of assets;
 - Recover the costs associated with capital expenditure from revenue over a period;
 - Make reasonable provision for future capital requirements, expansion and renewals.

The Bulk Water Tariff Projections are as follows:

Table 20: Tariffs' Projections

Plant	2020/21 (R/KL)	2021/22 (R/KL)	2022/23 (R/KL)	2023/24 (R/KL)	2024/25 (R/KL)
Vaalkop	7.17	9.01	10.11	11.36	12.48
Wallmannsthal	11.16	11.31	11.36	11.36	12.48
Klipdrift	8.50	9.89	10.59	11.36	12.48
Cullinan	8.01	9.65	10.59	11.36	12.48
Indicative Average Uniform Tariff	8.71	9.97	10.66	11.36	12.48
Average % increase	0%	15%	7%	7%	10%

The table above indicates the current Tariff per Scheme and the average Tariff that will be paid when a uniform Tariff is implemented. This is in line with the Magalies Water's strategic decision to move away from a Scheme-based-Tariff to a Uniform Tariff to be charged for all the Schemes. The new approach ensures that all Water Schemes will be priced the same independent of the use and Consumers will pay proportionally for their water consumption.



The logo for Magalies Water features a stylized water drop in shades of blue and green, with the company name 'Magalies Water' written in a light blue, cursive font below it.

11. Risk Management Plan

The Board is accountable for Magalies Water overall governance of risk and this is advocated by its responsibilities of setting an appropriate risk management tone, approving risk management policies and other strategies. This include leveraging the applicable governance and assurance structures for combined assurance on the effectiveness of risk management within Magalies Water. Risks management is carried out through the internal Risk Management Committee wherein the output of Committee discussions is escalated to the Risk Committee of the Board on a quarterly basis.

The table below contains the strategic risks that were identified for the next five year planning period during a Strategic Risk Assessment Session.



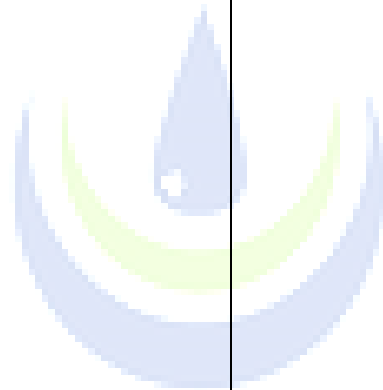
Table 21: Magalies Water Strategic Risks

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
1.	Debtor's collection.	Escalating debt book	Major (4)	Major (5)	Critical (20)	<ol style="list-style-type: none"> 1. Customers not paying on time. 2. Delays in resolving customer queries. 3. Non-optimal Billing cycle. 4. Delays in payments by key customers. 5. Delays in payments by Section 30 customers. 6. Non-implementation of SLAs. 	<ol style="list-style-type: none"> 1. Enforce the restriction of water quantity for all non-paying customers/water-service authorities through Service Level Agreements (SLAs) <ul style="list-style-type: none"> - Develop a plan to implement the enforcement of SLA's. 2. Develop a plan to implement the Debt recovery strategy with focus on key customers. 3. Conduct monthly engagements meetings with all relevant stakeholders. 4. Implement the withdrawal of services for section 30 customers after engagements.

Table 21: Magalies Water Strategic Risks

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
2.	Raw Water resource.	Insufficient raw water quantity.	Major (4)	Likely (4)	High (16)	<ol style="list-style-type: none"> 1. Low Dam Levels. 2. Infrastructure failure. 3. Augmentation system 4. Restriction or failure. 5. Dependency on infrastructure owned by external parties. 6. Over abstraction of raw water. 7. Droughts and floods. 8. Water Pollution. 9. Inadequate maintenance of raw water infrastructure. 	<p><u>VAALKOP RAW WATER SYSTEM</u></p> <ol style="list-style-type: none"> 1. Engage DHSWS to take over Operations and Maintenance of Canal. 2. Engage DHSWS to maintain flow into the canal by controlling algae growth. 3. Request budget for controlling and managing the algae growth. 4. Review and implementation of the Business Continuity Management plans.

						<p><u>CULLINAN RAW WATER SYSTEM</u></p> <ol style="list-style-type: none"> 5. Engage the Cullinan Diamond Mine to take over raw water supply system. 6. Repair raw water dam leak at Cullinan Water Treatment Plant. 7. Monitor and report on raw water quality as per the extended scope - catchment area. 8. Develop a plan with regards to raw water supply system <p><u>WALLMANNSTHAL & KLIPDRIFT</u></p> <ol style="list-style-type: none"> 9. Monitoring of water quality and quantity at Wallmannsthal and Klipdrift 10. Implementation of the Water Meter systems (Smart metres).
--	--	--	--	--	--	---



Magalies Water

Table 21: Magalies Water Strategic Risks

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
3.	Raw Water resource.	Deterioration of raw water quality.	Major (4)	Likely (4)	High (16)	<ul style="list-style-type: none"> 1. Droughts and floods. 2. Water Pollution-effluent. 3. Over abstraction of natural resources. 4. Poor catchment management by DHSWS. 	<ul style="list-style-type: none"> 1. Conduct an assessment of the impact of raw water quality (partner with external party for consultation with DHSWS) 2. Continuous engagement with DHSWS on quality challenges affecting the raw water. 3. Continuous monitoring and control of dam and abstraction levels.

Table 21: Magalies Water Strategic Risks

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
4.	Sustainability and growth	Inability to sustain and grow the business.	Major (4)	Possible (3)	High (12)	<ol style="list-style-type: none"> 1. Inadequate debt collection 2. Lack of implementation of Investment strategy 3. Increasing operational costs (utilities, staff, chemicals etc.) 4. Delays in completion of capital projects. 5. Insufficient financial resources. 	<ol style="list-style-type: none"> 1. Conclude the borrowing limits processes with National Treasury 2. Implementation of the debt collection policy/strategy 3. Review the current Investment strategy 4. Update the financial models within the growth strategy 5. Robust cash flow management and reporting. 6. Filling of vacant posts when funding is available 7. Consider recommendations of the Feasibility study on alternative energy sources 8. Investigate new revenue generating streams. 9. Develop the Magalies Water cost containment Strategy as per National Treasury Framework. 10. Develop Bulk Sanitation Master Plan.

Table 21: Magalies Water Strategic Risks

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
5.	Physical safety & security.	Security breaches and safety incidents.	Moderate (3)	Possible(3)	Moderate (9)	<ol style="list-style-type: none"> 1. Lack of security procedures, training and awareness. 2. Non adherence to safety procedures 3. Inadequate security systems and management. 4. Unauthorised access to premises 	<ol style="list-style-type: none"> 1. Enforce compliance to security measures and report non-compliance to relevant managers for corrective actions. 2. Follow up on the implementation of the recommendations on security risks assessment report. 3. Finalise fencing for Klipdrift, Wallmannsthal and Cullinan. 4.Implementation of Bio-metric access controls at all Magalies Water areas - Phased approach strategy 5. Enforcement of Service Level Agreements for security contractors. 6 .Conduct safety and Security awareness campaign

Table 21: Magalies Water Strategic Risks

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
6.	Reputation	Erosion of reputation	Moderate (3)	Possible (3)	Moderate (9)	<ol style="list-style-type: none"> 1. Inadequate Stakeholder Engagements. 2. Ineffective internal and external communication 3. Impact of external events in the business. 4. Unrealistic expectation and perceptions 	<ol style="list-style-type: none"> 1. Holistic implementation and monitoring of the stakeholder and Integrated Marketing and Communications plans 2. Develop and implement the communication procedure. 3. Develop Crisis Management plan in alignment with Business Continuity Management Strategy/Plan 4. Conduct crisis management workshops. 5. Develop and implement the media strategy 6. Develop and implement the Media Policy and Strategy 7. Conduct the Monthly and Quarterly Stakeholder engagement meetings as per the Stakeholder Management Plan.

Table 21: Magalies Water Strategic Risks

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
7.	Bulk water infrastructure constraints	Failure of critical infrastructure.	Moderate (3)	Possible (3)	Moderate (9)	<ol style="list-style-type: none"> 1. Ageing Infrastructure. 2. Dependency on infrastructure owned by external parties. 3. Leaking dams. 4. Unreliable electricity supply. 5. Inadequate assets management. 6. Delays in finalising procurement processes. 7. Inadequate financial resources. 	<ol style="list-style-type: none"> 1 Conclude the borrowing process with the National Treasury. 2 Improving on the procurement turnaround times and measure performance. 3 Develop a plan to outsource the Infrastructure Master Plan for critical assets. 4 Update Bulk Water Master Plan. 5 Implementation of Bulk Water Infrastructure Master Plan.

Table 21: Magalies Water Strategic Risks

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
8.	Potable Water Quality (SANS Compliance)	Low quality of potable water. (Non-compliance to SANS Standards)	Moderate (3)	Possible (3)	Moderate (9)	<ol style="list-style-type: none"> 1. Droughts and floods. 2. Deteriorating quality of raw water. 3. Inadequate distribution system management. 4. Over abstraction of natural water resource. 5. Inappropriate and failure of plant treatment processes and technologies. 6. Inadequate maintenance of Canal. 	<ol style="list-style-type: none"> 1. Conduct annual technical process audit for each plant and implement recommendations thereof. 2. Implementation of Online Analysers

Table 21: Magalies Water Strategic Risks

No.	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
			Impact	Likelihood	Rating		
9.	Critical Skills and knowledge	Mismatch between organisational structure and business model.	Moderate (3)	Possible (3)	Moderate (9)	<ol style="list-style-type: none"> 1. Lack of identification of critical and core skills. 2. Competition for skills. 3. New technological advancement 	<ol style="list-style-type: none"> 1. Review the organisational structure in alignment with the future business model 2. Finalise the categorisation of critical and core skills.



12. Materiality and Significance Framework

Magalies Water has adopted a Materiality and Significance Framework within the Risk Management Plan.

12.1 Materiality

A material issue is an error or omission in information with a value impact that would cause a user of such information to change an Enterprise decision based upon such information. In Magalies Water, an issue is considered to be material if the associated value impact would exceed 5% of total expenditure.

Other issues which are considered material regardless of value are:

- Any issue that may due to its nature pose a threat to the going concern assumption applied to the business of Magalies Water.

Overall, Magalies Water takes it as non-performance to have even one breach of materiality that exceeds any of the above mentioned instances.

12.2 Significance

Significance is defined as the condition that a specific item or trend may adversely impact on the evaluation of the performance delivery by a key stakeholder. In Magalies Water, an item is considered significant if it would noticeably compromise delivery within a Key Performance Area.

Items, which are considered significant, include:

1. An interruption of supply of bulk water services to customers exceeding 48 hours
2. An incident involving communicable disease transmitted through potable water supplied by Magalies Water
3. A wide-spread work stoppage arising from industrial action
4. A gain of new Water Services business
5. A loss of existing Water Services business
6. A change in the legal structure of Magalies Water
7. Investments in capital expansions that may significantly alter the capital structure

12.3 Use of the Framework

The above Framework will be used for all material operational and financial risk reporting to the Board and externally to the Shareholder for significant transactions. Funding Magalies Water intends to raise for Capital Projects may present interest rate risks to the entity due to finance cost that will need to be paid.

13. Fraud Prevention Plan

The Board explicitly supports and fosters a culture of zero tolerance for the commission or concealment of fraudulent, corrupt and illegal acts. Magalies Water investigate all allegations of fraudulent acts and behaviours in a fair and transparent manner prior to taking appropriate actions. The process followed is in line with the approved existing Fraud, Corruption and Prevention Policy and it is based on the following key elements:

13.1 Prevention Controls

1. Promotion of ethical culture
2. Implementation of physical and information security controls
3. Management of conflict of interest
4. Vetting of employees and suppliers
5. Fraud and corruption risk assessments
6. Encouraging the reporting of any corrupt activities, and
7. Strengthening internal control systems

13.2 Detection Controls

1. Whistle-blowing mechanisms
2. Application of internal controls aimed at detecting fraud incidents, and
3. Internal audits

13.3 Response to Fraud and Corruption

1. Investigations
2. Disciplinary action
3. Resolutions
4. Improved internal controls
5. Monitoring, and
6. Reporting

14. Business Continuity Management

Magalies Water Board is committed to ensure the continuity of its business operations and to minimise the impact of all forms of disruptions. We have adopted the principles that are internationally developed (The Business Continuity Institute's Good Practice Guidelines 2018 relating to the ISO 22301: 2012, Societal Security: Business Continuity Management Systems). The Board has approved a Business Continuity Management (BCM) Policy.

The BCM Policy aims to meet the following objectives:

- Ensure the safety of staff, staff welfare and confidence;
- Minimise the financial, operational and business impact to Magalies Water in the event of a disaster;
- Safeguard the facilities, purification plants, business information and assets of all the divisions;
- Provide timely availability of all key resources necessary to operate the critical business processes at a level of operation that is acceptable to management; and
- Maintain stakeholder confidence in Magalies Water.



Magalies Water

15. Supply Chain Management Plan (SCM)

SCM plays an integral part in the success of an organisation and it seeks to enable the business to ensure seamless operation of the value chain and the ability to build and maintain long-term relationships. The purpose of Supply Chain Management (SCM) is to have order in synchronizing the activities of the organisation. All SCM processes are created to manage demand and supply forces in the market.

The following are the main effective objectives of SCM activities:

1. Achievement of value for money through service delivery improvements;
2. To give effect to section 217 of the constitution of South Africa by implementing a system that is fair, equitable, transparent, competitive & cost effective in accordance with the policies, procedures and relative Regulations;
3. Maintaining relations with stakeholders by performance management of procurement.
4. Establishing a link between the SCM plan and the organisational strategy;
5. Continuous process improvements to comply with all applicable provisions of the Public Finance Management Act, 1999 (PFMA) Act 1 of 1999 as amended act 29 of 1999 including the National Treasury Regulations.
6. Continual cost reduction involving optimizing operations to maximize both speed and efficiency
 - More collaborative and integrated relationships with suppliers and also integration between other divisions;
 - Minimised risk related to changes in competitive markets ,business trends ,supplier's financial condition and political risk as regulatory changes global supply chain;
 - Keeping pace with rapidly changing customer requirements or expectations with modern technology and development, enabling newcomers/HDI's to supply the goods/services and promoting BBBEE;
 - Environmental/sustainable solutions. Suppliers to download electronic tender documents from website for free (paperless);
 - To prevent irregularities in the acquisition of goods and services by ensuring that processes are in line with the Preferential Procurement Policy (PPPFA as amended of 2017);
 - To ensure that the best product/service are delivered at the right time, at the right place , at the right price, at the right quality and quantity;

The ultimate goal of the supply chain is to fulfill demand, drive customer value, improve responsiveness, facilitate financial success and build a good system to achieve efficient fulfilment. The drive of SCM is to make goods, services and inventory readily available to satisfy the demand. Such steps will help the organisation reduce waste, drive out costs, and achieve efficiencies in a cost effective manner.

Magalies Water strives to ensure SCM proficiency that supports the implementation of the overall strategy and to impact the core mandate of the organisation. This considers the nature of the commodity, service required, the conditions of delivery, the prospective suppliers and the goals to be promoted as contemplated in the Preferential Procurement Policy Framework and influence the core mandate of the organisation.

16. Records Management Plan

The National Archives and Record Service Act (No. 43 of 1996) provides the terms and conditions under which public records must be managed. Magalies Water can therefore not afford exposure to risks of poor management of public records. This could lead to loss or misplacement of records resulting in qualified audit reports, damages, fines and possible litigation.

The business imperative of effective records management is within the ambit of good governance, accountability and transparency. A five (5) year Records Management Implementation Plan has been developed to ensure systematic implementation of effective records management. This Plan is aligned to the strategic objectives and operational requirements of Magalies Water.

The Five (5) Year Records Management Implementation Plan covers the following key components of Magalies Water's value chain:

16.1 Regulatory Compliance

1. Retention of records.
2. Classification of records.
3. Custody and preservation.
4. Management of records.
5. Central registry.

16.2 Risk Management

1. Business continuity.
2. Utilisation during the audit process.
3. Evidential value.

16.3 Value for Money

1. Space saving.
2. Improved service delivery.
3. Cost reduction.

The Key Outcomes of implementation of the Records Management Plan are as follows:

1. Improved controls in legal compliance with regards to information management legislations;
2. Easy retrieval of official records;
3. Reduced records management related risks;
4. Efficient systematic approach to management of records from 'creation to disposal; and
5. Safe custody of Magalies Water's vital records.

17 Human Resources Plan

17.1 Implementation of a Human Resources Plan

The people are at the heart of Magalies Water business. Magalies Water will therefore develop and translate the following human resources strategic focus areas in order to ensure it has the right people and people programmes it needs to implement its business plan. Magalies Water will continue to deepen implementation of Human Resources plans within the context of Board-approved policies covering the following areas:

1. Workforce Planning

Magalies Water seeks to maintain a workforce that will enable it to deliver quality services to all its stakeholders.

2. Remuneration

To implement a rewards system that is consistent with the objectives, strategic value drivers and sustainability of the organisation whilst attracting and retaining employees;

3. Succession Plan & Career Path

To ensure effective performance of the organisation through development of specific employees to take up key position by maintenance of a database of employees with specific competencies;

4. Recruitment & Selection

To ensure effective and efficient recruitment, development and retention of staff with relevant expertise, experience and the requisite skills. Recruitment processes to embrace diversity;

5. Performance Management

To continuously instil a high performance culture to recognise and reward performance that is geared towards achievement of the strategic objectives and targets of Magalies Water; and

6. Employment Equity

Creation of an environment free of discrimination and removal of barriers to actively appoint and develop individuals with potential from previously disadvantaged groups.

7. Employee Relations

Magalies Water strives to create an environment in which our employees feel valued and support the organisation's values, strategies and priorities. The relationship with labour union in the organisation is managed by Human Resources department through the Local Labour Forum, which allows for the Employer and Labour Unions to deal with matters of mutual interest effectively.

17.2 Workforce Profile

Employees of Magalies Water are key inputs to the strategic management process and will continually deploy the key process to ensure that the organisation delivers sustainably on its service delivery mandate. To substantiate this the current workforce profile is shown as below:

Table 22: Personnel Profile by Levels, Gender and Race

Occupational Category	Male				Female				Total	% Actual	5-Yr Target
	A	C	I	W	A	C	I	W			
Top Management	3	0	0	0	5	0	0	0	8	2,77%	2.8%
Senior Management	2	0	1	0	0	0	0	0	3	1.04%	1.05%
Professionally qualified and experienced Specialists	31	1	1	2	17	0	0	3	55	19.09%	20%
Skilled Technical & academically qualified Workers, Junior Management, Supervisors, Foremen & Superintendents	28	0	0	7	32	1	0	2	70	24.30%	25.86%
Semi-Skilled and Discretionary Decision Making	42	1	0	1	36	2	0	1	83	28.81%	24.60%
Unskilled and defined decision making	47	0	0	0	22	0	0	0	69	23.95%	25%
Total Permanent	153	2	2	10	112	3	0	6	288	100%	
Total By Gender (Actuals)	167				121						
Actuals: % Male to Female*	57.99%				42.01%				100%		
Target Vacancies to be filled									317*		
%Target: Differentially Abled*	2%								6/317	1.9%	2%

Legend: A - African, C - Coloured, I - Indian, W - White

1. All the above Actual Targets achieved are calculated on the basis of filled positions, as at 31 Mar 2020
2. The number of staff from 305 to 310 in the 2019/20 Financial Year. 5 newly created positions were added according to Board approval in 2018. This number will now move to (317) to accommodate employees previously appointed under Madibeng. It is anticipated to increase over the next 5 years with; 23 new positions, depending on affordability and approval of the Board.
3. The actual of 4 of the 6 targeted differentially abled people will be recruited within the 3 year EE Plan provisions.

17.3 Staff Development, Advancement of Women and of *All People with Disabilities*

The current Gender Profile of Magalies Water comprises 42% of females and 58% of males. Concerning workforce age profile, more than 90% of the staff is less than 55 years. This means that the organisational memory resides largely with people who are not close to retirement.

As per the Workforce Profile above, Magalies Water target about occupational categories are as follow:

1. Top Management: Maintain the current profile of 2.8%.
2. Senior Management: Maintain the current profile of 1.05%.
3. Professional qualified and experienced specialists: Increase the current profile by 0.04%.
4. Skilled technical and academically qualified: Increase the current profile by 1.39%.
5. Semi-skilled and discretionary decision-making: Decrease appointment to 24.60% of the current profile.
6. Unskilled and defined decision-making: Decrease appointment to 23% of the current profile.
7. Differentially abled employees: increase appointment to 2% of the entire workforce

Throughout the previous 5-year planning period, the targets for women and differentially abled people are 50% and 1.9%, of the total workforce.

Projection on total number of staff.

Table 23: Numbers on the Approved Structure

Item	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	Year 4 2022/23	Year 5 2020/24
Permanent	310	317	319	319	319
Vacant	22	24	24	24	24
Total	310*	317	319	319	319

1. The number of staff from 305 to 310 in the 2019/20 Financial Year due to 5 newly created positions that were added according to Board approval in 2018. This number will increase to (317) to accommodate employees previously appointed under Madibeng. Therefore, over Y2-5, the number of position will slightly increase depending on affordability.

17.4 Training Programmes

Magalies Water recognises that employees are a fundamental for the achievement of its strategic objectives. Employees are continuously developed in line with their Individual Development Plans and their key responsibilities. Magalies Water further implements other skills development programmes to create a pipeline for future human capital needs through the implementation of the following programmes.

During the Business Plan period, Magalies Water will continue with implementation of:

1. An externally focused Learnerships Programme intended to benefit one hundred and twenty five (125) Learners in the field of Bulk Potable Water Treatment; this is twenty-five (25) per annum over the 5-Year period. The programme will recruit learners from the areas to which Magalies Water supplies the bulk water.
2. The Internship Programme is aimed at benefitting ten (10) graduates per 24 months period.
3. Magalies Water external bursary programme will target five (5) new bursars per financial year over the next five (5) years (subject to annual review).
4. The internal bursary programme will benefit at least fifteen (15) new bursary recipients every year depending on budget availability, however, the baseline of internal bursaries awarded is 40.
5. The graduate programme will benefit twenty (20) graduate trainees over a period of 5 years aimed at providing workplace experience to newly qualified students who have skills relevant to Magalies Water.
6. Permanent Staff training and development to enhance the skills and competencies should ensure effective implementation of the Organisational Corporate Plan. The Individual Development Plans will continue to be used to monitor progress and the actual numbers will be reported.
7. Temporary (Indirect) appointments is linked to ad hoc programmes or projects. Magalies Water anticipates appointing 40 temporal officials in the 2020/21 financial year.

All the training programmes mentioned above are considered as mechanisms for addressing core and critical skills required by the organisation and addressing the core and critical skills strategic objective of Magalies Water.

17.5 Wellness and HIV/AIDS Programmes

Magalies Water recognises that employees may experience health, personal, social and other problems that may adversely affect their performance and that Employee Health & Wellness is essential in relieving stress and illness in the workplace, increasing employee productivity and ensuring improving organisational performance. A comprehensive and integrated Employee Wellness Programme (EWP) consisting but not limited to the following will be implemented through an external service provider.

Chronic Illness management that includes among others awareness, counselling, testing and support for employees and their immediate family members

1. Executive Wellness
2. Awareness and Education interventions
3. Psychological and clinical counselling.
4. Stress and Trauma management.
5. Substance abuse and addiction.
6. Support for chronic illness.
7. Advisory services to Magalies Water on Employee Assistance Programmes (EAP) relating to performance and disability management.
8. Case management and monitoring



Magalies Water

18 Bulk Potable Water Services Plan

18.1 Capacity of Supply

The total average capacity utilisation has been set at a maximum benchmark of 85% of the total plant capacity. This is to measure plant performance and efficiencies at a production level so that imminent plant upgrades can be identified at an early stage. Progress is being made to address capacity constraints of treatment plants.

Wallmannsthal Water Treatment Plant has reached its design capacity and plans are in the works to upgrade the Plant. Cullinan Water Treatment Plant has been operating below capacity and the set utilisation benchmark due to low demand in the Cullinan area.

The following table presents the capacity utilisation per plant and current raw water abstraction limits.

Table 24: Capacity Per Water Treatment Plant

Parameter	Vaalkop	Wallmannsthal	Cullinan	Klipdrift
Design capacity	270 000	12 000	16 000	42 000
Current withdrawal license kl/d	248 000	12 000	22 000	42 000
Raw water abstracted kl/d	227 344	11 608	4 358	34 639
Average capacity utilisation	212 028	11 201	4 241	33 750
% utilisation to design	79%	93%	27%	80%
% utilisation to withdrawal license	85%	93%	20%	80%

NB: All the Magalies Water Licences are in place and valid. Magalies Water is also applying for licenses to accommodate future additional abstraction volumes at Wallmannsthal Water Treatment Plant and Vaalkop Water Treatment Plant.

18.2 Water Resources and Raw Water Quality

The water quality from all the dams in the Crocodile River Catchment, has deteriorated due to the upstream urban development. Eutrophication due to increased nutrient loadings from the wastewater effluents stimulated the growth of algae and other flora and this makes the raw water more difficult to treat.

Mining activities can also have a negative impact on raw water quality although the Magalies Water area of supply covers part of the mineral-rich Bushveld Complex; most of the mining activities are on the fringes of the area thus affecting the downstream regions more than Magalies Water's area itself. The exception is the Rustenburg/Bafokeng area where mining negatively affects water quality of the Hex River. The Raw Water Quality issues facing Magalies Water are summarised as follows:

Table 25: Raw Water related Challenges

Water Source	Constituent of Concern	Status
Cullinan Dam (Wilge)	Total organic carbon, Iron and Manganese	Magalies Water has retrofitted chlorine dioxide for removal of iron and Manganese. PAC is used for removal of Total organic carbon
Roodeplaat Dam	Iron, Manganese, Algae nitrate and nitrite	Nutrient loading from Waste Water Treatment Works. Engagements between City of Tshwane and Magalies Water are ongoing. .
Wallmannsthal Raw (Roodeplaat dam)	Nitrate, nitrite phosphates, ammonium and Mycrocystin	High Algae infestation and nutrient loading remain a problem and will be continuously monitored. Research and Development of relevant technologies for removal of ammonium and nitrate is being explored
Klipdrift Raw	Nitrite, Algae	Algae still remain a problem, DHSWS and Magalies Water to continuously monitor the catchment
Klipdrift Canal	Algae (Mycrocystin)	Plant upgraded to include pre oxidation by ozone.
Vaalkop Dam	Iron and manganese, turbidity, colour, protozoan parasites, algae and algal toxins, total organic carbon and trihalomethanes Taste and odour compounds Geosmin and 2-Methylisoborneol	Iron and Manganese are due to natural resources. Geosmin and 2-Methylisoborneol are due to increased algae concentration. Monitoring of quality through dam levels still in progress. Chlorine dioxide pre-oxidation implemented at the raw water pump station
Vaalkop supernatant	Iron and manganese, turbidity, colour, protozoan parasites, total organic carbon and trihalomethanes	Treatment processes adequate to treat supernatant.
Roodekopjies Dam	Algae, nitrates, ammonia and phosphates	Engagements with DHSWS in progress

18.3 Bulk Potable Water Quality

Quality of potable water produced, offsite reservoirs and the reticulation system will be assessed against SANS 241:2015, the National standard which specifies the highest quality standard for drinking water. SANS 241:2015 stipulates compliance targets per the defined risk and non-conformities to SANS 241:2015 will be communicated as per incident management protocol. Water safety planning processes and procedures for all Magalies Water plants are in place.

The following, are thus the Targets for the planning period to be applied to all the Treatment Plants always.

Table 26: Compliance Limits

Parameter	Targeted Compliance to SANS 241:2015
Acute health microbiological risk	≥97%
Acute health chemical risk	≥97%
Chronic health chemical risk	≥95%
Operational risk	≥93%
Aesthetic risk	≥93%

Magalies Water

18.4 Projected Potable Water Quantity Demand

The projected potable water quantity demands are undertaken in collaboration with clients to enable Magalies Water to project future revenues and to be able to plan for capital expansions. The long-term potable water quantity demand is projected over a long period of up to 2040 and that is a fundamental input to the infrastructure master planning. The demand is expected to grow by 40% from 2020 to 2040. The projected demand in the Magalies Water's area of supply is provided below.

Table 27: Description of Projected Demand

Local Municipality	Demand (Kilolitres/day)	
	2020/21	2040
Bela-Bela Local Municipality	9 060	12 400
Kgetlengrivier Local Municipality	4 300	5 900
Madibeng Local Municipality	50 600	51 000
Modimole-Mookgophong Municipality	13 900	15 400
Moretele Local Municipality	13 300	15 900
Moses Kotane Local Municipality	29 900	39 200
City of Tshwane Municipality	20 700	41 000
Rustenburg Local Municipality	130 000	160 000
Thabazimbi Local Municipality	12 700	13 200

18.5 Planned Expansions to address Demand

Magalies Water implements the Growth Plan initiatives from the list of 40 documented during 2017/18 financial year. Year-on-year, the plan is to increase the capacity and footprint of bulk infrastructure with an intention to enhance service delivery in the areas of supply and to expand the customer base in areas / customers never serviced in the past. This is a direct response to the strategic challenges of water shortages and an increasing population; and to contribute to the target population numbers by our government. The scope of the projects or impact of interventions in providing solutions for water service delivery through infrastructure expansions. This will grow our asset base, revenues and profitability within the confines of the triple bottom line.

A future and long term Masterplan for infrastructure expansions is in place and it serves as the Blueprint to effect envisaged capital expansions related growth.

The map below provides the demarcation of the future and long term Masterplan of infrastructure expansions cluster layout:

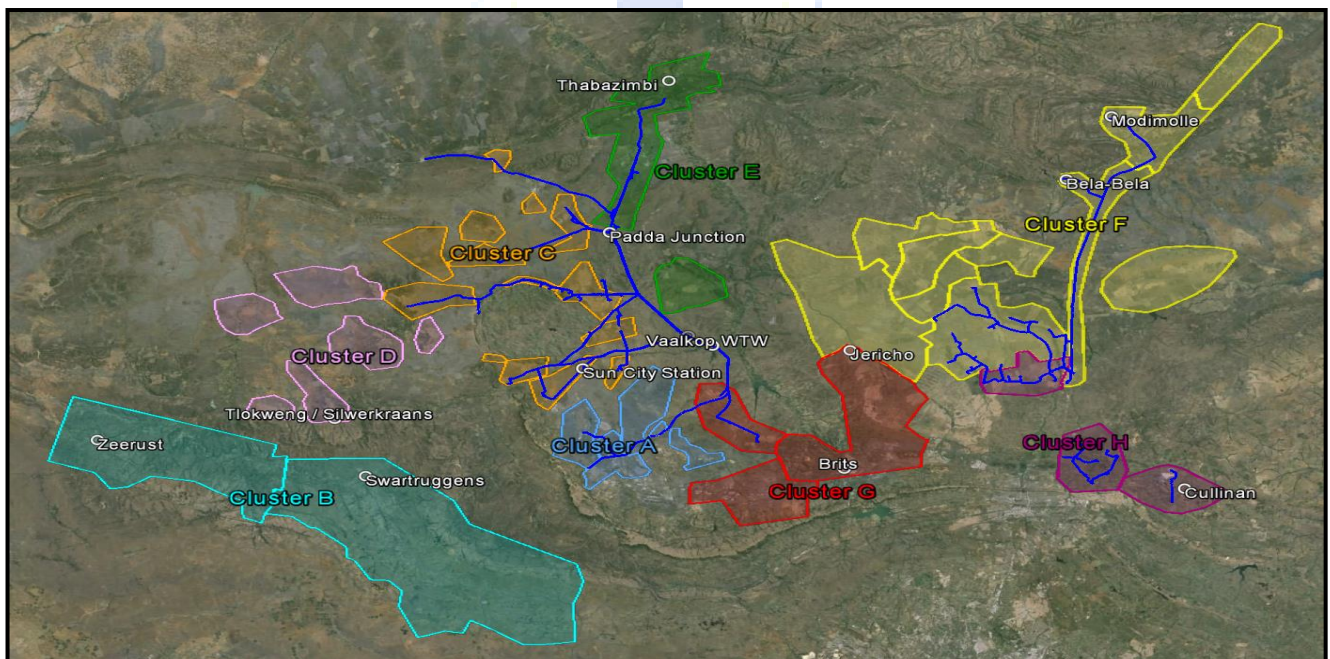


Figure 5: Infrastructure Expansions Cluster Layout - Future & Long Term Master Plan

Outlined below is the breakdown of the key developments in terms of the Capital Expansions Master Plan.

1. Klipvoor Bulk Water Scheme (Cluster F and Cluster G)

This project will augment bulk water supply to the Bela-Bela and Modimolle Local Municipalities and it is envisaged that there will be supply the Mokgoophong area. The project will also extend to the Western Dr JS Moroka Local Municipality (near Rust de Winter) and supply the Moretele Local Municipality currently dependent on groundwater. Concept design and viability assessments of the project have been completed and final project design is in progress.

2. Pilanesberg Bulk Water Supply Scheme (Cluster A to E)

The Pilanesberg South scheme will benefit the growing demand for sustainable bulk water supply of the Moses Kotane and Rustenburg Local Municipalities, including the new mining developments in the Pilanesberg and Bakubung areas. The Northern and Southern parts of the scheme, including upgrades at the Vaalkop Water Treatment Plant have been concluded. Phase 3 of the scheme that links Mafenya reservoir to Kgetleng Rivier Local Municipality will be implemented once resources have been mobilised.

3. Moretele South Scheme (Cluster F and Cluster G)

The Moretele South Scheme comprise a 42ML/day plant a dedicated pipeline and reservoir to cater for the needs of Moretele Local Municipality. The pipeline is under construction and is being implemented in phases due to budgetary constraints. It is independent of the Klipvoor Scheme and is represented in the following schematic presentation:

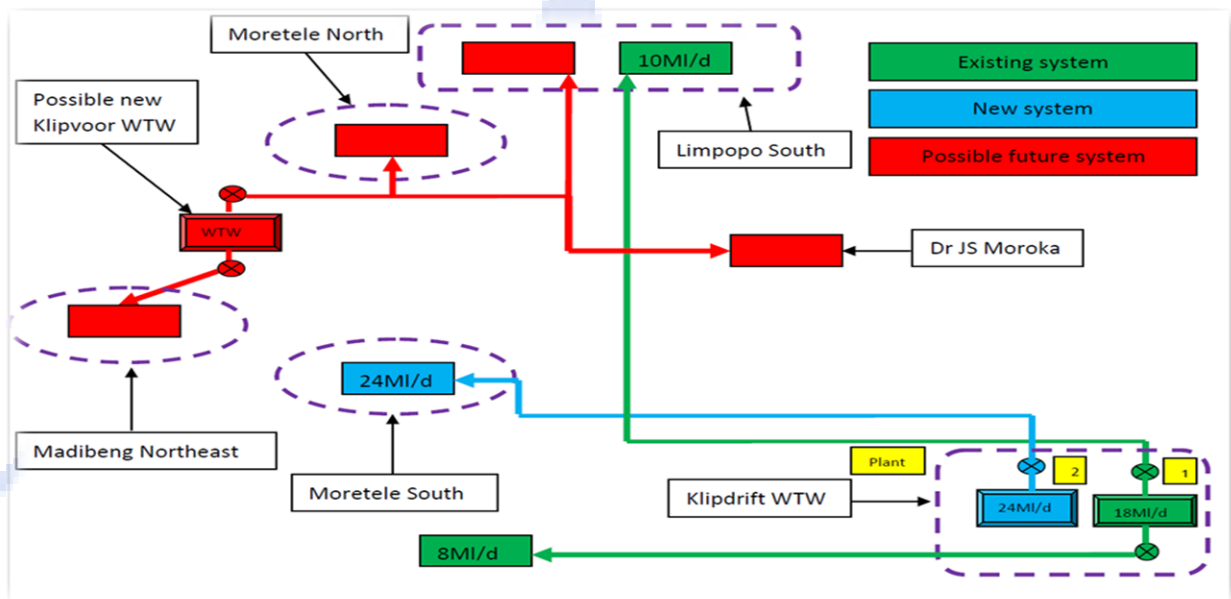


Figure 6: Moretele South Schematic Representation

4. Upgrades at the Klipdrift Water Treatment Plant (Cluster F and Cluster G)

Klipdrift Water Treatment Plant has been being upgraded with an additional treatment capacity of 18ML/d to meet the current demand of Moretele, Bela-Bela, Modimolle- Mookgophong Local Municipalities to a total capacity of 42ML/d. This development includes, an improved raw water abstraction system, clear water balancing storage, Pump Station and Pipeline.

18.6 Asset Management to Maintain Condition of Assets

The scope of asset management within Magalies Water extends from the raw water intakes in the water catchments to the point of sale at the individual customer's property boundaries. It excludes dams, intake structures and canals, which belong to the DHWS.

Included to our assets are the raw water abstraction pump stations, water treatment works, and bulk water supply mains with associated equipment, reservoirs, and water meters.

The Asset Management System is implemented through the Asset Maintenance Plan, which is compiled annually.

Various assets care tactics are employed to achieve management maintenance objectives, operational excellence and sustainability of equipment as follows:

1. Preventive maintenance

This maintenance type is carried out at predetermined intervals, or corresponding to prescribed criteria, and intended to reduce the probability of failure or the performance degradation of an asset.

2. Predictive Maintenance

This type of maintenance also referred to as "condition monitoring" is a maintenance technique that involves monitoring the condition of an asset and using that information to predict its failure.

3. Corrective Maintenance

This is maintenance carried out to restore an asset to good working condition.

4. Breakdown Maintenance

This type of maintenance is also referred to as "run to failure". This entails the maintenance technique wherein assets are allowed to run-to-failure if it is more cost effective not to maintain them.

From these tactics, information is collated and used to make informed management decisions on whether assets should be replaced, refurbished, reconditioned or decommissioned.

The asset maintenance strategy is being further enhanced with a long term view of acquiring and complying with ISO 55000.

18.7 Status of Agreements with Key Customers

The status of Bulk Supply Agreement Contracts (BSAs) with the Magalies Water's Customers is as follows:

Table 28: BSA Expiry Timelines

#	NAME OF CUSTOMER	AGREEMENT EXPIRY
1	Bela Bela Local Municipality	2023 (5years)
2	City of Tshwane Metropolitan Municipality	2020 (3years) currently being renegotiated
3	Modimolle-Mookgophong Municipality	2021 (3 years)
4	Moses Kotane Local Municipality	2023 (10years)
5	Rand Water (Vaalkop Southern Water Supply Scheme)	Open ended contract
6	Royal Bafokeng Administration	2021
7	Rustenburg Local Municipality	2018 (expired and currently on a month to month)
8	Thabazimbi Local Municipality	2030

Table 29: SECTION 29 – Bulk Water Supply Mine Agreements

#	NAME OF CUSTOMER	AGREEMENT EXPIRY
1.	Cullinan Diamond Mine	Open ended*
2.	Impala Platinum Limited	Open ended*
3.	Northam Platinum Limited – Northam	Open ended*
4.	Rustenburg Platinum Mines Limited – AMADELBULT SECTION	Open ended*
5.	Rustenburg Platinum Mines Limited – BOSHKOPPIE	Expired
6.	PPC-DWAALBOOM	Open ended*
7.	Siyanda Bakgatla Platinum Mine	Open ended*

#	NAME OF CUSTOMER	AGREEMENT EXPIRY
8.	RHINO ANDALUSITE RESOURCES	Open ended*
9.	PILANESBERG PLATINUM MINE	Open ended*
10.	BAFOKENG RASIMONE PLATINUM MINE	Open ended*
11.	GLENCORE SMELTER	September 2026
12.	MASEVE MINE	Open ended*
13.	BAKUBUNG WESIZWE	Open ended*
14.	CRONIMET CHROME MINE	August 2028
15	CAROUSEL CASINO	Open ended*
16	SA FERROCHROME (PTY)LTD / GLENCORE	2026

*Open ended contracts are linked to the life span of the mine.

Magalies Water

19 Environmental Management Plan

Environmental sustainability is incorporated into the operations of Magalies Water to ensure that the impact on natural resources is minimised and that key environmental risks are managed. The National Development Plan proposes a strategic imperative of a transition towards low-carbon resilient economy to build a competitive resource-efficient and inclusive future. The environmental management framework of Magalies Water will therefore be aligned to that strategic imperative.

Environmental management will therefore be based on implementation of the following initiatives:

1. To ensure that an impact on the environment is minimised, monitoring and auditing of environmental performance will be conducted. This will include annual environmental audits at all the operational sites and an environmental legal compliance audit for the entire organisation.
2. The principles of Integrated Environmental Management will continue to be applied in the entire life cycle of infrastructure implementation. This will include Environmental Impact Assessments for the proposed projects in accordance to the applicable legislation in the capital expansions plan.
3. Resource quality objectives will be set for abstraction of raw water to identify triggers for mitigation against any risks. Monitoring of resources quality will continue and engagement with affected Stakeholders in the catchment to ensure that resource quality objectives are met to safeguard raw water quality.
4. Application for a waste management licence continues, which includes management and disposal of sludge.
5. Implementation of a bio-diversity management plan to eliminate and monitor alien and invasive plant species in alignment to the national bio-diversity norms and standards.

19.1 Greenhouse Gas Emissions and Carbon Footprint Assessments

The United Nations Framework Convention on Climate Change provided objectives to achieve stabilisation of greenhouse gas concentrations in the atmosphere, at a level that would prevent dangerous pollution caused by humans to interfere with the climate system. The Kyoto protocol specifies principles for both the developed and the developing world to reduce emissions of greenhouse gases. The principles includes among others, design, adaptation and implementation of measures to mitigate climate change.

The Greenhouse Gas Protocol (GHGP) provides accounting and reporting standards, sector guidance, calculation tools and trainings for business and government. It establishes a comprehensive global framework for measuring and managing emissions from private and public sector operations.

Magalies Water aims to support national and global strategies by assessment of current GHG emissions and how they changed as well as set objectives and targets to ensure move towards goal of reducing GHG emissions. South Africa is a signatory to the above International conventions and is thus obligated to comply with any rules and conditions of those conventions.

Magalies Water has embarked on the initiative to compute, record and reduce its carbon footprint. This initiative is geared towards a low carbon economy and improvement in the long-term effects of climate change in order to support the Government's mitigation and adaptation strategies.

A baseline for the Greenhouse Gas emissions is thus as follows:

Table 30: Greenhouse Effect Management Guide

Aspect	Total Kg Co ₂ e
Water	24 528 070
Energy consumption	82 802 911
Travel	1 522 408
Total	108 853 390

The above guidelines will be utilised for comparability with respect to Magalies Water related activities that give rise to similar emission. Magalies Water is monitoring and measuring such activities bi-annually.

20. Water Conservation and Demand Management

Water Conservation and Demand Management (WCDM) entails comprehensive reforms and actions to optimise existing water supplies. It is a long-term, integrated approach to water management that aims to conserve water by controlling the usage of water to influence demand and promoting efficient use. WCDM involves various role-players across governance structures, technical expertise and a cultural mind-shift to recognise the importance of water and the cumulative impact of individual use (whether it is urban residents, industry or agricultural users) on each other and the water source. The aim is to minimise loss and waste, to protect the water resources and to use water efficiently and effectively.

21. Corporate Social Investment

Responsible Corporate Citizenry is one of the focus areas of the Board and Magalies Water has adopted a Policy to that effect. The organisation operates within communities and Magalies Water activities impact on the societies within which it operates. It is for this reason that this company seeks to play its role of responsible corporate citizenry in the latter areas.

A Corporate Social Investment (CSI) resource mobilization plan has been developed in order to align the CSI initiatives with the Government objectives and plans of various Municipalities within the service areas. The approach to CSI is that Magalies Water obtains water and sanitation or any other related community initiatives the implementation of which it supports the identified Municipality needs in the service areas.

22. Key Performance Indicators and Targets

SHAREHOLDER COMPACT: PERFORMANCE OBJECTIVES AND TARGETS - MAGALIES WATER

Below is the Magalies Water's attempt to revise the DHSWS's format such that it talks to the five (5-Year) Planning Horizon

Table 31: Key Performance Indicators and Targets-Magalies Water's Adapted Version

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2019/20	2020/21	2021/22	2022/23	2023/24
			Ministerial Outcomes	DHSWS Strategic Goals	WB Strategic Objectives								
Organisational Efficiency and Effectiveness	1	Bulk potable water quality compliance	Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced	Protection of water across the value chain	To provide quality potable water	Water Quality Standards met (Compliance to SANS 241:2015)	Acute health microbiological risk $\geq 97\%$	% compliance	Acute health 1 $\geq 97\%$	Acute health microbiological risk $\geq 97\%$	Acute health microbiological risk $\geq 97\%$	Acute health microbiological risk $\geq 97\%$	Acute health microbiological risk $\geq 97\%$
							Acute health chemical risk $\geq 97\%$	% compliance	Acute health 2 $\geq 97\%$	Acute health chemical risk $\geq 97\%$	Acute health chemical risk $\geq 97\%$	Acute health chemical risk $\geq 97\%$	
							Chronic health chemical risk $\geq 95\%$	% compliance	Chronic health $\geq 95\%$	Chronic health chemical risk $\geq 95\%$	Chronic health chemical risk $\geq 95\%$	Chronic health chemical risk $\geq 95\%$	
							Operational risk $\geq 93\%$	% compliance	Operational $\geq 93\%$	Operational risk $\geq 93\%$	Operational risk $\geq 93\%$	Operational risk $\geq 93\%$	
							Aesthetic risk $\geq 93\%$	% compliance	Aesthetic $\geq 93\%$	Aesthetic risk $\geq 93\%$	Aesthetic risk $\geq 93\%$	Aesthetic risk $\geq 93\%$	
	2	Manage avoidable water losses	Outcome 6: An efficient, competitive and responsive infrastructure network	Equitable and sustainable water and sanitation services	To provide reliable and sustainable water services to customers	Reduced avoidable water losses in treatment systems	Avoidable water lost as a percentage of water produced at plants	Plants: %	$\leq 5\%$	$\leq 5\%$	$\leq 5\%$	$\leq 5\%$	$\leq 5\%$

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2019/20	2020/21	2021/22	2022/23	2023/24
			Ministerial Outcomes	DHSWS Strategic Goals	WB Strategic Objectives								
		Manage avoidable water losses				Reduced avoidable water losses in distribution systems	Avoidable water lost as a percentage of water produced at distributions	Distribution: %	≤7%	≤7%	≤7%	≤7%	≤7%
	3	Reliability of supply				No unplanned interruptions to bulk supply exceeding 48hours continuously, per event	Number of incidents of continuous service interruption exceeding 48 hours	Number	≤6 Incidents	≤5 Incidents	≤5 Incidents	≤5 Incidents	≤5 Incidents
	4	Increased access to Services				Contribution to national objectives of extending services	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	%	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)
Financial Performance	5	Finance reporting compliance	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Equitable and sustainable water and sanitation services	To manage financial and business risks	Unqualified Audit Report	Annual External Audit	Unqualified report with no matters of emphasis	Unqualified	Unqualified	Unqualified	Unqualified	Unqualified
	6	Improve key financial ratios			To achieve growth and sustainable	Improved viability and sustainability	Current Ratio	Ratio	1.7:1	2.31	2.3:1	2.4:1	2.2:1

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2019/20	2020/21	2021/22	2022/23	2023/24
			Ministerial Outcomes	DHSWS Strategic Goals	WB Strategic Objectives								
					financial returns	Gross Profit Margin % (Primary Activity)	%	≥34%	≥25%	≥27%	≥29%	≥31%	
						Gross profit margin (secondary activity)	%	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	
						Net Profit Margin (Primary Activity)	%	≥15%	≥3%	≥9%	≥10%	≥11%	
						Net Profit Margin (Secondary Activity)	%	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	
						Debt/Equity	%	≤22%	≤12%	≤18%	≤16%	≤15%	
						Return on Assets	%	≥3%	≥1%	≥2%	≥2%	≥3%	
						Average Debtors Days	Number	≤50 Days	≤60 Days	≤55 Days	≤50 Days	≤45 Days	
						Repairs and maintenance as % of Property, Plant & Equipment & Investment Property (Carrying Value)	%	1%	≥1%	≥1%	≥1%	≥1%	

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2019/20	2020/21	2021/22	2022/23	2023/24
			Ministerial Outcomes	DHSWS Strategic Goals	WB Strategic Objectives								
							Staff Remuneration as % of Total Revenue	%	≤34%	≤30%	≤30%	≤30%	≤30%
	7	Increase BBBEE expenditure relative to operational projects	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Equitable and sustainable water and sanitation services	To contribute towards transformation and developmental agenda	Spend increased and increased new entrants awarded contracts in the financial year	Spend	% achieved	≥30%	≥30%	≥30%	≥30%	≥30%
							New Entrants (BBBEE)	Number	8	50	50	50	50
	8	Manage costs within the approved budget						Actual expenditure compared with budgeted expenditure for the quarter	Financial reports	% increase	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)
	9	Capital expenditure programme	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Equitable and sustainable water and sanitation services	To contribute towards transformation and developmental agenda	Infrastructure available to meet demands	Actual CAPEX spend on expansion related projects as % of Total CAPEX budget	%	≥90%	≥90%	≥90%	≥90%	≥90%
							Overall project completion dates within targets	%	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2019/20	2020/21	2021/22	2022/23	2023/24
			Ministerial Outcomes	DHSWS Strategic Goals	WB Strategic Objectives								
							Overall project expenditure within R target	% variance	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)
	10	Engagement in secondary activities			To achieve growth and sustainable financial returns	Growth in turnover from secondary (other activities)	Percentage of total turnover	%	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)
Customer/ Stakeholder Interaction	11	Bulk supply agreements concluded with municipalities/ other customers	Outcome 9: A responsive, accountable, effective and efficient Local Government system	An efficient, effective and development oriented water and sanitation sector	To manage customer and stakeholder relations	Statutory and Service Level Agreements in place	Municipalities/ Other Customers with bulk supply agreements	%	80%	80%	80%	80%	80%
	12	Implementation of Ministerial Directives	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	An efficient, effective and development oriented water and sanitation sector	To manage customer and stakeholder relations	New Ministerial directives issued are implemented on time	Progress against Implementation Plan	%	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)	Not contracted (MW)
	13	Support Rural Development				Total Number of identified Municipalities supported	Signed Contracts, MOUs, etc	Number	1	1	1	1	1

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2019/20	2020/21	2021/22	2022/23	2023/24
			Ministerial Outcomes	DHSWS Strategic Goals	WB Strategic Objectives								
	14	Achieve statutory reporting compliance	Outcome 9: A responsive, accountable, effective and efficient Local Government system		To manage customer and stakeholder relations	All Statutory Reports submitted on time	% Submission dates met	%	100%	100%	100%	100%	100%
Organisational Capacity	15	Staff levels	Outcome 5: A skilled and capable workforce to support an inclusive growth path	An enhanced contribution to socio-economic development and transformation by the sector	To maintain and retain skills of all employees	Optimal staff retention	Staff turnover	%	≤3%	≤3%	≤3%	≤3%	≤3%
	16	Training and Skills Development	Outcome 4 Decent employment through inclusive economic growth	An enhanced contribution to socio-economic development and transformation by the sector	To contribute towards transformation and developmental agenda	Skills and capacity building	Learnerships	Number	25	25	25	25	25
							Internships	Number	10	10	10	10	10
							Number of external Bursaries awarded (annual cycle)	Number	5	5	10	10	10

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2019/20	2020/21	2021/22	2022/23	2023/24
			Ministerial Outcomes	DHSWS Strategic Goals	WB Strategic Objectives								
						Bursaries employees	Number	40	20	20	20	20	20
						Graduate Programmes	Number	4	4	4	4	4	
						Permanent and contract (direct)	Total Number (Direct)	Number	5	0	5	5	5
						Temporary (indirect)	Total Number (Indirect)	Number	40	20	30	30	40
17	Jobs Created	Outcome 5: A skilled and capable workforce to support an inclusive growth path											
General Performance	18	Board Effectiveness	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	An efficient, effective and development oriented water and sanitation sector	To manage customer and stakeholder relations	Improved performance of fiduciary duties/governance	Board Member attendance of all Board / Committee meetings	%	85%	85%	85%	85%	85%
						Board and Committee meetings held	Number	32	24	24	24	24	
						Decision making: % number resolutions taken by the board vs number of resolutions required	%	100%	100%	100%	100%	100%	
	19	Effective Internal Controls and	Outcome 12: An efficient, effective and development	Equitable and sustainable water and	To manage financial and	Internal audit findings dealt with	Number of repeat and unresolved	Number of Repeat Findings	≤2	≤10	≤8	≤7	≤6

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2019/20	2020/21	2021/22	2022/23	2023/24
			Ministerial Outcomes	DHSWS Strategic Goals	WB Strategic Objectives								
		Risk Management	oriented public service and an empowered and inclusive citizenship	sanitation services	business risks		Internal Audit findings	Number of Unresolved Findings	≤5	≤15	≤13	≤12	≤12
	20	Good Governance	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	Equitable and sustainable water and sanitation services	To manage financial and business risks	Improved controls and risk mitigation	Breaches of materiality and significance framework	Number	0	0	0	0	0
					To manage customer and stakeholder relations	Improved stakeholder relations management	% Compliance with Stakeholder Engagement plan	%	80%	80%	80%	80%	80%
	21	Corporate Social Responsibility Initiatives	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	An enhanced contribution to socio-economic development and transformation by the sector	To contribute towards transformation and development by the Agenda	Good corporate citizenship	Number of initiatives undertaken	Number	3	2	3	3	3
	22		Optional WB Specific Performance objectives										

Ministerial Directives

There are no new Ministerial Directives planned for the 2020/21 financial year.

20 Self - Appraisal of Performance (Quarter 4 2019/20)

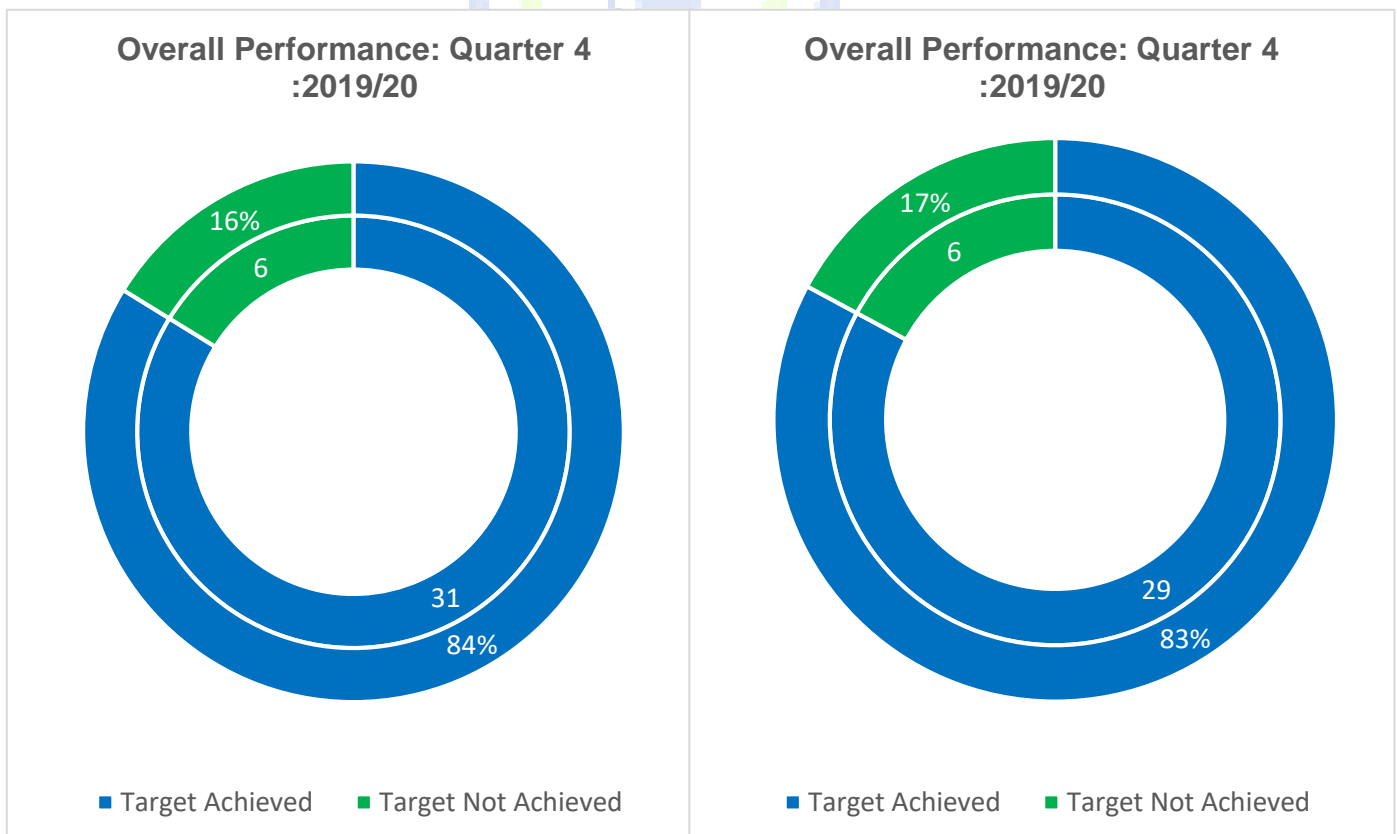
The below graphic comparison displays the two (2) performance scenarios for Q4:2019/20. Magalies Water's Shareholder Compact includes 100% delivery on two (2) key performance indicators that are dependent on the Minister's decision to assign the implementing agency function to Magalies.

Scenario 1: Performance including Minister KPIs: Q4: 2019/20 overall achieved performance of 84% (31 key performance indicators targets achieved vs 37 key performance indicators planned for Q4).

Scenario 2: Performance excluding Minister KPIs: Q4:2019/20 performance achievement becomes 83% (29 key performance indicators targets achieved vs 35 key performance indicators planned for Q4)

Scenario 1: Performance including Minister KPIs

Scenario 2: Performance excluding Minister KPIs

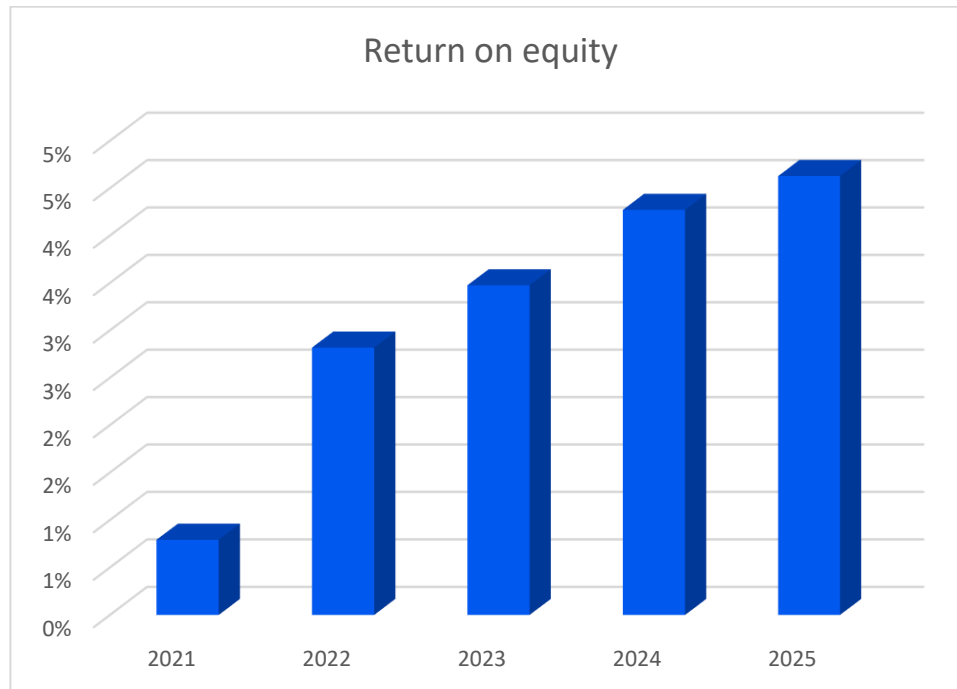


21 Statement of Financial Viability

Magalies Water will measure the financial viability performance in terms of the following key Ratios:

The Return on Equity will remain solid over the planning period due to increasing profitability.

Return on Equity

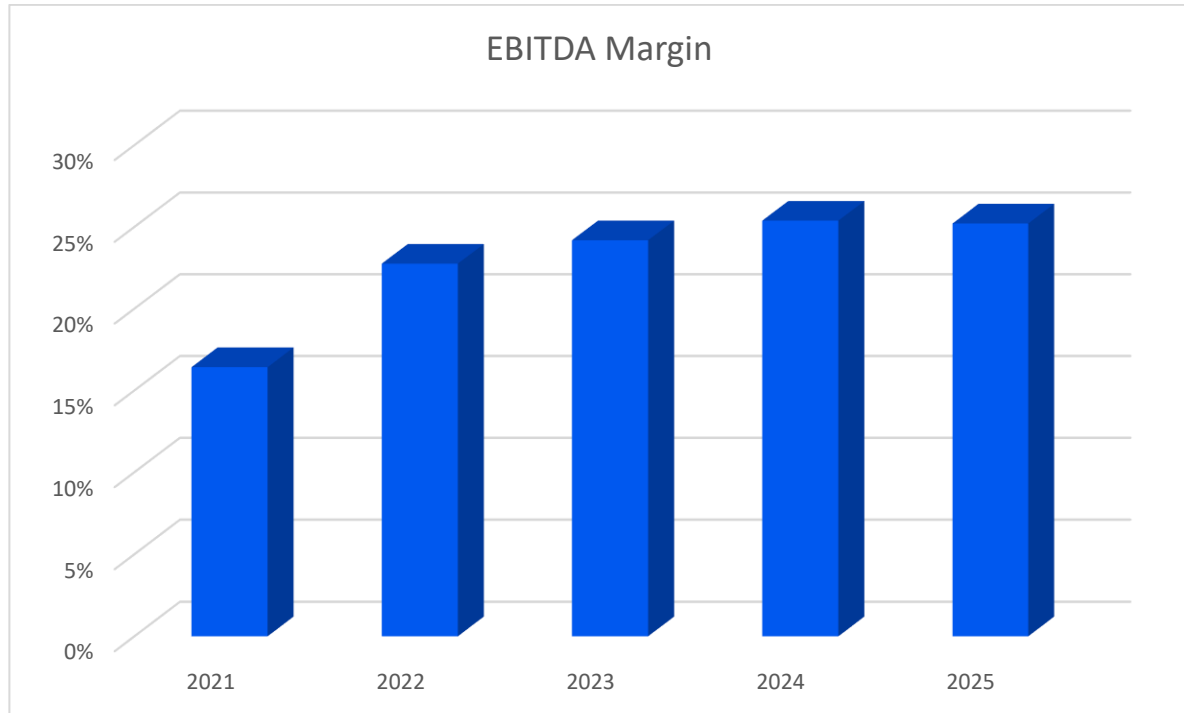


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2021	2022	2023	2024	2025
Return on Equity Ratio	1%	3%	3%	4%	5%

EBITDA Margin

The EBITDA Margin will progressively increase over the five (5) years of the planning period, and as such reflecting the robustness of Magalies Water's cash generation capacity from operations.

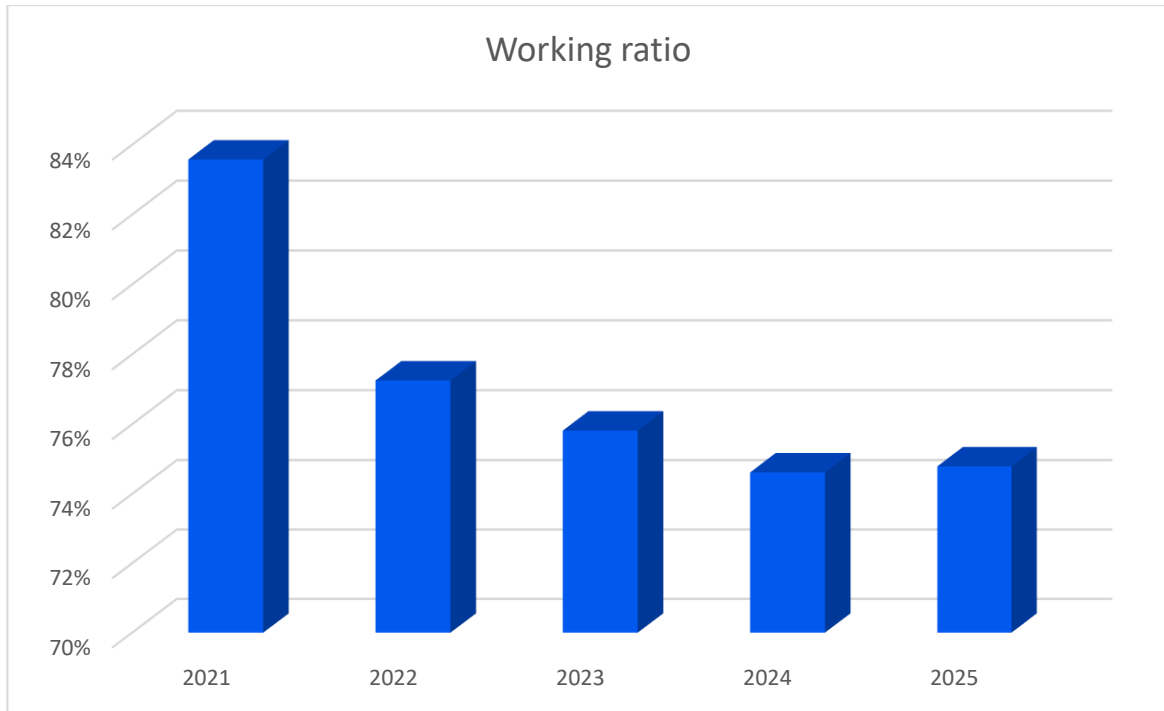


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2021	2022	2023	2024	2025
EBITDA Margin	16%	23%	24%	25%	25%

Working Ratio

The Working Ratio will progressively decrease over the five (5) years of the planning period and as such reflecting the implementation of the existing cost control measures and improved efficiencies at the operations level.

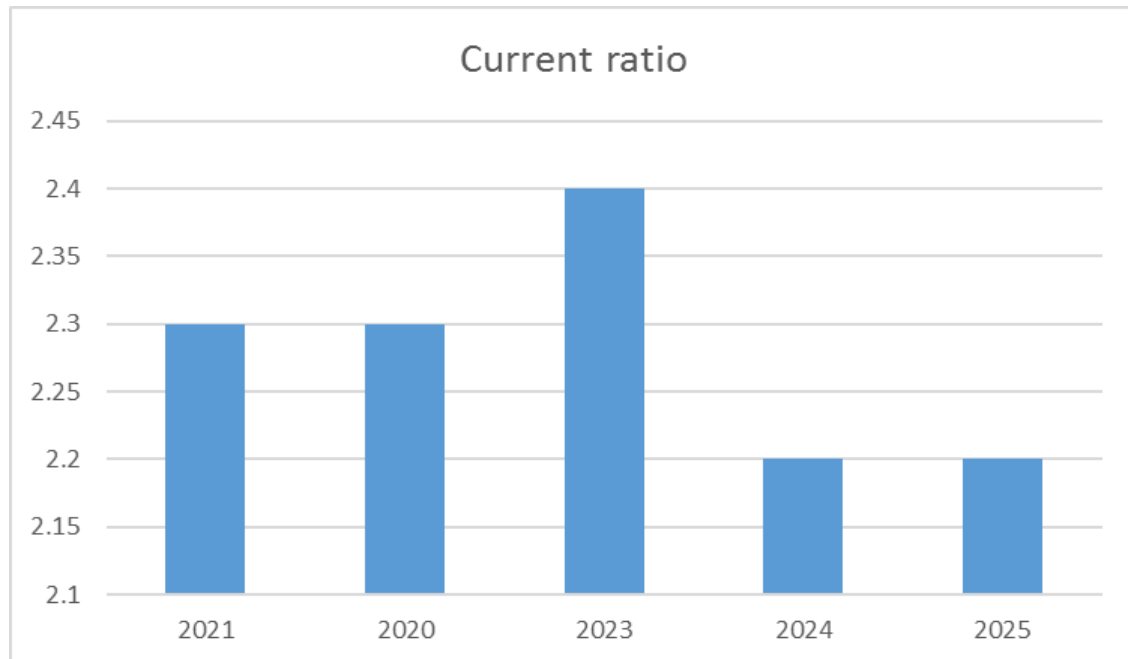


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2021	2022	2023	2024	2025
Working Ratio	84%	77%	76%	75%	75%

Current Ratio

Magalies Water will be in a position to meet its short-term obligations over the planning period. Investments will also be brought to their optimum levels as efficiencies continue to be harvested from investments in fixed assets.

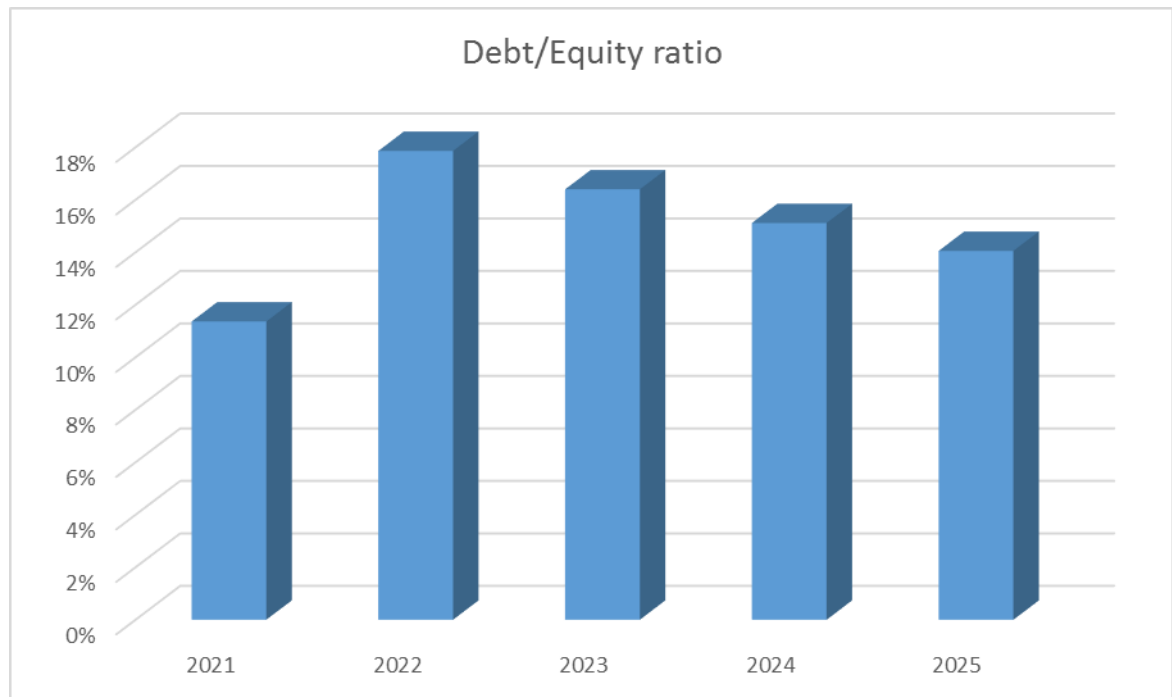


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2021	2022	2023	2024	2025
Current Ratio	2.3:1	2.3:1	2.4:1	2.2:1	2.2:1

Debt to Equity

The capital structure will be stable during 2022 to 2025 years and then progressively reduce in line with the reduction in debt levels over the planning period and as assets are utilised.

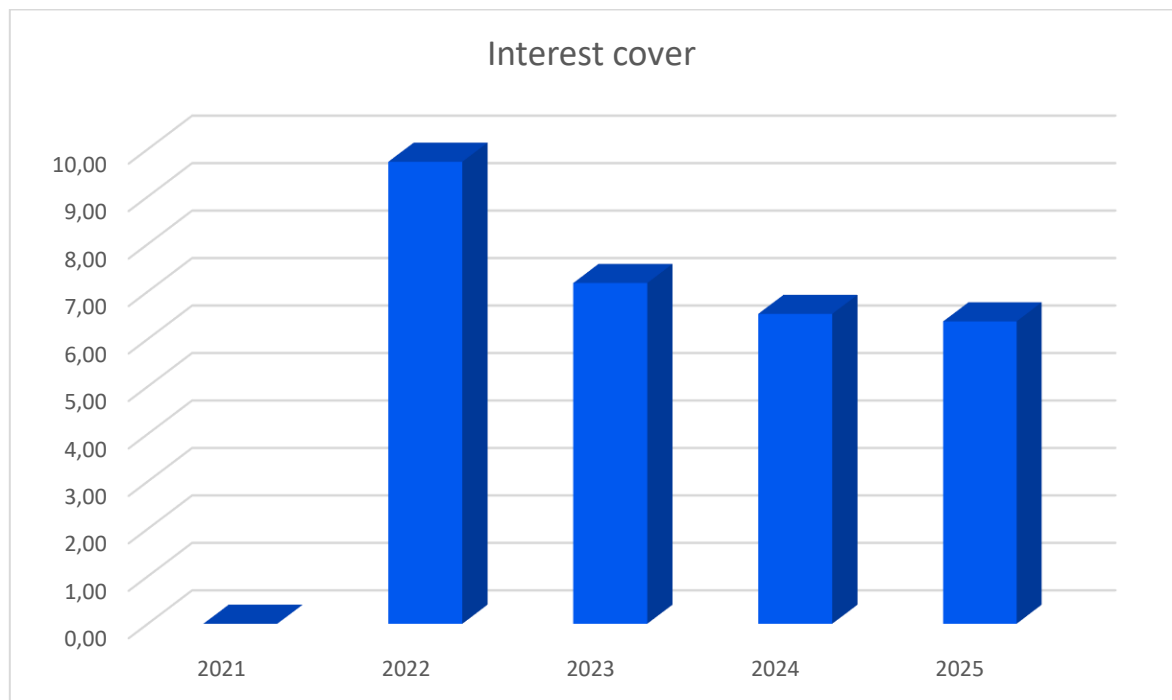


The detailed targets below informed the above graphic representation of this measurement.

- Ratio/Year	- 2021	- 2022	- 2023	- 2024	- 2025
-Debt/Equity Ratio	- 11%	- 18%	- 16%	- 15%	- 14%

Interest Cover Ratio

Sufficient profits and cash flows will be generated to cover costs of servicing debt.



The detailed targets below informed the above graphic representation of this measurement.

– Ratio/Year	– 2021	– 2022	– 2023	– 2024	– 2025
– Interest Cover Times	– 0	– 9.73	– 7.18	– 6.53	– 6.37

22 Bank Accounts

Magalies Water operates on the following current accounts with the Standard Bank of South Africa.

1. 03 313 9539
2. 03 309 6937
3. 03 311 8213

Magalies Water operates on the following investment accounts with the Standard Bank of South Africa.

1. 03 844 1241
2. 03 844 3325

Magalies Water operates on the following investment accounts.

1. 3774408-ZAR-2201-0 : ABSA
2. 03/7881108916 : Nedbank
3. SMT-DC14A00194 : FirstRand Bank
4. Promissory note : Land and Agricultural Development Bank
5. 1101 3701 0015 : Nedbank
6. 202 683 966 : Standard Bank

23 Declaration

Magalies Water hereby declares that all information that the organisation is aware of and which is significant to functioning and delivery of its mandate is disclosed in this Business Corporate Plan, as required in terms of the Water Services Act (Act 108 of 1997), the Public Finance Management Act (Act 1 of 1999), and other relevant legislation and associated regulations, prescribed guidelines and practice notes issued by the DHSWS and the National Treasury.



24 List of Abbreviations

BCM	Business Continuity Management
BBBEE	Broad Based Black Economic Empowerment
Co₂e	Carbon Dioxide equivalent
CSI	Corporate Social Investment
DHSWS	Department of Water and Sanitation
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
ICT	Information and Communications Technology
ISO	International Organisation for Standards
ML/day	Megalitre per day
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NQF	National Qualifications Framework
OHSAS	Occupational Health and Safety Assessment Series
SALGA	South African Local Government Association
SANAS	South African National Accreditation System
SANS	South African National Standard
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SMME	Small Medium and Micro Enterprises
NWSMP	National Water and Sanitation Master Plan
MTSF	Medium Term Strategic Framework
DTI	Department of Trade and Industry
DMR	Department of Mineral Resources
WSA	Water Service Authorities
CMA	Catchment Management Agency
WCDM	Water Conservation and Demand Management