



Magalies Water

CORPORATE PLAN
2021/22 to 2025/26
(2021/22 REVIEW)

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, source www.treasury.gov.za

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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 2021/22, 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 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. The impact of COVID-19 to society at large needs to be considered as it strains an already volatile economic climate.

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 the new normal as 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 (2021/22 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; and
- General Performance.

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. 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 DWS 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 2021/22 that reflects our strategic "Road Map" for the 2021/22 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.

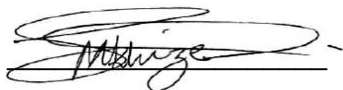
We are cognisance of the factors of uncertainties, trends and scenarios in our strategic environment. These include the following:

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 impact of COVID-19 on the affordability of Water Service Authorities and financial strain on all our customers.
4. The availability of modern water services technologies and their applicability to our ageing legacy assets.
5. The Department's Strategic Plans for Institutional Reform and Realignment
6. 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
7. Our impact on the environment.
8. 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 2021/22 is designed for success.




Mr. S.P Mkhize
Chief Executive Officer

Official Sign Off

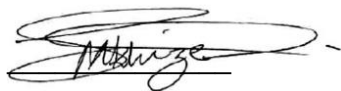
The Management of Magalies Water held a 2-Day Workshop on the 01st and 2nd of March 2021 on the Corporate Plan (2021/22 Review) in order to assess progress and to identify shortcomings. The outputs of the Management Strategy Workshop were further interrogated for relevance to the coming 5-Year planning period through the guidance of our Board Members during the Board Strategy Session held on the 19th and 20th of May 2021. The latter culminated to the Board's adoption of the format and contents of the Corporate Plan 2021/22 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 Water and Sanitation (DWS) 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. Magalies Water Background and Mandate

1.1 Background

The Board of Magalies Water was originally established by Government Notice 234 of 1969 to mainly supply the needs of platinum mines in the Rustenburg and Thabazimbi areas. At the time, it was called "Vaalkop Water Board."

This prestigious Water Board was established in terms of section 29 of the Water Services Act, (Act No 108 of 1997) and Public Entity as per Schedule 3B of the Public Finance Management Act (Act No 1 of 1999), as amended. In 1983 the company's board determined that it was accurate and appealing that the company gears into a new dimension thus name changing from Vaalkop Water Board to Magalies Water board, was one major conducive element that would hinge with the on-going company strategies. . In the year 1996 the company extended its water supply services to operate, maintain and supply retail water to the Local Municipalities such as; Moses Kotane LM, Moretele LM and other parts of Madibeng LM, as well as the City of Tshwane Metropolitan.

Subsequent negotiations with Rand Water in 1999, the company expanded the Vaalkop Treatment Plant to meet the demand of rapidly increasing water needs of the Rustenburg region. In 2003, Magalies Water board took a strategic decision to explore retail water operations and maintenance as part of its secondary obligations, following the promulgation of the Municipal Structures Act and Municipal Systems Act. This was initiated to assist municipalities to enhance water services to communities at large. The purpose of our existence is thus simple, yet powerful. We supply volumes of water and secondary services to the Water Services Authorities.

1.2 Mandate

Magalies Water's mandate 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 which provides the mandate for water boards. In this regards our purpose is to:

- 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.
- In addition to the s29 activities, Magalies Water can embark in viable s30 Activities which may include, but are not limited to:
 - Infrastructure refurbishment
 - Potable water and wastewater treatment solutions ranging from consultancy services, treatment, monitoring and operation of potable water and wastewater treatment plants
 - Rapid response on critical interventions required on water and sanitation

- Water conservation and demand management
- Operations and Maintenance (O&M) of bulk water supply and bulk sanitation infrastructure
- Magalies Water Scientific Services: The SANAS 17025 accredited laboratory-offering services in chemical, environmental and microbiological analysis to the water industry.

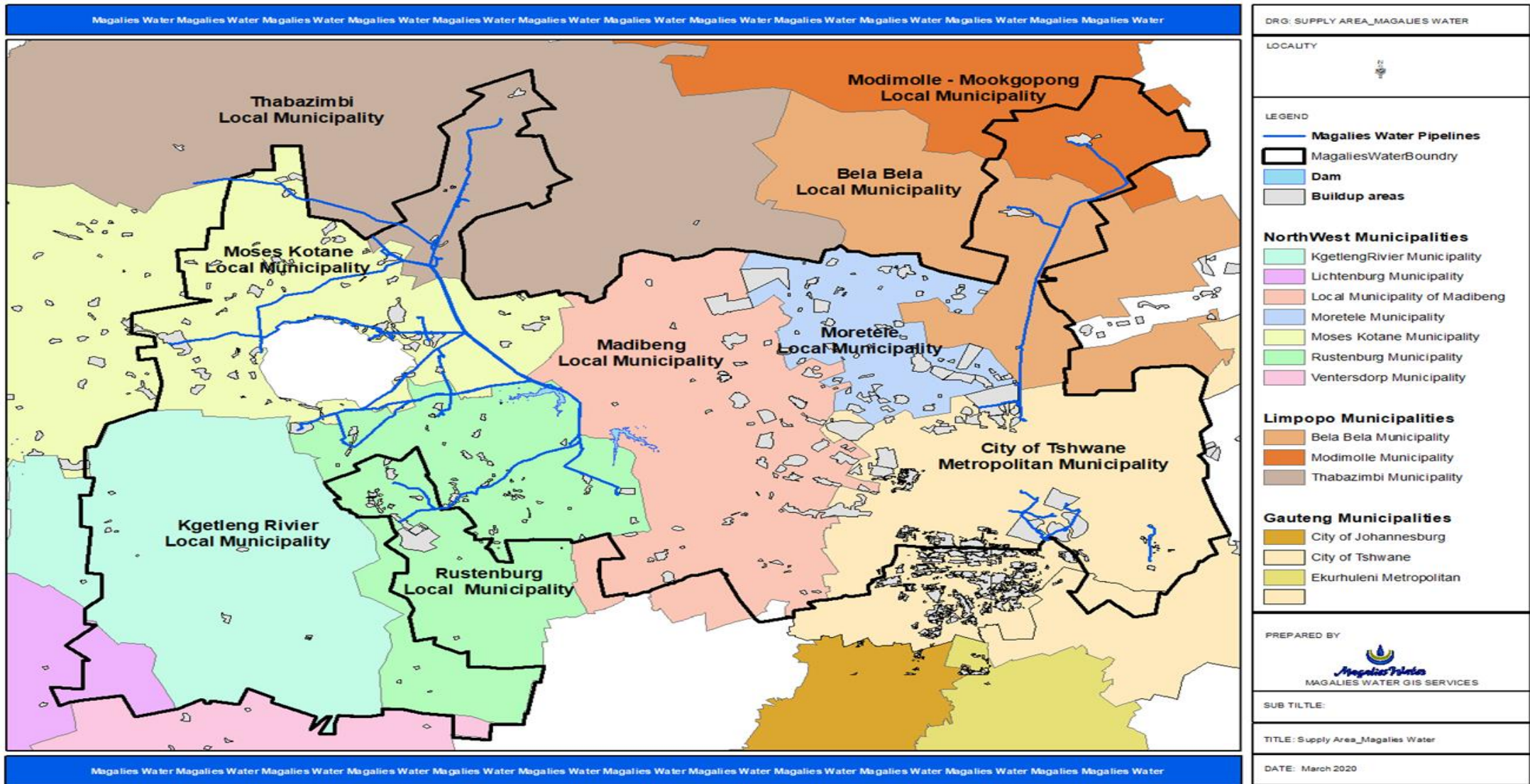
Magalies Water is also governed by amongst others, the following legislation:-

- 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.
- 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.
- 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.

1.3 Magalies Water Service Area

Service Area is illustrated in Figure 3, is determined by the Minister and stretches over Pienaars River and Crocodile River, these being two of its major service area Catchments. Magalies Water will continue to contribute to the socio- economic development within the Service Areas.

Figure 1: Magalies Water Service Area



1.4 Magalies 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 Roodeplaats 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**, Raw water is pumped from the Wilge River Dam which is a small impoundment on a tributary just downstream of the Bronkhorstspruit Dam. The 43km raw water line discharges into an earth dam located adjacent to the plant. The earth dam is known as the Reserve Dam. Raw water is abstracted from the reserve dam by Cullinan Diamond Mines and by the Cullinan Water Treatment Works (CWTW).



- 4. Wallmannsthal Water Treatment Plant (WWTP):** has a design capacity of **12ML/day**, and abstracts raw water from the Roodeplaats 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.



1.5 Magalies Water Customers

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

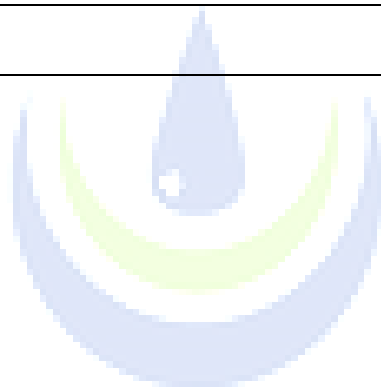
Table 1: Key Customers: Water Service Authorities & Water Services Institutions

#	DESCRIPTION
1.	Bela-Bela local Municipality
2.	City of Tshwane Metropolitan Municipality
3.	Modimolle Local Municipality
4.	Moses Kotane Local Municipality
5.	Rand Water – Vaalkop Southern Water Supply Scheme
6.	Royal Bafokeng Administration
7.	Rustenburg Local Municipality
8.	Thabazimbi Local Municipality

Table 2: Other Major Customers

#	DESCRIPTION: MINE CUSTOMERS
1.	Cullinan Diamond Mine
2.	Impala Platinum Limited
3.	Northam Platinum Limited – Northam
4.	Rustenburg Platinum Mines Limited – Amadelbult section
5.	Royal Bafokeng Resources (Rustenburg Platinum Mines)
6.	SA Ferrochrome (Pty) Ltd
7.	PPC-Dwaalboom
8.	Siyanda Bakgatla Platinum
9.	Rhino Andalusite resources
10.	Pilanesberg Platinum Mine

#	DESCRIPTION: MINE CUSTOMERS
11.	Royal Bafokeng Resources (Bafokeng Rasimone Platinum Mine)
12.	Glencore Smelter
13.	Royal Bafokeng Resources (Maseve)
14.	Bakubung Wesizwe
15.	Limberg Mine (formerly cronimet chrome mine)
#	DESCRIPTION :OTHER CUSTOMERS
16	National Department of Public Works (Zonderwaterand Baviians Prison and SANDF Walmansthall)
17	Carousel Casino



Magalies Water

2. Strategic Overview

Vision

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

Mission

To provide quality bulk water and sanitation and section 30 services to Water Services Authorities, Water Services Institutions and other users in order to positively impact the quality of life and economic growth for communities in our areas of operation.

Strategic Intent

The Strategic Intent is to meet our mandate of sustainable water provision 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

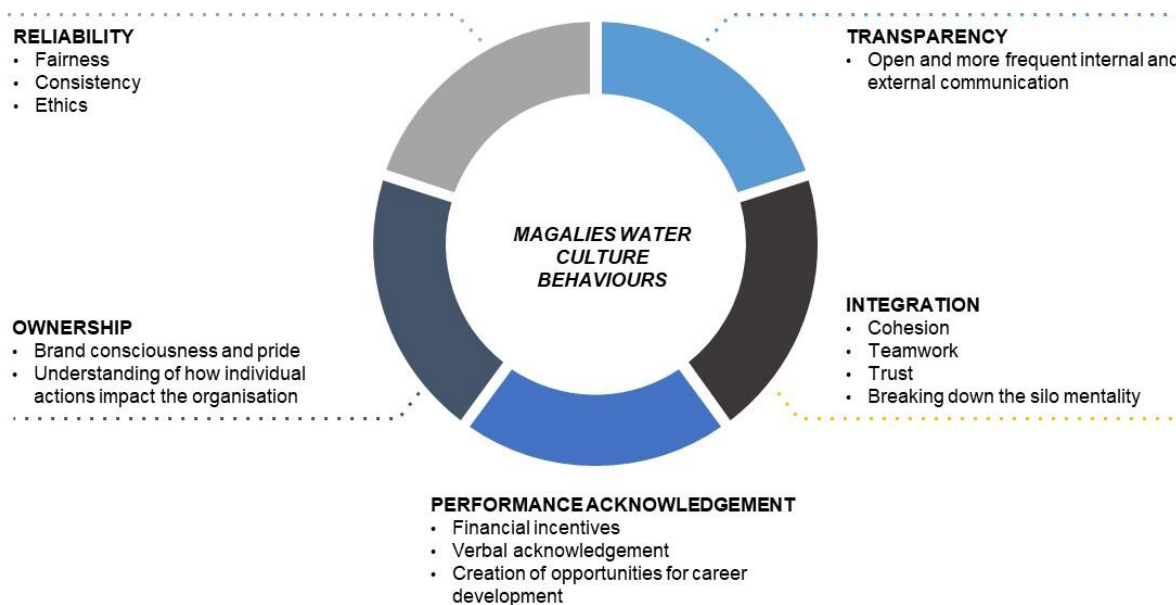
Core Values

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 2: Our Values



Figure 3: 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 continues 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.

Strategic Objectives

Magalies Water has seven (7) strategic objectives that drive the organisational vision and mission:

Objective 1: To provide quality potable water.

Our objective is to deliver water services that exceeds the required standards for water quality, reliability and client satisfaction. This will entail effective management of plant and bulk distribution operations to deliver the required quality and quantity.

Objective 2: To provide reliable and sustainable water services to customers.

Our objective is to plan, design, maintain and deliver enhanced water and waste water treatment facilities within funding constraints. This will entail implementing a strategic asset management philosophy, robust infrastructure planning and effective implementation of our capital projects portfolio.

Objective 3: To achieve growth and sustainable financial returns.

Our objective is to achieve sustainable financial returns, value for money, effectiveness, and efficiency in resource deployment. The financial returns will facilitate the funding of our capital expenditure and growth strategy.

Objective 4: To ensure good corporate governance.

Our objective is to minimise business risk through sound governance practices.

Objective 5: To manage Customer and Stakeholder relations.

Our objective is to engage the shareholder and stakeholders to position Magalies Water as the leading supplier of quality water services.

Objective 6: To contribute towards Transformation and Developmental Agenda.

Our objective is to provide appropriate support for transformation and socio-economic development. This will entail the creation of decent employment through inclusive economic growth, development of suppliers and communities through skills development, local empowerment and enterprise development.

Objective 7: To create a high-performance organisation through effective talent management.

The objective is to attract, develop and retain the right skills for the current and future success of the organisation.

Magalies Water strategy and objectives are aligned to support both the National Development Plan through the MTSF and United Nations Sustainable Development Goals. See table

Table 3: Alignment of the Government<>MTSF <>SDG Outcomes<>Magalies Water Strategic Objectives

No.	SDG Goals	Strategic Outcome Goals	MTSF Priorities	DWS Outcomes	DWS 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.	➤ Water and Sanitation services managed effectively	➤ 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.	➤ Ecological infrastructure protected and restored	➤ 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: Capable, Ethical and Developmental State	➤ Efficient, effective and development orientated department	➤ An efficient, effective and development oriented water and sanitation sector	<ul style="list-style-type: none"> ➤ 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	➤ Water redistributed for transformation	➤ An enhanced contribution to socio-economic development and transformation by the sector	<ul style="list-style-type: none"> ➤ To create a high-performance organisation through effective talent management ➤ To contribute towards transformation and developmental agenda

3 Environmental Scan

Magalies Water continuously scans the environment 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.

3.1 External 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 4: 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 implementation of the Corporate Plan should recognise the impact of the upcoming Local Government elections noting the potential change in municipal administration. Municipalities form an integral part of the operations within Magalies Water therefore their administration is of paramount importance. 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>

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>
Social	<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> <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 and unemployment, 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. COVID-19 virus impact on socio-economic factors cannot be ignored and needs a proper response plan as with high unemployment and even lower projected income levels, threats are eminent to affect operations of Magalies Water.</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. Cyber-attacks need to be consistently monitored by the organisation to ensure business continuity should the threat be realised.</p> <p>Water treatment processes are forever evolving and technological advances need to be explored and implemented by Magalies Water. This can be done through constant research and development in Water Treatment process in the Scientific Services department in Magalies Water</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>



Magalies Water

ASPECT	KEY OUTCOME
Environmental	<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. 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> <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. The source of raw water and quality of the raw water needs to be analysed and engagements on purification needs to be finalised. Ground Water programmes are also potential areas of growth for Magalies Water. Sludge classification and beneficiation also has a potential to yield positive results for the organisation. 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</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.
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 DWS' Institutional Reform and Realignment (IRR) processes. The review of the Water Services Act, SANS 241 standards and other applicable legislation will require the organisation to be knowledgeable of the review and implement accordingly.</p> <p>Furthermore, the DWS 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 DWS, 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>

3.2 Outcomes of the External 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.

Internal Analysis

Below provides the **S**trengths, **W**eaknesses, **O**pportunities and **T**hreats of Magalies Water (S-W-O-T Self-Analysis).

Table 5: Strengths, Weaknesses, Opportunities and Threats Matrix

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> • Fully effective Board. • Stable customer basis • Financial sustainable • Experienced and capable human capital. • A good blend of experienced, knowledgeable and innovative staff. • Values driven internal stakeholder relationships (labour union and employees in general). • Critical skills development. • Readiness for Institutional Reforms and Realignment process. • Accredited Scientific Services Laboratory. • 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. • Ability to operate under severe economic environment. (COVID-19 virus impact) 	<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 accredited laboratory and scientific services. • Retention and optimisation of youth based skills and organisational memory. • Institutional Reforms and Realignment process. • Introduction of Independent Water Regulator • Increasing spatial patterns, population growth, urbanisation and increasing demand in the service area. • Adaptation of new generation technologies in the value chain. • Ground Water Programme implementation for decentralised rural areas. • Sludge beneficiation programme. • Implementing tankering services for WSA.

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.- is this a planning issue, stakeholder management, risk management issue • Critical skills retention. 	<ul style="list-style-type: none"> • Technological Changes (Cyber-attacks) • Vandalism of infrastructure. • Servitude encroachments. • Tariff approval. • 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. • Excessive Debtors days (escalating debt book) • Sustainability of demand. • Potential new entrants (Section 30 business). • Unreliable power supply.

Magalies Water's response to the outcomes of the internal 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.

4. Key Performance Areas (KPAs)

4.1 Water Quality Compliance

Magalies Water's key performance area is to provide water that is safe for consumption and has acceptable health risk that meets SANS 241:2015 Drinking Water Standards.

The major planned activities to ensure achievement of this KPA includes:

- Optimisation of treatment processes.
- Implementation of recommendations based on the outcomes of the technical process audit of each plant.
- Address identified process constraints.
- Train and retrain process controllers.
- Installation of online monitoring analysers.
- Research and development - implement recommended solutions.
- Implementation of the risk base monitoring program at catchments.
- Engage DWS on maintenance of the canal and catchment management to negotiate a possible operation and maintenance contract.

4.2 Management of Average Water Losses

Magalies Water's key performance area is to keep Water Losses below 5% for the plants and below 6% at bulk distribution.

The major planned activities to ensure achievement of this KPA includes:

- Pressure monitoring along pipelines and routine maintenance of Pressure Reducing Valves.
- Implementation of recommendations based on the outcomes of the technical process audit of each plant.
- Periodic system analysis using weekly meter readings.
- Outsourcing of maintenance services for critical assets.
- Engagement with Cullinan Diamond Mine – Restoration of Wilge raw water supply system.

4.3 Reliability of Supply

Magalies Water`s key performance area is to avoid loss of services to its customers.

The major planned activities to ensure achievement of this KPA includes:

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

4.4 Financial Sustainability

Magalies Water`s key performance area is to achieve growth and financial sustainability.

The major planned activities to ensure achievement of this KPA includes:

- Capital investment strategy.
- Enhanced controls over expenditure.
- Enhance Supply Chain Management to effectively carry out "procure to pay" services.
- Continuing effective management of billing accuracy, client payment plans, cash management and credit control processes applied on a monthly basis.
- Monthly monitoring of key financial ratios.
- Manage capital expansion costs.
- Implementation of the growth strategy.
- Upgrade plant capacities to meet the growing water demand in our area of supply.
- Application for borrowing limit and sourcing funding for capital expansion

4.5 Efficiency of Capital Expenditure

Magalies Water`s key performance area is to complete capital projects on time on budget to required quality standard.

The major planned activities to ensure achievement of this KPA includes:

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

4.6 Avoidance of reportable Safety, Health and Environmental Incidents

Magalies Water`s key performance area is to avoid reportable health, safety and environmental incidents.

The major planned activities to ensure achievement of this KPA includes:

- 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 and posting security personnel in certain high risk sites.
- Implementing recommendations as per the recently conducted National Key Point Audit by the South African Police Services.

4.7 Human Capital Management, ICT, BBBEE, Skills Development and Job Creation

Magalies Water`s key performance area is to provide appropriate support for transformation and socio economic development in line with Outcome 4 on decent employment through inclusive economic growth.

The major planned activities to ensure achievement of this KPA includes

- Implementation of recruitment processes.
- Implementation of skills development programmes.
- Develop and implement Internship, Learnership and Graduate programmes.

- Continuous professional development programme
- External bursary programme.
- Employment of local people on capital projects.
- Support procurement through local SMMEs.
- Strengthen procurement policy to support BBBEE Strengthen policy and governance to ensure efficient procurement in emergencies.
- Strengthen IT governance including ICT Strategy Implementation.
- Strengthen performance monitoring and management.

4.7 Stakeholder Management

Magalies Water's key performance area is to engage the shareholder, clients and stakeholders to incorporate their appropriate influence on operations and planning.

The major planned activities to ensure achievement of this KPA includes:

- Plan engagements which include identifying Stakeholders and objectives for engagement purposes.
- Internal preparedness and alignment with Stakeholders.
- Consultation through a systematic engagement programme to facilitate development of critical relationships and building trust.
- Analysis of feedback from engagement processes.
- Stakeholder engagements and exhibitions at key sector events.
- Supporting National, Provincial and Local Government initiatives and programmes.
- Planning of engagements, prioritisation of stakeholders and purpose of engagements
- Internal preparedness and alignment with Stakeholders.
- Analysis of feedback from engagement processes.
- Development of action plans, monitoring and measurement of return on investment
- Consistent communication and exhibitions that enhance branding at key sector events.

5. Growth Strategy Response Plan

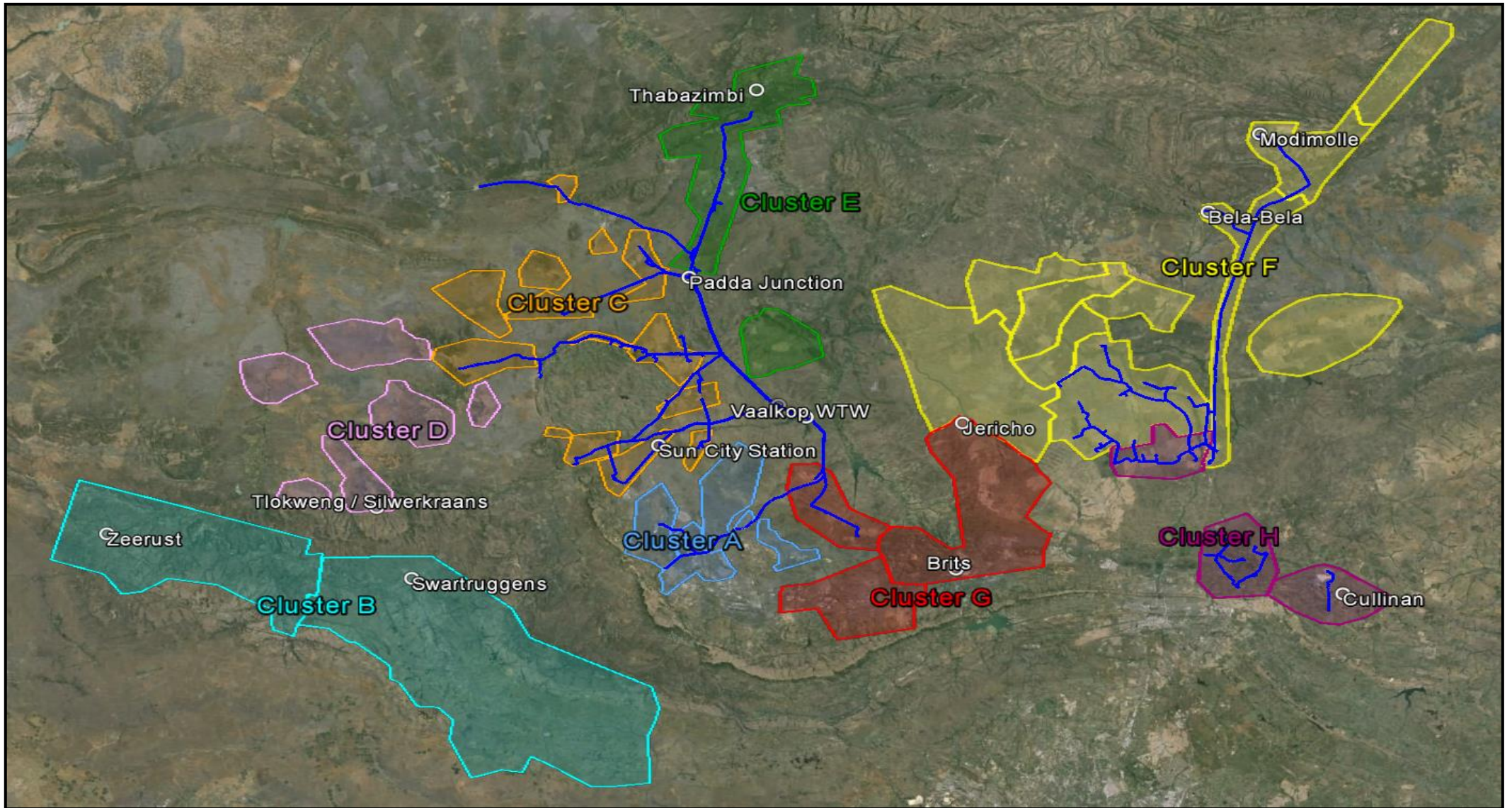
Magalies Water implements the Growth Plan initiatives from the list of 40 projects documented during 2017/18 financial year. Year-on-year, the plan is to increase the capacity and footprint of bulk infrastructure with an intention to enhance service delivery in the areas of supply and to expand the customer base in areas of supply / 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 the asset base, revenues and profitability within the confines of the triple bottom line namely, social, environmental and financial.

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



Key developments in terms of the Capital Expansions Master Plan are outlined below.

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 Mookgophong area. The project will also extend to the Western Dr JS Moroka Local Municipality (near Rust de Winter) and supply north of the Moretele Local Municipality, currently dependent on groundwater. The 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)

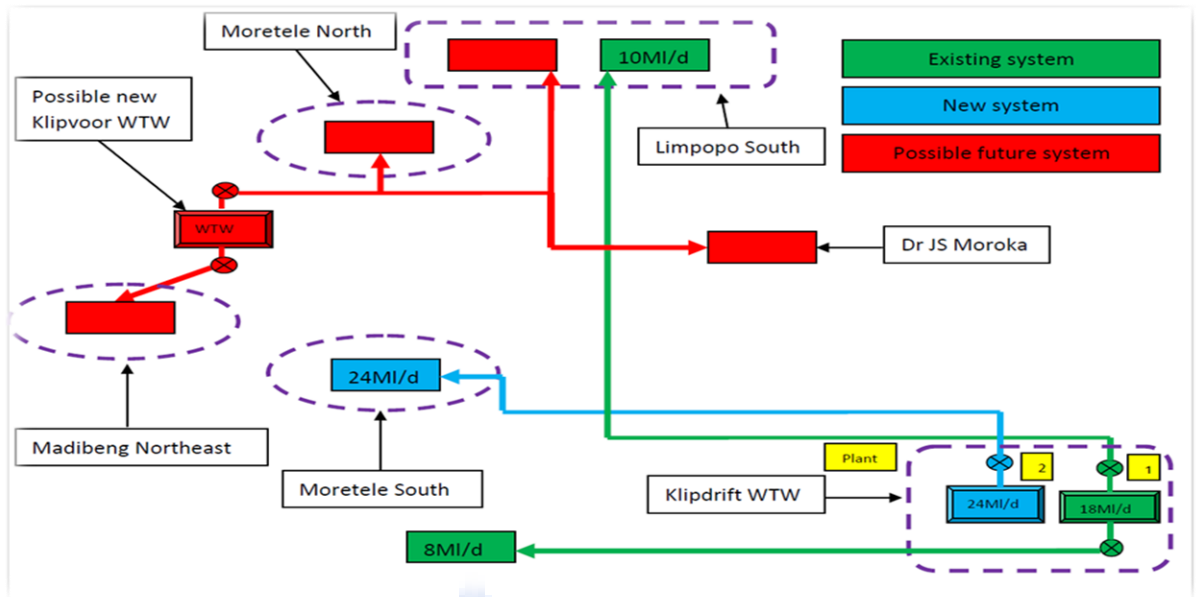
The Pilanesberg South scheme will benefit the growing demand for sustainable bulk water supply of the Moses Kotane and Rustenburg Local Municipalities, including the new mining developments in the Pilanesberg and Bakubung areas. The Northern and Southern parts of the scheme, including upgrades at the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

The Pilanesberg South Phase 2 scheme that links Mafenya to Tlhabane Reservoir will be implemented once funding has been made available from DWS. The IRS has been approved and detailed design are to be completed in the 2021/2022 Financial Year.

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

The Moretele South Scheme comprise a 24ML/day plant and 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. There is also a component of construction of a reservoir which is pending budget availability. This scheme is independent of the Klipvoor Scheme and is represented in the following schematic presentation:

Figure 4: 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.

5. Upgrades of the Modikwe/Bethanie 250DN pipeline (Cluster A)

Modikwe and Bethanie area of Rustenberg experience water shortages due to increasing water demand in their respective communities. Modikwe and Bethanie reservoirs are supplied from Magalies Water through a 250mm diameter AC pipe line from the 10ML Kortbegrip reservoir which is supplied through a 500mm diameter steel pipe line from Vaalkop Water Treatment Plant. Supply to the Modikwe community is through the Modikwe reservoir and to Bethanie community is through the Bethanie reservoir. With the increased population of these areas, the water demand has subsequently increased and infrastructure upgrade is therefore required to supply more water from Magalies Water.

6. Upgrades at the Wallmansthal Water Treatment Plant (Cluster H)

The Wallmannsthal WTW is situated about 7 km north west of the Roodeplaas Dam wall, between the left bank irrigation canal and the Pienaars River. The plant was originally designed and built for the Wallmannsthal South African Defence Force (SANDF) base, which was to be developed much larger than actually built. Currently, it is unlikely that the base will ever be extended to the original planning. However, an increase of water demand in the supply area is projected, which justifies an extension of the existing plant. The works is treating about 11 MI/day currently and the design capacity of the existing infrastructure is 12 MI/day. Due to a projected

increase of water demand and possible future deterioration of the raw water quality, it is planned to refurbish the existing works and expand the plant capacity by additional 12MI/day. The extension of Wallmannsthal WTW will thus provide a total future capacity of 24 MI/day.



Magalies Water

6. Financial Plan

Magalies Water’s strategic goal is to achieve growth and financial sustainability. In order to achieve growth, the organisation is applying for a borrowing limit and once borrowing limit is approved, a loan will be sourced which will be used to fund capital expenditure.

6.1 Basic Planning Assumptions

The following basic financial planning assumptions are applicable:

Table 6: Assumptions

Item	Year 1 (2021/22)	Year 2 (2022/23)	Year 3 (2023/24)	Year 4 (2024/25)	Year 5 (2025/26)
Inflation (CPI)	4,60%	4,60%	4,50%	4,40%	4,40%
Salary Increases	6,60%	6,20%	6,60%	6,70%	6,70%
Increase in electricity prices	13,98%	15,00%	15,00%	10,00%	10,00%
Producer Inflation (linked to increase in chemicals prices)	4,30%	4,50%	5,00%	5,00%	5,00%
Increase in raw water prices (Cullinan)	6,10%	14,50%	15,00%	10,00%	10,00%
Increase in raw water prices (Vaalkop,)	0,00%	14,50%	15,00%	10,00%	10,00%
Increase in raw water prices (Klipdrift)	18,99%	14,50%	15,00%	10,00%	10,00%
Increase in raw water prices (Wallmannsthal)	14,06%	14,50%	15,00%	10,00%	10,00%

The tariff for raw water is set by the Department of Water and Sanitation. The approved raw water tariff increase for the 2022 financial year is between 0 – 10%.

The chemical increases are based on the volume to be treated, dosage required to produce compliant quality and percentage price increase as proposed by the chemical service providers. Electricity cost is based on the projected consumption and the increase by Eskom”.

Cash management and investment 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.



Magalies Water

6.2 Statement of Profit or Loss and Other Comprehensive Income Projections

Table 7: Projected Profit/ Loss and Other Income

ITEM	Budget 2021/2022	Budget 2022/2023	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
INCOME					
WATER SALES	833 643 507	917 007 857	1 027 048 800	1 150 294 656	1 288 330 015
OTHER INCOME	21 831 000	22 922 550	24 068 678	25 272 111	26 535 717
DEFERRED INCOME	17 214 000	17 214 000	17 214 000	17 214 000	17 214 000
TOTAL INCOME	872 688 507	957 144 407	1 068 331 478	1 192 780 768	1 332 079 732
EXPENSES					
WATER PURCHASES (ALL)	104 201 351	110 453 433	127 021 447	146 074 665	167 985 864
CHEMICALS	48 045 368	52 849 905	58 134 895	63 948 385	70 343 223
ELECTRICITY	140 027 778	161 031 945	177 135 140	194 848 654	214 333 519
REMUNERATION (ALL)	254 945 737	272 791 939	291 887 374	312 319 490	334 181 855
TRANSPORT	9 364 126	10 300 538	11 330 592	12 463 651	13 710 017
MAINTENANCE	41 284 743	45 413 217	49 954 539	57 447 720	68 937 264
OPERATING EXPENSES - INDIRECT	104 207 397	114 628 136	126 090 950	138 700 045	152 570 050
TOTAL EXPENSES	702 076 500	767 469 113	841 554 938	925 802 610	1 022 061 791
OPERATING SURPLUS BEFORE DEPRECIATION & FINANCE INCOME	170 612 006	189 675 294	226 776 540	266 978 158	310 017 940

ITEM	Budget 2021/2022	Budget 2022/2023	Budget 2023/2024	Budget 2024/2025	Budget 2025/2026
DEPRECIATION AND IMPAIRMENT	117 700 000	129 470 000	148 890 500	171 224 076	196 907 687
PROVISION FOR BAD DEBTS	2 700 000	2 835 000	2 976 750	3 125 588	3 281 867
FINANCE COSTS	-	20 476 211	38 550 851	47 532 955	46 413 269
OPERATING SURPLUS AFTER DEPRECIATION & IMPAIRMENT	50 212 006	36 894 082	36 358 438	45 095 540	63 415 118
FINANCE INCOME (INVESTMENTS)	12 685 000	10 148 000	10 655 400	11 188 170	11 747 579
NET SURPLUS	62 897 006	47 042 082	47 013 838	56 283 710	75 162 696



Magalies Water

6.3 Statement of Financial Position Projections

Table 8: Financial Projections

	2021/22	2022/23	2023/24	2024/25	2025/26
Assets	R'000	R'000	R'000	R'000	R'000
Non-current assets	3 167 755	3 256 061	3 327 476	3 392 234	3 454 456
Property plant and equipment	2 765 024	2 925 149	3 060 037	3 120 453	3 165 629
Intangible assets	23 526	30 042	28 540	27 113	25 757
Construction work in progress	379 206	300 870	238 899	244 667	263 070
Current assets	749 961	726 299	750 064	795 761	789 376
Investments	276 265	229 300	263 695	290 064	319 071
Inventory	33 377	36 715	40 387	44 425	48 868
Trade receivables (Water Sales)	383 158	409 979	389 480	408 954	368 058
Other receivables	21 190	19 071	18 117	17 393	16 523
Cash	35 971	31 234	38 385	34 925	36 856
Total assets	3 917 716	3 982 359	4 077 540	4 187 994	4 243 833
Equity and Liabilities					
Equity					
Retained income	2 792 949	2 839 991	2 887 004	2 943 288	3 018 451
Long term liabilities	861 011	890 145	949 204	981 280	914 477
Capital Contributions	154 939	169 763	184 587	181 411	178 235
Borrowings	150 000	229 524	290 973	343 440	297 027
Government Grant	48 000	-	-	-	-
Deferred Income	508 072	490 858	473 644	456 430	439 216
Current liabilities	263 757	252 224	241 332	263 426	310 905
Accounts payable	239 129	227 172	215 814	237 395	284 874
Capital Contributions	4 238	4 662	5 128	5 641	5 641
Borrowings	3 176	3 176	3 176	3 176	3 176
Government Grant	-	-	-	-	-
Deferred Income	17 214	17 214	17 214	17 214	17 214
Total equity and liabilities	3 917 716	3 982 359	4 077 540	4 187 994	4 243 833

1. A long-term loan of R305 million is required to fund capital projects in the 2021/22 financial year. Magalies Water is in the process of applying for a borrowing limit for the identified capital projects. The organisation will be working with GTAC and DBSA in project preparation and packaging of the application for borrowing limit.
2. Property plant and equipment will increase by an average of 3% over the five-year period due to the capital expansion programmes.
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.

6.4 Cash Flow Statement

Table 9: Cash Flow

	2021/22	2022/23	2023/24	2024/25	2025/26
	R'000	R'000	R'000	R'000	R'000
CASH FLOW STATEMENT					
CASH GENERATED FROM OPERATIONS					
Cash applied in operations	176 186	146 844	230 222	262 646	391 538
Add: Interest received	12 685	10 148	10 655	11 188	11 748
Less: Interest paid	-	(20 476)	(38 551)	(47 533)	(46 413)
Net operating activities	188 871	136 516	202 327	226 301	356 872
INVESTING ACTIVITIES					
Additions to assets	(313 562)	(217 775)	(220 306)	(235 982)	(259 130)
Decrease/(increase) in investments	30 696	46 965	(34 395)	(26 369)	(29 006)
Net investing activities	(282 866)	(170 810)	(254 701)	(262 351)	(288 137)
FINANCING ACTIVITIES					
Acquisition/Redemption of borrowings	153 176	79 524	61 449	52 467	(46 413)
Deferred Income	(51 329)	(49 966)	(1 924)	(19 877)	(20 390)
Net financing activities	101 848	29 557	59 525	32 590	(66 803)
CASH AND CASH EQUIVALENTS					
Net cash movements	7 852	(4 737)	7 151	(3 460)	1 932
Cash at the beginning	28 119	35 971	31 235	38 385	34 925
Cash at the end	35 971	31 235	38 385	34 925	36 857
NOTES TO CASH FLOW					
Cash applied in operations	176 186	146 844	230 222	262 646	391 538
Profit before tax	62 897	47 042	47 014	56 284	75 163
Adjust for:					
Movements in working capital	8 274	(39 996)	6 422	(1 207)	84 801
(Increase)/decrease in debtors	(35 290)	(24 702)	21 452	(18 749)	41 765
Increase/(decrease) in creditors	39 855	(11 956)	(11 359)	21 581	47 479
(Increase)/decrease in Inventory	3 709	(3 338)	(3 672)	(4 039)	(4 443)
Add: Depreciation	117 700	129 470	148 891	171 224	196 908
Add: Interest paid	-	20 476	38 551	47 533	46 413
Less: Interest received	(12 685)	(10 148)	(10 655)	(11 188)	(11 748)

6.5 Five year capital expenditure plan (The total capital expenditure for 2019/20 financial year is R159.9 million)

#	PROJECT NAME	Major / Minor	TOTAL ESTIMATED BUDGET R'000	EXPENDITURE TO DATE BUDGET R'000	CAPITAL REQUIRED FOR:	FUNDING SOURCE	2021/22 R'000	2022/23 R'000	2023/24 R'000	2024/25 R'000	2025/26 R'000
MAJOR CAPEX											
1	Pilanesberg BWSS Phase 2 Mafenya to Tlhabane Bulk pipeline	Major	R 860 000	R 0	Detailed design and Construction	MW&DWS	R 148 000	R 178 390	R 123 284	R 0	R 0
2	Mafenya to Evergreen	Major	R 30 000	R 0	Cathodic protection	MW	R 15 000	R 0	R 0	R 0	R 0
3	Wallmannsthal Plant Upgrade	Major	R 147 848	R 10 846	Detailed design	MW	R 10 000	R 50 000	R 77 002	R 0	R 0
4	Wallmannsthal Reservoir (25 MI)	Major	R 60 000	R 1 339	Construction	MW	R 0	R 5 000	R 15 000	R 35 000	R 0
5	Moretele South Scheme	Major	R 427 982	R 257 982	Construction	MW&DWS	R 35 000	R 40 000	R 50 000	R 0	R 0
6	Klipvoor Scheme	Major	R 3 816 417	R 74 467	IRS Study	DWS	R 0	R 0	R 0	R 85 000	R 90 000
7	Smart Metering	Major	R 20 000	R 0	Construction	MW	R 12 000	R 8 000	R 0	R 0	R 0
8	PMU Tender	Major	R 15 000	R 0	Assignment based	MW	R 0	R 0	R 0	R 0	R 0
9	IMQS Planning Tool	Major	R 2 800	R 0	Upgrade	MW	R 0	R 0	R 3 200	R 0	R 0
10	Vaalkop Post- Chlorine Dosing Upgrade	Major	R 45 000	R 0	Upgrade	MW	R 15 000	R 30 000	R 0	R 0	R 0
11	Vaalkop Post- Chlorine Retro Fitting Project	Major	R 18 000	R 0	Upgrade	MW	R 18 000	R 0	R 0	R 0	R 0
12	Office Space	Major	R 70 000	R 498	Design	MW	R 5 000	R 25 000	R 40 000	R 0	R 0
13	250DN Bethanie/Modikwe pipeline upgrade	Major	R 50 000	R 0	Design and Construction	MW	R 5 000	R 30 000	R 0	R 0	R 0
14	350DN x2 Spitskop bulk supply pipelines upgrade	Major	R 60 000	R 0	Design and Construction	MW	R 0	R 0	R 0	R 50 000	R 0
15	Leeufontein line upgrade	Major	R 40 000	R 0	Design and Construction	MW	R 0	R 0	R 0	R 0	R 0
16	Lapatric pipeline upgrade	Major	R 80 000	R 0	Design and Construction	MW	R 0	R 0	R 0	R 0	R 0
17	LaPatrie to Mogwase pipeline upgrade	Major	R 85 000	R 0	Design and Construction	MW	R 0	R 0	R 0	R 0	R 45 000
18	Lapatric/Padda steel pipe upgrade	Major	R 60 000	R 0	Available funds	MW	R 0	R 0	R 55 000	R 45 000	R 0
19	Bospoort line upgrade	Major	R 100 000	R 0	Design and Construction	MW	R 0	R 0	R 0	R 0	R 25 000

#	PROJECT NAME	Major / Minor	TOTAL ESTIMATED BUDGET R'000	EXPENDITURE TO DATE BUDGET R'000	CAPITAL REQUIRED FOR:	FUNDING SOURCE	2021/22 R'000	2022/23 R'000	2023/24 R'000	2024/25 R'000	2025/26 R'000
20	Doorenhoeck/Monakato pipeline upgrade	Major	R 20 000	R 0	Design and Construction	MW	R 0	R 0	R 0	R 0	R 0
21	Padda junction/Spitskop steel line upgrade	Major	R 20 000	R 0	Design and Construction	MW	R 0	R 0	R 0	R 0	R 0
22	Wallmannsthal Raw Water Pipe upgrade	Major	R 20 000	R 0	Design and Construction	MW	R 0	R 0	R 0	R 0	R 25 000
23	Cullinan raw water pipeline Upgrade	Major	R 30 000	R 0	Design and Construction	MW	R 0	R 0	R 0	R 0	R 0
24	Vaalkop Raw Water Plant Upgrade Project	Major	R 30 000	R 0	Design and Construction	MW	R 15 000	R 10 000	R 70 000	R 0	R 0
Projects with IRS Documented completed											
24	Goewermentsplaas - Thabazimbi Pipeline & PS	Major	R 513 410	R 19 769	Design and Construction	MW & DWS	R 0	R 0	R 0	R 0	R 0
25	Padda to Swartklip Pipeline	Major	R 110 477	R 3 188	Design and Construction	MW & DWS	R 0	R 0	R 0	R 0	R 35 000
18	La Patrie to Sandfontein Pipeline	Major	R 115 337	R 3 195	Design and Construction	MW & DWS	R 0	R 0	R 0	R 0	R 25 000
19	La Patrie – Moruleng Pipeline	Major	R 326 671	R 5 783	Construction	MW & DWS	R 0	R 0	R 0	R 55 000	R 25 000
20	Mafenya to Phokeng/Tlhabane Pipeline	Major	R 721 809	R 57 306	Design and Construction	MW & DWS	R 0	R 0	R 0	R 0	R 0
21	Phokeng & Tlhabane Reservoirs	Major	R 310 849	R 14 817	Design and Construction	MW & DWS	R 0	R 0	R 0	R 45 000	R 25 000
22	Bakubung Reservoir/pump sump (Ledig)	Major	R 68 969	R 1 174	Design and Construction	MW & DWS	R 0	R 0	R 0	R 0	R 20 000
26	Vaalkop additional 60 Ml/day upgrade	Major	R 300 000	R 0	Construction	MW & DWS	R 0	R 0	R 15 000	R 180 000	R 190 000
TOTAL			R 8 575 569	R 450 364			R 278 000	R 376 390	R 448 486	R 495 000	R 505 000

6.6 Financial Ratio Projections

Table 11: Financial Ratios' Projections

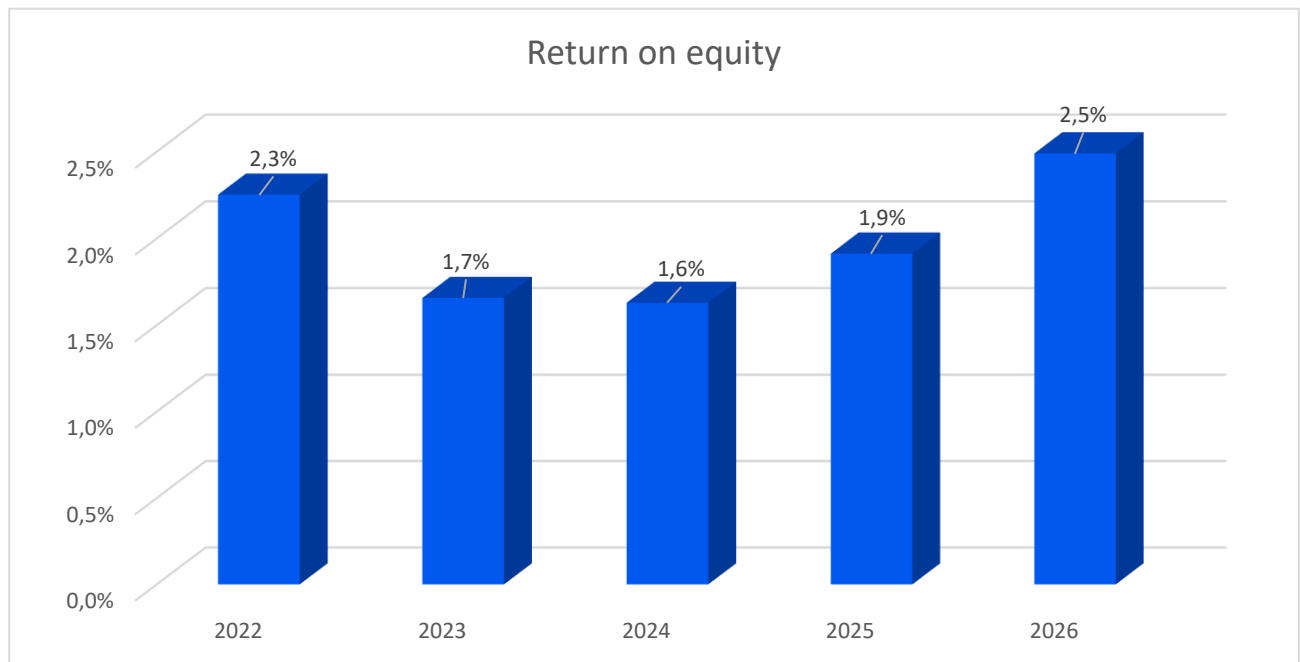
Item	2021/22	2022/23	2023/24	2024/25	2025/26
Gross Profit	≥31%	≥30%	≥32%	≥32%	≥33%
EBITDA Margin	22%	20%	21%	22%	23%
Effective Interest Rate	0%	9%	13%	14%	15%
Net Profit	≥7%	≥5%	≥4%	≥5%	≥6%
Working Ratio	80%	80%	79%	78%	77%
Capital Gearing Ratio	0,05	0,08	0,09	0,11	0,09
Total Debt %(Debt/Asset)	4%	6%	7%	8%	7%
Total Debt to Equity %	≤5%	≤8%	≤10%	≤12%	≤10%
Interest Cover Times	0	9,26	5,88	5,62	6,68
Current Ratio	2,8:1	2,9:1	3,1:1	3,0:1	2,5:1
Acid-Test Ratio	2,7	2,7	2,9	2,9	2,4
Return on Equity	2,3%	1,7%	1,6%	1,9%	2,5%
Return on Capital Employed	2%	2%	1%	2%	2%
Return on Total Assets	≥2%	≥1%	≥1%	≥1%	≥2%
Asset Turnover	0,21	0,23	0,25	0,27	0,30
Debtors Collection Days	≤55	≤55	≤50	≤45	≤40
% Staff Remuneration to revenue	≤29%	≤30%	≤30%	≤30%	≤30%

6.7 Statement of Financial Viability

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

Return on Equity

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

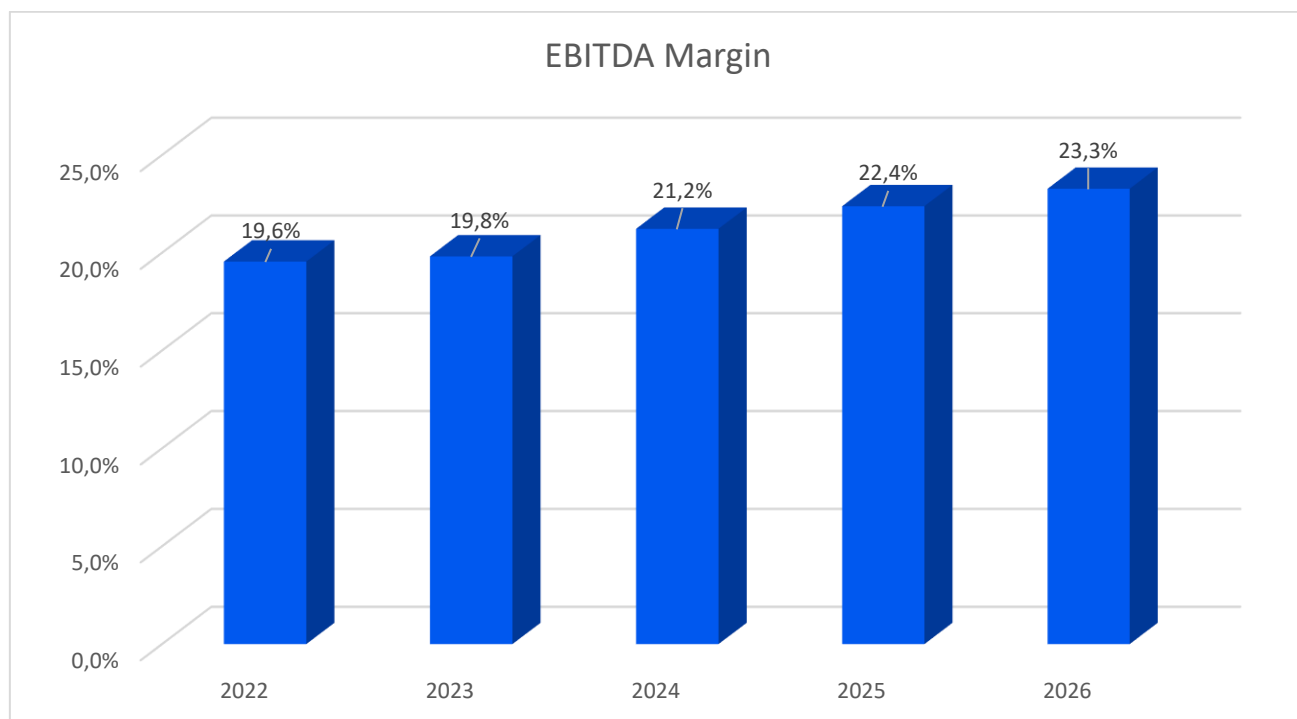


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2022	2023	2024	2025	2026
Return on Equity Ratio	2,3%	1,7%	1,6%	1,9%	2,5%

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.

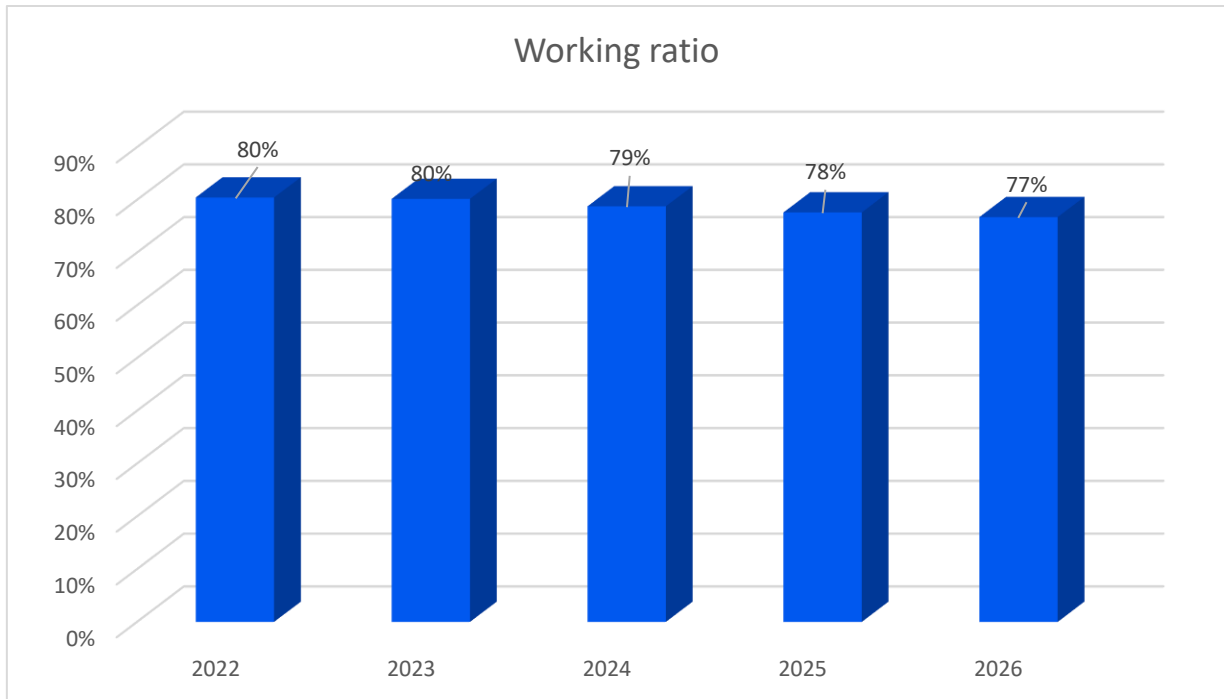


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2022	2023	2024	2025	2026
EBITDA Margin	19,6%	19,8%	21,2%	22,4%	23,3%

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.

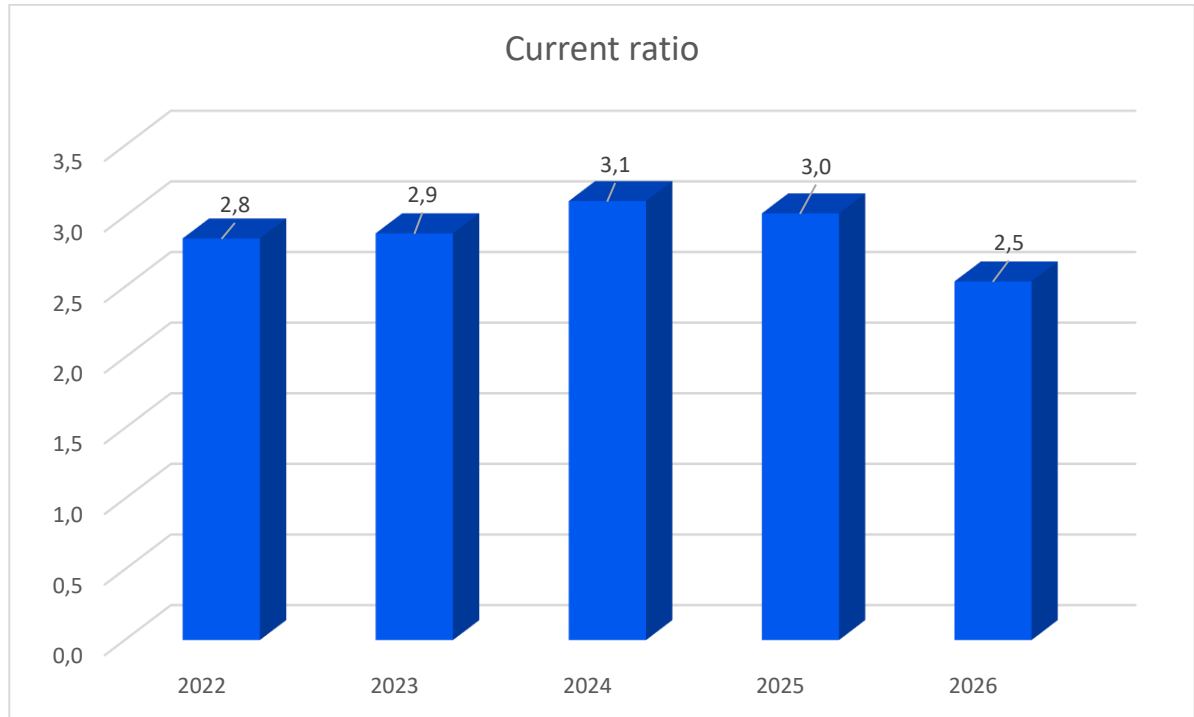


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2022	2023	2024	2025	2026
Working Ratio	80%	80%	79%	78%	77%

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.

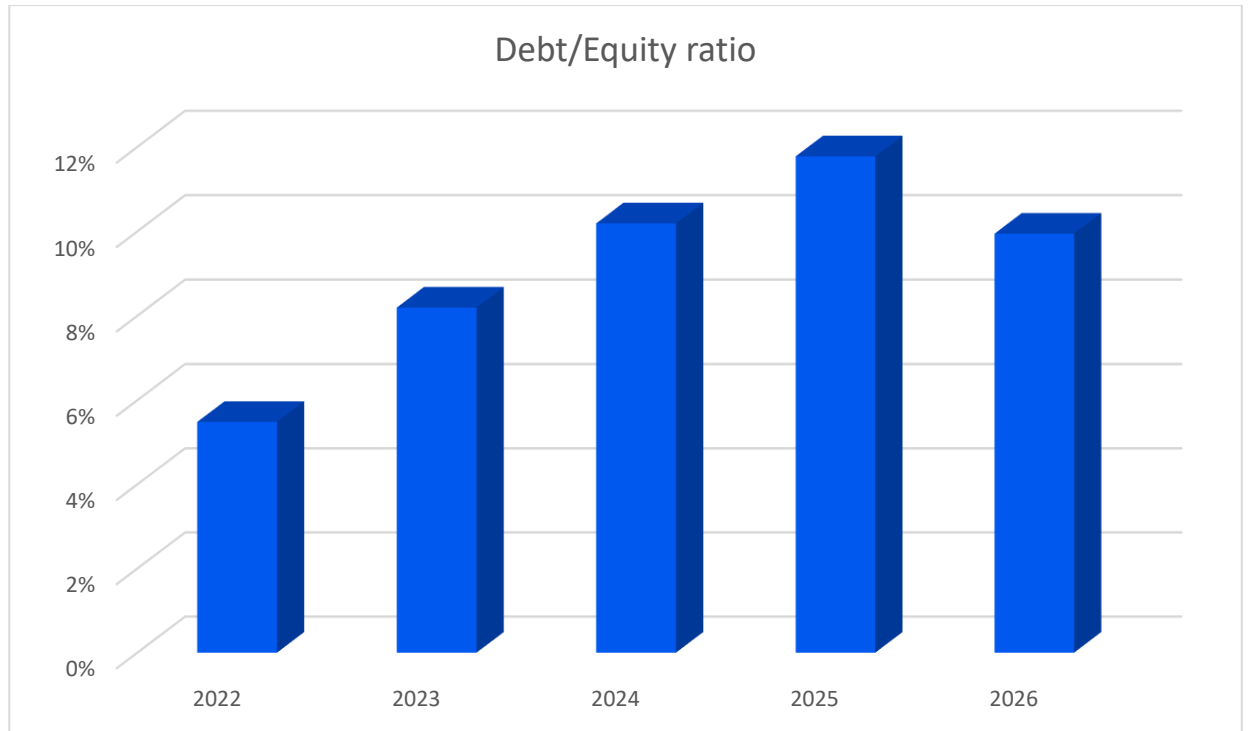


The detailed targets below informed the above graphic representation of this measurement.

Ratio/Year	2022	2023	2024	2025	2026
Current Ratio	2,8	2,9	3,1	3,0	2,5

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.

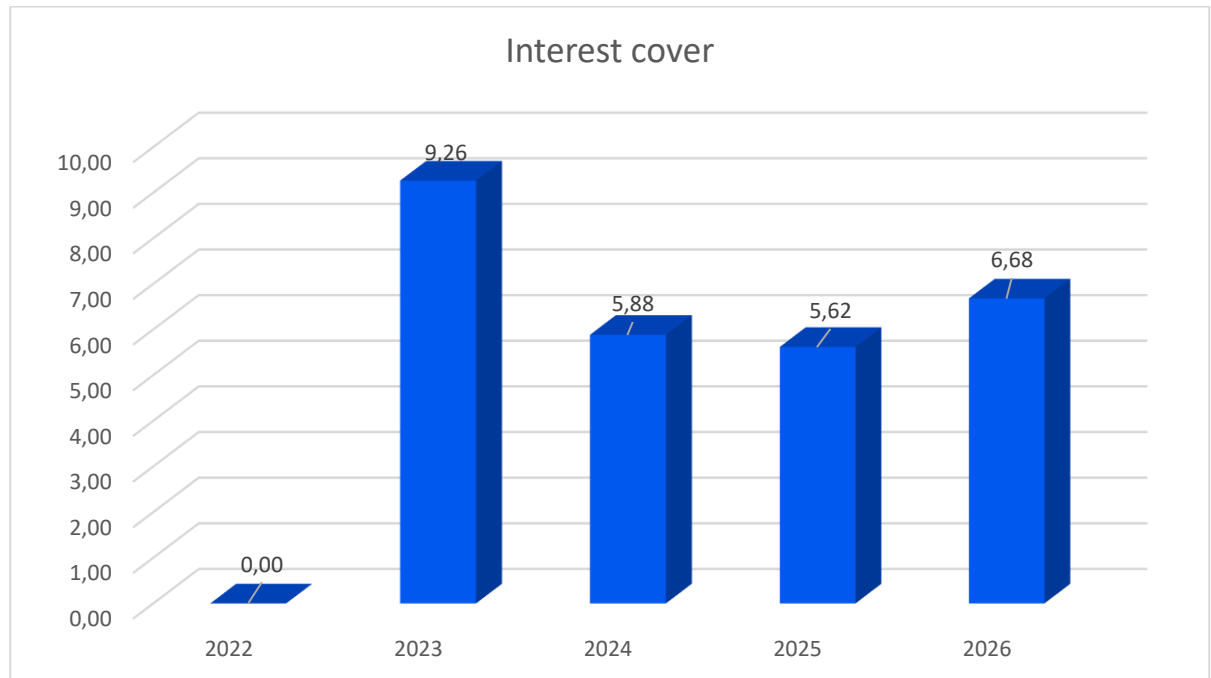


The detailed targets below informed the above graphic representation of this measurement.

- Ratio/Year	- 2022	- 2023	- 2024	- 2025	- 2026
-Debt/Equity Ratio	- 5%	- 8%	- 10%	- 12%	- 10%

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	2022	2023	2024	2025	2026
Interest Cover Times	0,00	9,26	5,88	5,62	6,68

6.8 Financial Risk Management

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

1. Implementation of the major capital projects, including 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. The current financial resources are not sufficient to address the capital investments required to implement the projects.
3. Engagements with the DWS 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.

6.9 Borrowing Limits and Maturity Profile of Debt

Magalies Water has not yet utilised gearing to fund its Capital Expansion Implementation Programmes. Magalies Water started with the credit rating borrowing limit application process to enable entity to utilise or increase its borrowing limits. The process encompass engagement with Development Bank of Southern Africa (DBSA) and Government Technical Advisory Centre (GTAC) to assist with the project preparation and packaging the borrowing limit application.

Once finalised, an application to obtain the borrowing 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).

7. Tariff Management and Consultation

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.

Tariffs management is in accordance with the Magalies Water's Tariff Methodology which provides the most appropriate set of guidelines to determine water prices in order 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. Due to COVID-19, tariff increases for the financial year 2020/21 we not approved due to economic conditions at the time of approval and implementation.
7. 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 12: Tariffs' Projections

Plant	2021/22 (R/KL)	2022/23 (R/KL)	2023/24 (R/KL)	2024/25 (R/KL)	2025/26 (R/KL)
Vaalkop	7,71	8,96	10,41	12,00	12,83
Wallmannsthal	12,00	12,00	12,00	12,00	12,83
Klipdrift	9,33	10,19	11,12	12,00	12,83
Cullinan	8,67	9,74	10,88	12,00	12,83
Indicative Average Uniform Tariff	7,71	8,96	10,41	12,00	12,83
Average % increase	8%	8%	9%	8%	7%

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.



Magalies Water

8. Corporate Governance

8.1 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:

8.1.1 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.

8.1.2 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;

8.1.3 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.

8.1.4 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:
 - Risk management policy;
 - Risk management strategy;
 - Risk management implementation plan; and
 - 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 register

8.1.5 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.

8.2 Interim Board Members

Table 13: 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 Sebego	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 (Late)	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	

Table 14: External Members of Audit Committee

Board Member	Appointment Date	Gender	F	CC	HR	CISE	A&R
Mr. SA Ngobeni;	1 March 2021	M					X
Ms. N Shabalala;	1 March 2021	F					X
Ms. ZN Tshabalala	1 March 2021	F					X

F Finance Committee

CC Chairpersons Coordinating Committee

HR Human Resource, Social & Ethics Committee

CICSE Capital Investments & Stakeholder Engagement Committee

A&R Audit & Risk Committee

8.3 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.

8.2 Legislative Compliance

Magalies Water will enhance compliance with legislation and regulations. 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 15: Compliance Reporting Schedule

Compliance cycle activity	Stakeholder	Activity	Timeframe
1. Tariff proposal	Board	Approval to seek mandate	31 October
	Water Services Authorities	Consultation	31 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
	DWS	Submission for tabling in Parliament	25 January
	National Assembly	Tabling	15 March
2. Budget	Board	Approval	May Board Meeting
3. Corporate Plan and Shareholder Compact	Board	Approval	May Board Meeting
	DWS and National Treasury	Submission	31 May
4. Annual Financial Statements	Board	Approval	August Board Meeting
	Auditor-General and National Treasury	Submission for audit purposes	31 August
5. Audit and Annual Report	Board	Approval	November Board Meeting

	DWS	Submission	End November
	National Treasury	Submission	End November
6. Corporate Plan review	DWS	Appraisal	31 May
7. Portfolio Committee	Water and Sanitation Portfolio Committee	Oversight	As and when required



Magalies Water

9. Business Support

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

Outcome: Mitigation of applicable constraints in operations.

Scope: Business support areas, notably in funding, efficient procurement in emergencies and data custody.

9.1 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.

9.2 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 apply five (5) pillars of procurement - value for money , open & effective competition , Ethics & fair dealings ,accountability & reporting and Equity
3. 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;
4. 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;
5. Maintaining relations with stakeholders by performance management of procurement.
6. Establishing a link between the SCM plan and the organisational strategy;
7. 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.

The Act promotes the objective of good financial management in order to maximise service delivery through the effective and efficient use of the limited resources.

The key objectives of the Act may be summarized as being to:

- Modernise the system of financial management in the public sector;
 - Enable public sector managers to manage, but at the same time be held more accountable;
 - Ensure the timely provision of quality information; and
 - Eliminate the waste and corruption in the use of public assets
8. 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 B-BBEE;

- 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)

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.



Magalies Water

9.3 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:

Regulatory Compliance in terms of POPIA

1. Retention of records.
 - Magalies Water only keeps records that are relevant for the purpose;
 - Only for the length of time for which are required;
 - Records are only used for the purpose for which they were gathered.
2. Records Disposal.
 - A disposal program is implemented and rigidly followed;
 - The key element of disposal will ensure that duplicates are also destroyed, so is the personal information

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.

10. Risk Management

The Board is accountable for Magalies Water overall governance of risk management 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. Magalies Water's risk management is carried out through the internal Risk Management Committee wherein the output of Committee discussions is escalated to the Audit and Risk Committee of the Board on a quarterly basis.

Table 16 below contains the strategic risks that were identified during a strategic risk assessment session and continuous monitoring will ensure that they do not negatively impact Magalies Water's strategic objectives and organisational performance.



Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
1.	To achieve growth and sustainable financial returns	Debtors collection.	Escalating debt book	Major	Common	Critical	<ol style="list-style-type: none"> 1. Inadequate debt collection strategies 2. Customers not paying on time. 3. Non optimal Billing cycle 4. Delays in payments by key customers 5. Inadequate skills development (Advanced training on debt collection) 6. Manual billing system 7. Use of inappropriate skills for debt collection (service providers) 8. Delays in payments by Section 30 customers 9. Constraint in implementation of SLA (Consultation with multiple stakeholders prior to implementation of credit control) 	<ol style="list-style-type: none"> 1. Ensure effective implementation of the debt recovery strategy 2. Billing date should be changed from 8th to 25th of each month. 3. Appoint debt collectors for debt collection instead of attorneys. 4. Ensure training of debtor's department on advanced debt collection training. 5. Offer settlement discount for defaulting customers. 6. Section 30 agreements- ensure settling of current debt before rendering new services. 7. Ensure proper implementation of the SLA. 8. Selling debt book.

2.	To achieve growth and sustainable financial returns	Sustainability and growth	Inability to sustain and grow the business.	Major	Likely	Critical	<ol style="list-style-type: none"> 1. Inadequate debt collection 2. Lack of marketing the Scientific Services lab 3. Dependency on Minister for the approval of tariffs. 4. Non-approval of borrowing by National Treasury 9 Delays in the development of the Sanitation Master Plan 10 Lack of implementation of Investment strategy 11 Increasing operational costs (utilities, staff, chemicals etc.) 12 Lack of funds to implement CAPEX Master Plan. 13 Non promulgation of additional service areas. 	<ol style="list-style-type: none"> 1. Ensure that the MOUs with DBSA and GTAC to assist with the project preparation and packaging the application for borrowing limit are finalised. -Once the project is complete, we will ensure that another application is submitted to National Treasury Ensure training of debtor's department on advanced debt collection training. 2. Ensure proper marketing and development of SLAs with Scientific Service customers 3. Develop and implement Bulk Sanitation Master Plan. 4. Review Ensure effective implementation of the Investment strategy 1. Ensure Implementation of growth strategy (Priotised project and focus on projects that are less costly with good returns) 6. Engage the DWS and other stakeholders on the contribution for social components. 7. Engagement with Minister to fast-track with the promulgation of the additional areas of supply.
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Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
3.	To provide quality potable water	Raw Water resource.	Deterioration of raw water quality.	Major	Possible	High	<ol style="list-style-type: none"> 1. Climate change (Droughts and floods.) 2. Water pollution from diffuse point and point sources 3. Over abstraction of natural resources. 4. Poor catchment management by Catchment Management Agency and DWS 5. Lack of maintenance and upkeep of dams by DWS 	<ol style="list-style-type: none"> 1. Conduct an assessment of the impact of raw water quality (partner with external party for consultation with DWS) 2. Continuous engagement with DWS on quality challenges affecting the raw water. 3. Continuous monitoring and control of dam and abstraction levels.

4.	To provide quality potable water	Raw Water resource.	insufficient raw water quantity.	Moderate	Possible	Moderate	<ol style="list-style-type: none"> 1. Low Dam Levels. 2. Augmentation system restriction or failure. 3. Over abstraction of raw water. 4. Droughts and floods. 5. Water Pollution. 6. Inadequate maintenance of raw water infrastructure. 	<p><u>VAALKOP RAW WATER SYSTEM</u></p> <ol style="list-style-type: none"> 1. Magalies Water to take over Operations and Maintenance of Canal - DWS. 2. Engage DWS to maintain flow into the canal by controlling algae growth 3. Request budget for controlling and managing the algae growth. 4. Ensure effective implementation of the Business Continuity Management (BCM) Policy and plans. <p><u>CULLINAN RAW WATER SYSTEM</u></p> <ol style="list-style-type: none"> 1. Engage the Cullinan Diamond Mine to take over raw water supply system. 2. Repair raw water dam leak at Cullinan WTP. 3. Monitor and report on raw water quality as per the extended scope - catchment area. 4. Develop a plan with regards to raw water supply system. 5. Ensure effective implementation of the Business Continuity Management (BCM) Policy and plans. <p><u>WALLMANNSTHAL & KLIPDRIFT</u></p> <ol style="list-style-type: none"> 1. Monitoring of water quality and quantity at Wallmannsthal and Klipdrift
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							<p>2. Implementation of the Water Meter systems (Smart metres)</p> <p>3. Drought tariff</p> <p>4.Ensure effective implementation of the Business Continuity Management (BCM) Policy and plans.</p>
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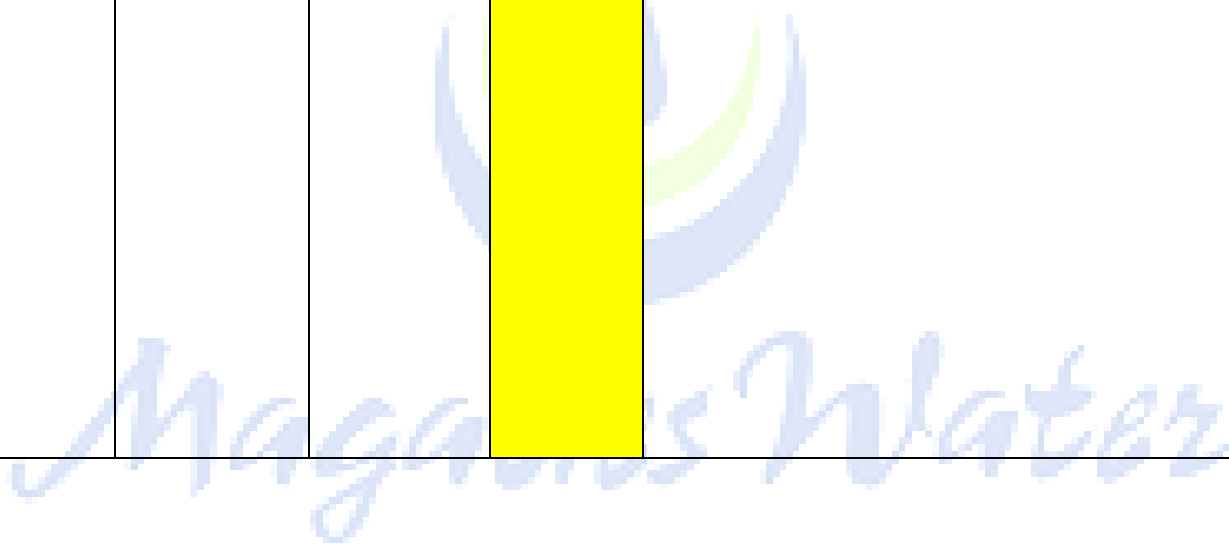


Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
5.	To ensure good corporate governance	'Physical security of assets and employees	Security breaches and incidents	Moderate	Possible	Moderate	<ol style="list-style-type: none"> 1. Inadequate security procedures and lack of training and awareness. 2. Non-adherence to security procedures. 3. Inadequate security systems and management. 4. Unauthorised access to premises 5. Lack of personnel security skills 6. Poor maintenance of security management measures. 7. Financial constraints to implement security measures. 	<ol style="list-style-type: none"> 1. Recruit and appoint dedicated security expert 2. Review the security procedure 3. Enhance security trainings and awareness workshops. 4. Maintenance of existing electrical fences and security equipment in all sites. 5. Securing funding for critical security issues 6. Roll out motion sensors in all plants 7. Enforce compliance to security measures and report non-compliance to relevant managers for corrective actions. 8. Follow up on the implementation of the recommendations on security risks assessment report. 9. Finalise fencing for Klipdrift, Wallmannsthal and Cullinan. 10. Implementation of Bio-metric access controls at all Magalies Water areas - Phased approach strategy 11. Enforcement of Service Level Agreements for security contractors.

Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
6.	To manage Customer and Stakeholder Interactions.	Reputation	Erosion of reputation	Moderate	Possible	Moderate	<ol style="list-style-type: none"> 1. Poor service delivery (aging infrastructure, poor water quality and poor water supply) 2. Lack of enforcement of tri-partite agreements e.g. IA agreements 3. Negative audit outcome 4. Inadequate Stakeholder Engagements. 5. Ineffective internal and external communication 6. Impact of internal and external events in the business. 7. Unrealistic expectation and perceptions 8. Negative media reports 	<ol style="list-style-type: none"> 1. Community radio stations campaigns to communicate MW mandate. 2. Develop, implement and monitor the communication procedure. 3. Holistic implementation of the stakeholder and Integrated Marketing and Communications plans and monitoring <p><u>3.1 Internal Stakeholders</u></p> <ol style="list-style-type: none"> 3.1.1 CEO@magalieswater.co.za 3.1.2. Online newsletter <p><u>3.2. External stakeholders</u></p> <ol style="list-style-type: none"> 3.2.1. Public relations campaigns 3.2.2. Brand positioning 3.2.3. Social media platforms 3.2.4 implementation of customer and stakeholder engagement plan <ol style="list-style-type: none"> 4.Develop, implement and monitor the media strategy 5.Develop, implement and monitor the media Policy 6. Conduct the Quarterly and Monthly Customer & Stakeholder engagement meetings as per the Stakeholder Management Plan. 7. Ensure termination of non-compliant contracts.

Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
7.	To provide reliable and sustainable water services to customers	Bulk water infrastructure constraints.	Failure of critical infrastructure.	Moderate	Possible	Moderate	<ol style="list-style-type: none"> 1. Ageing Infrastructure 2. Vandalism of infrastructure 3. Delays in implementation of Master Plan 4. Dependency on infrastructure owned by external parties 5. Unreliable electricity supply. 6. Inadequate assets management. 7. Delays in finalising procurement processes. 8. Inadequate financial resources 	<ol style="list-style-type: none"> 1. Ensure that the MOUs with DBSA and GTAC to assist with the project preparation and packaging the application for borrowing limit are finalised. -Once the project is complete, we will ensure that another application is submitted to National Treasury Ensure training of debtor's department on advanced debt collection training. 2. Improving on the procurement turnaround times and measure performance. 3. Update Bulk Water Master Plan and Develop Bulk Sanitation Master Plan. 4. Ensure the Implementation of minor capex projects. 5. Implementation of Bulk Water Infrastructure Master Plan. 6. Repair, installation and re-commissioning of Sondela pumps 7. Sourcing and installation of Modimolle pump.

Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
8.	To create a high-performance organisation through effective talent management	Critical skills (Knowledge, Competence & Attitude).	Failure to maintain and retain critical and core skills.	Moderate	Possible	Moderate	<ol style="list-style-type: none"> 1.Competition for skills 2. Inadequate implementation of retention policy 3.Lack of flexibility when budgeting for positions 4. Geographic Location of the Organisation 5. Permanent v/s contract employment at executive levels 6. Individual growth opportunities 7. Size of organization 	<ol style="list-style-type: none"> 1. Ensure effective implementation of the retention policy 2. Continue with the implementation of flexible budgeting 3. Ensure effective implementation of remuneration policy. 4. Enhance awareness and workshops on all HR policies 5. Implement flexible remote working arrangements

Table 16: Magalies Water Strategic Risks

No.	Strategic Objective	Risk Category	Description of Risk	Residual Risk			Root Causes	Mitigation measures
				Impact	Likelihood	Rating		
9.	To provide reliable and sustainable water services to customers.	Potable Water Quality (SANS 241 Compliance).	Poor quality of potable water. (Non -compliance to SANS Standards).	Moderate	Possible	Moderate	<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. 7. Reliance on third party supplier (CoT) 8. Blending of water in distribution system 9. Infrastructure failure 10. Lack of adequate skills (process controllers) 	<ol style="list-style-type: none"> 1 Conduct annual technical process audit for each plant and implement recommendations thereof. 2 Implementation of Online Analysers 3 Identify treatment processes for blended water 4 More robust engagements with CoT to supply water that complies with standards. 5 Upgrading Walmansthaal WTP 6 Monitoring and cleaning of plant reservoirs and attending to issues in the distribution system.

11. Materiality and Significance Framework

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

11.1 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 2% of total expenditure. The materiality will apply for all components/sections of the financial statements including irregular, fruitless and wasteful 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.

11.2 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

11.3 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.

12. 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:

Preventative 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

Detection Controls

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

Response to Fraud and Corruption

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

13. Contingent liabilities and other legal matters (Q3: 2020/21)

Contingent Liabilities and other Legal Matters

1. Ya Rena - R3.275.891.00 – counter claim
2. Steve Moje Mompoti and Thlapane – R540.000
3. Umso JV – R26.891.173.00 – claim including legal costs
4. Rustenburg Trust Services – R27 924 387.00 – (debt)
5. Madibeng Local Municipality – R47.436.236.00 (debt)
6. Cynthia Nomoya Mnyakeni v’s Magalies Water (No contingent liability)
7. Baloyi Inc v’s Magalies Water (No contingent liability)

Table 17: Contingent liabilities detailed report

Case Name	Summary of Facts	Current status	Amount
1. Ya-Rena Civils (Pty) Ltd vs Magalies Water 16 September 2016	Ya –Rena Civils (Pty) Ltd was contracted to build a 20 Mega Liters reservoir for the Pilanesburg scheme. The contractor failed to complete the works on time and Magalies Water imposed penalties. Magalies Water withheld the payment of the invoice from the contractor pending the finalization of penalties imposed. The contractor is suing for the last invoice submitted for payment despite penalties imposed being higher than the invoice submitted to Magalies Water for processing. Magalies Water is defending the	The full bench agreed with the applicant that the judge in the Supreme Court was wrong to dismiss the special plea (on lis pendens) and the main action (application). The judge was supposed to allow parties to	R 3, 275, 891. 29

Case Name	Summary of Facts	Current status	Amount
	<p>claim. Ya-Rena applied for summary judgment and Magalies Water opposed it. The Application was heard on 2nd March 2017 and it was dismissed by the court. On 21 April 2017, Magalies Water Attorneys filed an exception to the Plaintiff's particulars of claim in that they did not disclose the cause of action.</p> <p>The Plaintiff only filed extracts of the contract in favor of their case. On 13 May 2017, the Plaintiff indicated that they would be opposing the exception application.</p> <p>The hearing for the exception was held on 12th October 2017. The application was dismissed as the Judge ruled that Ya-Rena claim was based on the payment certificate signed and approved by Magalies Water as opposed to the contract. Magalies Water was ordered to file a plea within 20 days and MW filed the plea. The plaintiff (Ya-Rena) filed their reply to Magalies Water plea and counterclaim. There were contradictions between the response to the main action and the counterclaim. An exception was filed on 17th January 2018 compelling the Plaintiff to remove the contradiction in their responding papers.</p> <p>The defendant is expected to set the matter down for hearing on expiry of 10 days from the date of filing of the application. The defendant duly enrolled the matter.</p> <p>The registrar set the exception for hearing on 20 April 2018 at Mafikeng High Court. On 20 April 2018, there were political riots in</p>	<p>present facts and argue the special plea (lis pendes)</p> <p>The Supreme Court of Appeal (AD) held that the costs in dismissing the leave to appeal in the High Court are set aside and the costs in the High Court and the Appeal are in favour of Ya Rena, the applicant</p> <p>MW received notice of taxation on the 4th May 2021 with the statement of costs for the AD. The statement of costs was excessive and MW attorneys filed notice to oppose on the 7th May 2021. The taxation was set down on the 26th May 2021.</p>	

Case Name	Summary of Facts	Current status	Amount
	<p>Mafikeng and all public services were suspended including the court, the matter was postponed in chambers to 15 June 2018. The court dismissed Magalies Water's exception on approbation and reprobation of the plaintiff. The matter was set down on the 30th May 2019. During the hearing, Magalies Water raised a <i>point in limine</i> in respect of <i>lis alibi pendens</i>, which was upheld by the court, and subsequently dismissing the action by Ya-Rena with costs.</p> <p>On 29 October 2019 Ya-Rena filed for leave to appeal the dismissed application of 30 May 2019. The application for leave to appeal was granted. The date for hearing of the appeal was set down for 13th of December 2019.</p> <p>On 21st of November 2019, the Opposing Attorneys, Pieter Becker informed MW Attorneys that they are not available for the hearing on the set date. Pieter Becker Attorneys made a new application for leave to appeal.</p> <p>On 27th of March 2020, the matter was set down for hearing, for the application for leave to appeal the order that was granted in <u>MW</u> favour wherein the Plaintiff (Applicant) had brought an application <u>claiming for payment for work done</u>, the said application was dismissed on the grounds of <i>lis pendes</i>.</p> <p>The matter was not heard as a result of the national lockdown which commenced on Thursday night, 26 March 2020. The Matter was subsequently removed from the court roll. The Plaintiff applied for a new date, which was granted for the 3rd June 2020.</p>	<p>The taxing Master taxed off R37.315,50 and the bill of costs to be paid by MW for AD is R55.650.94)</p> <p>We still waiting for taxation of costs in the High Court.</p> <p>The matter is proceeding to Court on the 16th September 2021 on the special pleas and possibly the main application.</p>	

Case Name	Summary of Facts	Current status	Amount
	<p>On 3rd of June 2020, the matter proceeded via Skype before Judge Djaje and the application for leave to appeal for upholding lis pendes was dismissed with costs (this was the application for the main action, which was initially set down for 27th March 2020). The Plaintiff raised a special plea to the MW counter claim. The special plea was heard on 19th June 2020 and was dismissed.</p> <p>The Plaintiff's attorneys lodged an Appeal at the Supreme Court of Appeal (SCA) in Bloemfontein challenging the dismissal of their application for leave to appeal on both the special plea and the main action. MW instructed its attorneys to oppose the application at the Supreme Court of Appeal.</p> <p>On the 27th August 2020, the Supreme Court of Appeal granted the applicant (Ya – Rena) leave to appeal against the refusal of appeal judgement by Judge Djaje dated the 9th July 2020. The Supreme Court of Appeal made an order that the court a quo in dismissal of the application for leave to appeal is set aside. The court further ordered that if the plaintiff does not proceed with the appeal, the plaintiff (Ya–Rena) is to pay these costs.</p> <p>In summary, this means the costs initially awarded to Magalies Water and the costs of appeal are suspended pending the outcome of the appeal. However should the plaintiff (Ya- Rena) not proceed with the appeal, they must pay all the costs.</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>The attorneys representing Ya–Rena sent MW attorneys a letter dated 3rd September 2020 with the proposal that MW should abandon the action process on the counter claim and follow a dispute resolution mechanism whilst they proceed against MW on the action process.</p> <p>MW rejected this proposal which has been the subject of the long dispute.</p> <p>The rejection was based on the fact that MW incurred huge legal costs to date. The action process followed was because of the court process which was initiated by Ya–Rena when MW lodged a counter–claim in the same process. The attorneys gave an opinion which supports MW’s stand initiated on the counterclaim process.</p> <p>On the 27th November 2020 our attorneys informed us that Ya – Rena attorneys have applied for hearing date for appeal at the Appellate Division.</p> <p>On the 7th December 2020 MW received Notice of allocation of date for hearing of appeal for the 19th February 2020 with the conditions; that Ya – Rena deliver notice of set down to all the parties and file it by close of business with the Registrar on the 8th January 2021 and further that failure to file the notice of set down on the stipulated date will result in the Judge President not allocating the appeal to</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>the judges which will result in the automatic forfeiture of the allocated date.</p> <p>On the 15th December 2020 MW received a notice of set down dated 11th December 2020 for the hearing on the 19th February 2021.</p> <p>The appeal was heard on the 19th February 2021 and the judgement was reserved.</p> <p>On the 4th of April 2021, the judgement was granted in favour of the applicant, Ya – Rena with costs against MW on the special plea (lis pendes) and against the dismissal of the main application.</p>		
<p>2. Steve Moje and Mompoti Tlhapane</p> <p>23 September 2013</p>	<p>Mr. Moje and Ms. Tlhapane were employed by MW and transferred to the City of Tshwane (CoT) in October 2012 to work on the CoT operations. Whilst still employed by Magalies Water, the two employees negotiated a pay increase directly with CoT for themselves. CoT agreed via an e-mail and informed Magalies</p>	<p>On the 17th May 2021 MW attorneys confirmed that the application for rescission has been set down on the</p>	<p>R 540 000,00</p>

Case Name	Summary of Facts	Current status	Amount
	<p>Water to adjust the salaries of the two employees. Magalies Water declined to effect the new salary adjustments, as it was only Magalies Water, which could change the working conditions of the employees.</p> <p>The two employees alleged that CoT paid the monies meant for their salary adjustment into Magalies Water's account and that those monies were never paid out to them. The action against Magalies Water is to recover the salary adjustment money supposedly paid by CoT to Magalies Water.</p> <p>Upon investigation, Magalies Water could only trace one payment by CoT and Magalies Water is defending the action. The matter was placed on the trial roll, unfortunately, the applicants Attorney Mr. Kgotleng passed away in December 2015.</p> <p>The trial was therefore postponed for the Applicants to obtain new Attorney. The new trial date was set for 12 February 2018. On 12 February 2018, the applicants arrived late at court and after repeated roll calls, the matter was struck off the roll. MW received a rescission of judgment application from the applicants to re-instate the matter. MW filed papers opposing the application.</p> <p>On the 24th January 2020, the Attorneys advised as follows;</p>	<p>opposed roll for the 29th June 2021</p>	

Case Name	Summary of Facts	Current status	Amount
	<ul style="list-style-type: none"> • That despite a directive from the Labour Court directing the parties to file heads of argument, the Applicants took no further steps to pursue the rescission application and further failed to file their heads of argument. • MW Attorneys filed heads of arguments and requested the Court to give a court date to argue the application. <p>Our Attorneys have further advised that the applicants are persisting with the rescission application in that, on Tuesday, 21 January 2020, they received the following documents from the applicants:</p> <ol style="list-style-type: none"> a) Notice of withdrawal and substitution of attorneys of record. The Applicants are now officially represented by Bila Mashamba Attorneys and no longer Medupi Lehong; b) The Applicants' heads of argument; and c) The Applicants' notice requesting a Court date. <p>It is to be noted that this matter has been dragging since 2013. The attorneys dealing with this case have confirmed that they have not received any further documents from the Applicants since January 2020. There is no clear evidence that the applicants intend to resolve this matter speedily. Magalies Water Attorneys are preparing a court application to strike the case from the court roll. MW is awaiting proof of the application to peruse and approve.</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>On the 29th January 2021, Magalies Water discussed the long delays with the Attorneys. The attorneys advised that the matter cannot be strike out of the roll, due to the impact of the national lockdown and the backlog of Labour Court cases. MW attorneys further indicated that at this stage there are no basis to strike this matter off the court roll for the dismissal of the applicant's application for rescission of judgement.</p>		
<p>3. Umso JV vs Magalies Water 14 November 2017</p>	<p>Magalies Water was served with an interdict to cease and stop the implementation of tender RFB/MW/97/2016-7, Moretele South Water Pipeline by Umso Construction (Pty) Ltd and Crown Bay Construction (PTY) Ltd JV. The interdiction of the tender implementation was to allow Umso JV to commence review application of the decision to award the said tender to Murray and Dickson Construction (Pty) Ltd. This is based on the opinion that their bid was unfairly evaluated and that they ought to have been the one appointed as they had the lowest bid price.</p> <p>Magalies Water filled papers to oppose the interdict and made a counter-proposal to voluntarily stop the project on the condition that Umso launches their review application no later than the end of February 2018. Umso JV accepted this proposal, and it was made an order of the Court. Magalies Water filed the record of the award</p>	<p>The attorneys confirmed that the original claims forms were submitted and there are still waiting.</p> <p>The attorneys confirmed that they will give us feedback by mid-June 2021.</p>	<p>R26, 891, 173.00</p>

Case Name	Summary of Facts	Current status	Amount
	<p>on 28 December 2018 with the court to enable Umso JV to inspect the record of an award and file amended papers for the review. Furthermore, all parties cited as co-respondents and interested to join in on the proceedings were also directed to file their papers on the same terms.</p> <p>The Applicant was to have filed their amended/ supplementary papers by no later than 16 January 2018, however, they failed to do so. Respondent Attorneys reminded Applicant's Attorneys of such on numerous occasions. The Applicant Attorneys wrote a letter stating that they stand with their initial papers and waive their right to file amended/ supplementary papers. All parties filed their papers, and the matter was set for arguments on 16 March 2018.</p> <p>Arguments on the matter were heard by the court on 16 March 2018, and judgment was reserved and delivered on 12 April 2018. The court dismissed the Applicant review with costs. On 07 May 2018, the applicant filed a notice of application for leave to appeal the judgment and the cost order. The application was heard on 03 August 2018. The court again dismissed the leave of appeal application on 06 September 2018.</p> <p>The appellant, however, delivered a notice to petition the Supreme Court of Appeal for further leave to appeal. The appellant has filed</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>for condonation for the late filing of the application for leave to appeal the above judgment. The application for leave to appeal was dismissed with costs on 17 October 2019.</p> <p>On 30th January 2020, the Attorneys (Van Velden & Duffy) were granted permission to employ the services of a Legal Tax Consultant at a prescribed fee (rules of the court) to execute the costs order which was granted against the applicant. The notice of intention to Tax the Bill of costs was served on the applicant on 11th of March 2020.</p> <p>The taxation of the Supreme Court of Appeal bills of cost was set down on 1 July 2020 in Bloemfontein. The attorney's correspondent attended the necessary taxation sitting and provided MW with a summary report.</p> <p>The attorneys have further advised that they are unable to set down the taxation in respect of the Mahikeng bills of cost at this stage. The court is unfortunately not dealing with taxation matters until further notice. They are awaiting further directions from the court and will proceed with such taxation at the first available opportunity.</p> <p>On the 30th June 2020, Magalies Water received an email from Van Velden & Duffy attorneys advising that Umso has placed themselves under voluntary Financial Rescue. Magalies Water, through its attorneys, granted Business Rescue Practitioner an extension to file a Business Rescue Plan for creditors.</p>	later	

Case Name	Summary of Facts	Current status	Amount
	<p>Magalies Water has the following claims against Umso:</p> <ul style="list-style-type: none"> i) R1 041 564.60 (One Million Forty-One Thousand Five Hundred and Sixty-Four Rand Sixty Cents) for the legal costs awarded to Magalies Water. The claim forms were completed and sent back to attorneys in the prescribed format. ii) R25 849 608. 44 (Twenty-Five Million, Eight Hundred and Forty-Nine Thousand Six Hundred and Eight Rand and Forty-Four Cents) being the costs incurred by Magalies Water for standing time resulting from Mediation which Magalies Water must recover from Umso due to this litigation. <p>Magalies Water complied with the Business Rescuer Processes by completing forms and providing the necessary documents in support of our claims.</p> <p>The claims were lodged with the Business Rescuer Practitioner through our attorneys.</p> <p>On 28 April MW was requested to re-submit the original claim as Business Rescue Practitioners claimed not to have received the original from the MW Attorney</p>		

Case Name	Summary of Facts	Current status	Amount
<p>4. Magalies Water vs Rustenburg Water Services Trust</p>	<p>Magalies Water and the Rustenburg Water Services Trust (RWST) concluded a maintenance and Operations agreement whereby Magalies Water was to operate the Water Treatment and Sewer treatment plants belonging to RWST for a fee and for the full recovery of all costs incurred in running the plants.</p> <p>During the period 2008 up 2010 Magalies Water incurred huge electricity costs as a result of the power supply crisis across the country, which was above what was budgeted and also above the CPI the maximum percentage allowed in the agreement for cost increment. The original amount incurred by Magalies Water was 18 million and after negotiations with the Trust Administrator, the amount was reduced to R12 million. After that, the Trust repudiated the claim because Magalies Water did not follow the proper procedure in requesting a budget increment for the increased electricity costs. To date the account balance including interest is R27 924 387.00.</p> <p>The matter is currently in the hands of Attorneys to recoup the losses incurred. There is on-going consultation with three ex-employees of Magalies Water who worked closely on this matter and considered key in executing the reinstatement of the summons. The availability of all ex-employees has been a challenge and delaying this process. A consultation meeting was held with Gildenhys Malatjie Attorneys representing MW on 12 April 2019, and the meeting resolved that more information is required to</p>	<p>The secretary at Geldenhuys - Malatj Inc, Ms. Vanessa Prinsloo confirmed that the summonses given to the Sheriff for services, and they are still waiting for the reports (return of services)</p>	<p>R27, 924, 387.00</p>

Case Name	Summary of Facts	Current status	Amount
	<p>capacitate the Attorneys to reconfigure the strategy and determine the way forward. The meeting also noted that there is a lack of evidence about the claims, and therefore witnesses would have to rely on their memory about the meeting as well as about any decisions taken in the meeting.</p> <p>A meeting was proposed with the Attorneys and Magalies Water Management to ponder on the prospects of success of this matter and to determine the way forward. The Legal Service office had a meeting with Gildenhys Malatjie Attorneys on 11th of November 2019, to discuss progress and the strategy moving forward with the litigation against Rustenburg Water Services Trust. During that meeting, the particulars of the claim dated 21 October 2013 issued against the Trust as well as the legal opinion compiled by Senior Counsel, Advocate Terry Motau were extensively discussed. The meeting resolved that the Attorneys would proceed with the Arbitration, as it is the cheaper and quicker method of resolving our dispute with the Trust. This outcome was later confirmed by the letter dated 15 November 2019, after re-evaluation of MW's prospects of success based on the outcome of the meeting held 28 June 2019.</p> <p>On 29th November 2019, a follow-up meeting was held at the Advocate Club Chambers with Gildenhys Malatjie Attorneys and Advocate, Petrus Lafras Uys. The advocate confirmed that although it is a difficult case, the prospects of success are 60% to 70% to recover the money owed to MW. He further confirmed that we require the three witnesses to testify during the trial if</p>	later	

Case Name	Summary of Facts	Current status	Amount
	<p>circumstances so require, however, one witness is sufficient to testify and give events resulting in the oral settlement or offer.</p> <p>Prescription</p> <p>The Advocate advised MW as follows:</p> <p>The Legal Counsel advised MW that to avoid the pressure of prescription, the attorneys shall proceed on the summons dated 21 October 2013. The attorneys will check whether pleadings were filed. If no pleadings were filed, the Attorneys will apply for default judgment. If pleadings were filed, they will proceed on the normal course whereby they would apply to the registrar for a trial date and evidence will be led on oral testimony and documentary evidence or any settlement that may have been reached.</p> <p>At this stage, MW awaits the investigations on the whereabouts of the court file as well as the pleadings that may have been exchanged between the parties. The attorneys will then advise MW when they will be planning to continue the litigation process. It is, however, estimated that this case will take at least two (2) years to be finalized should the matter go on trial unless Rustenburg Water Services Trust settles the matter out of court.</p> <p>On 27th January 2020, MW posed the following question to the Attorneys handling our litigation, this was after constant follow-ups</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>and delays in locating the file; (a) whether prescription will not be raised as a special plea when we resume litigation; (b) when the litigation will take place; (c) The procedure of opening a duplicate file if the original file cannot be located; (d) Securing the attendance of one or all witnesses and getting their sworn statements to facilitate settlement and (e) brief prospects of success on the above matter. We further requested the attorney to open a duplicate file and file it with the high Court in the meantime while they are still trying to locate the file.</p> <p>On the 30th January 2020, the attorneys responded to our email. They have advised MW that they have decided to start all processes to recover the amount as set out in the summons with interest that would have accumulated. However, the initial step is to locate the file to check if a notice of intention to defend had been filed, in the alternative whether a plea was filed or not. They advised MW that they have now requested the file with the Registrar and that this is their third (3rd) attempt. They are still waiting, and they will soon provide us with a report. They further advised us that if they are not succeeding to locate the file at Pretoria High Court, they will write a letter to Polokwane to locate the file. The attorneys further advised that the process of opening a duplicate file would assist, however, the pleadings and notices are required which they do not have.</p> <p>Counsel commented on the issue of prescription and advised that prescription is likely not to interfere. They do not anticipate that</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>our summons is stale, which could be defended. The Conclusion was that Counsel should run both the litigation and the Arbitration proceedings parallel.</p> <p>Counsel is to draft documents as soon as they have confirmed that there is no plea or notice to defend that was filed. The issue of witnesses was discussed, and the conclusion was that we will approach the most co-operative person since the other two witness have nothing to do with MW and will not cooperate. The one witness who is cooperative will provide us with an affidavit. The affidavit will be prepared by the attorneys. This will only happen should the witness not be amenable to a consultation.</p> <p>The Attorneys have confirmed that they will provide MW with a comprehensive report upon further consideration of the stance and prospects when the litigation commences. The Attorneys advised Magalies Water on the three (3) Months rule before the duplicate file could be prepared.</p> <p>On the 10th June 2020, the attorneys informed MW that they were not successful in locating the original file from Polokwane High Court and that the opening of a duplicate file has taken too long since the application. They have further advised MW that at this stage the court processes take place on case line, which is an electronic system used by courts. The attorneys confirmed that Adv. Petrus Lafras Uys was briefed to draft the default judgement</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>for service. The copies will be sent to MW as soon as possible for proof reading and approval. They have undertaken to send the copies to us by the end of July 2020.</p> <p>On the 27th August 2020, the attorneys informed us that the summons was served by the Sheriff by affixing (as per the Sheriffs Return of Service). The sheriff could not find any person in the premises for the summonses to be served. The reason for serving the summons was to avoid summonses being stale and allow the possibility of a special plea being raised as defence. The attorneys want to allow the default judgement process to go smoothly by re-serving the summons.</p> <p>On the 10th December 2020 we email a complaint letter dated 8th December 2020 to the attorneys regarding the delays and progress on this matter. We have sent followed up emails to the attorneys to respond to our letter with no response (copies of emails attached).</p> <p>MW awaits for a reply on the letter and a progress report from the attorneys for the date of set down. On the 3rd March 2021, the attorneys advised that the Municipality refused to accept the summons on behalf of the defendants on the summons. The Municipality provided the sheriff with the same address the sheriff</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>tried to serve the summons in Meyerspark where the trust could not be located.</p> <p>The reason the summons was served on the Municipality address was that the Trust was ringfenced onto the Municipality.</p> <p>The attorneys have located one of the Trustee, Mr Peter Maas and they will ask him whether he will be able to accept the summons on behalf of the other Trustees. MW has requested the attorneys to approach Master of the High Court and investigate whether the trust still exist and in Business. Should the information comes be back and be in negative, we will be discussed it internally and weigh our options in taking legal steps against the law firm for professional negligence.</p> <p>On the 30th March 2021, the attorneys advised MW that they were able to obtain the trust deed from the Master of the Hight Court, Pretoria. The problem is that the trustees on the document are not the same trustees in the summons.</p> <p>The trustees are different person from the summons. Attorneys requested us to give them a go ahead to trace new trustees addresses to enable them to amend the summons to be served on the trustees.</p>	<p>later</p>	

Case Name	Summary of Facts	Current status	Amount
	<p>On the 10th May 2021, the attorneys confirmed that the summons were amended and will be served on the new trustees</p>		
<p>5. Madibeng LM vs Magalies Water</p>	<p>Madibeng Local Municipality owes Magalies Water monies towards payment of salaries on Section 30 employees and work are done on its infrastructure. The municipality has previously defaulted on its commitment to making payments. Magalies Water has instructed its attorneys to issue summons to recover the outstanding debt owed to Magalies Water. Summons was issued in the Mahikeng High Court. The debt owed is R42, 846 723.00, including interest the total owed is R47, 436 236.00.</p> <p>In an attempt to resolve the matter amicably, Magalies Water met with Madibeng LM on 12 June 2019, and Madibeng LM advised MW that they responded to the summons and that they would like the court to rule on the matter between Madibeng LM and MW.</p> <p>Magalies Water served the notice bar to Madibeng Attorneys on 12 July 2019 for them to enter their plea within 05 days, with the deadline of 19 July 2019. Madibeng LM filed a special plea to the summons defending the action taken against them. Madibeng LM raised Special Plea for non-compliance with Institution of Legal Proceedings against Certain Organs of State Act 40 of 2002 on 18 July 2019.</p>	<p>The attorney advised MW that the particulars of claim in the summons were amended and served on all the parties to object within ten (10).</p> <p>The attorney advise that he has not received any objection and will apply to court for date of the trial within 20 days.</p> <p>He confirmed that the matter will be finalized before the end of June 2021.</p>	<p>R47, 436, 236.00</p>

Case Name	Summary of Facts	Current status	Amount
	<p>The litigation is proceeding. Our prospects of succeeding against Madibeng Municipality are well based on the acknowledgment of debt dated 20 January 2017. As instructed, Magalies Water met with Madibeng Municipality on the 14th of November 2019 and 2nd of December 2019, respectively. The purpose was to resolve the dispute amicably. Madibeng Municipality convener, Mr. Mike Church, advised MW that they want to avoid litigation at all costs and want to resolve this dispute as soon as possible.</p> <p>In summary, the committee (representing both parties) met on the 2nd December 2019 to discuss Madibeng Local Municipality long outstanding debt. It was concluded during that meeting that Magalies Water will provide Madibeng Local Municipality with at least 7 batch of invoices for sampling and examination. Both Parties agreed that if the seven (7) batch invoices and supporting documents are found to be correct, Madibeng Municipality will immediately pay Magalies Water. This idea was supported by both parties as it would resolve the long outstanding debt dispute.</p> <p>On the 29th January 2020, MW delivered the (9) invoice bundles samples to Madibeng instead of the initial agreed seven (7) for sampling. Madibeng Local Municipality signed the acknowledgement of receipt of the invoices which was to be discussed on earlier date. The only invoice samples not delivered and still outstanding was the laboratory and water tinkering which will be lodged as additional invoices later.</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>On 19th February 2020, Magalies Water and Madibeng Local Municipality met to discuss and interrogate the invoices. The only disputed matter was the cost of fleet maintenance which was to be discussed and resolved later.</p> <p>All outstanding invoices, supporting documents, and explanatory notes were submitted to Madibeng Local Municipality on the 1st March 2020. Mr. Dhlwayo confirmed receipt of the email and attachment on the 3rd March 2020. He further confirmed and committed that Magalies Water shall be paid once all documents have been received by Madibeng Local Municipality. Magalies Water has proof of acknowledgment of documents submitted to Madibeng Municipality as well as the follow-up emails on outstanding debts.</p> <p>Madibeng Local Municipality has failed to pay MW despite the many formal engagements. Kgokong Attorneys amended the legal documents to be served to Madibeng Local Municipality as instructed and also joined the Minister of Human Settlement, Water and Sanitation in the application. The amended documents (including joinder) will then be served to Madibeng Local Municipality for a set down and date of the trial.</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>On the 19th July 2020, MW held a zoom meeting with Kgokong Attorneys to discuss the amended documents and the interest accumulated on the debt which was to be corrected on the application. The attorneys and the Counsel advised MW that they are ready to proceed. They undertook to update and advise MW on the date of the set down on or before 31st August 2020.</p> <p>On 20th August 2020, the attorneys informed MW that advocate Motaung had being admitted at the hospital and was in ICU, however, he passed on.</p> <p>The attorneys have briefed a new advocate to take the matter further.</p> <p>On the 8th January 2021 the attorney informed MW that the application for joinder was served on the parties. They have informed MW that Madibeng Local Municipality attorneys received the Court papers and had advised them that they have withdrawn from the matter and they are no longer acting as legal representatives for Madibeng. With the courts being in recess, they have approached the court for date of set down which will be available in the early New Year (2021)</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>On the 16th March 2021, the attorneys advised MW that the matter has been set down for 1 April 2021 for a joinder application.</p> <p>(The reason for joining the Minister of Finance and the Minister of Water and Sanitation was because Madibeng Local Municipality was under administration)</p> <p>The application for Joinder was granted on the 1st of April 2021</p>		
<p>6. Cynthia Nomoya Mnyakeni vs Magalies Water</p> <p>January 2021</p>	<p>On the 25th January 2021, Magalies Water received the summons from the attorneys, Thabo Maphama Attorneys acting on behalf the plaintiff, Ms Cynthia Nomoya Mnyakeni. The plaintiff is the registered owner of the vehicle, Toyota quantum which was involved in the accident with our former employee, Mr Nchaupe Lesley Mareme.</p> <p>The cause of action arose from the motor vehicle collision accident between the plaintiff and Magalies Water employee who has since been dismissed for using Magalies Water vehicle after hours without authorisation.</p>	<p>The attorneys have filed Notice of Intention to Defend the summons and later did file pleadings.</p> <p>MW attorneys advised us that the plaintiff and their attorneys are quite and nothing is happening. MW</p>	

Case Name	Summary of Facts	Current status	Amount
	<p>The collision happened on the 17th June 2020 and summons were served on us on the 25th January 2021. The plaintiff is claiming an amount of R58.000 (Fifty-Eight Thousand Rand) allegedly to be the fair and reasonable costs of repairs to the Toyota quantum.</p> <p>The matter was referred to our attorneys to defend the summons after we have assessed our prospects of success in defending the matter and for possible counter claim.</p> <p>MW prospects of success were based on the following assessments;</p> <ol style="list-style-type: none"> a. According to the fleet coordinator's submission dated 15th July 2020, the taxi driver did not have driver's license and the taxi "owner" refuses to let the taxi driver to be interviewed both during the accident and investigation by the fleet coordinator. b. The taxi "owner" lied to the fleet coordinator that he was driving the vehicle at the time of the collision which was not the case c. If the matter was reported to SAPS, it would mean the taxi owner lied under oath when she reported the accident as the driver. d. The summons does not make any averment as to who was driving the owner's vehicle at the time of the accident and no such driver's license is attached. e. The summons attached the quotation marked CNMI which was from a towing company and not a professional panel beater. The requirement is that there must be at least three quotation for this type of claims and not one. 	<p>attorneys will diarise the file for a month before requesting further instructions from MW to exhaust other available remedies to strike this matter out the roll.</p>	

Case Name	Summary of Facts	Current status	Amount
	<p>f. The summons did not attach the traffic collision report (Accident report)</p> <p>g. The taxi owner refuses to claim directly to our insurer even when such information was provided to her by our Fleet Coordinator during the investigation.</p> <p>h. From the Submission from the fleet Coordinator there is strong possibility of counter claim.</p> <p>The matter was referred to A.A Solwandle Attorneys to defend the matter and lodge a counterclaim.</p>		
<p>7. Baloyi Inc vs Magalies Water</p> <p>December 2020</p>	<p>During December 2020, the attorneys law firm, Baloyi Inc served Magalies Water with simple summons alleging that we owe him an amount of R97,099.00 (Ninety-Seven Thousand and Ninety-Nine Rand) being for outstanding legal fees date back in 2018.</p> <p>The attorneys provided an itemised statement of account dated 14th September 2018 in support of his claim in the simple summons.</p> <p>The law firm alleges that during 2018, they were approached by Magalies Water to provide Legal opinion on Madibeng Local Municipality Contract with Magalies Water and the employees associated with the contract. According to the itemised statement of account.</p>	<p>The internal stakeholders have resolved to pay Baloyi Inc as there are no prospects of success to defend this matter further.</p>	

Case Name	Summary of Facts	Current status	Amount
	<p>The attorneys claimed that they have perused almost 1283-page documents to provide legal documents.</p> <p>They further alleged in the statement account that a legal counsel was briefed and consulted.</p> <p>The attorneys are alleging that they have been trying to get payment from Magalies Water since 2018. This allegation is not true and is disputed.</p> <p>The attorney's statement of account was only received on the 11th September 2020 at 11h47am. This was after our procurement department conducted an attorney to get information on some servitude project which was regarded as an irregular expenditure that the attorneys informed Magalies Water that there were still fees owing for providing legal opinion.</p> <p>The Legal Department made some follow ups with the attorneys requesting more information into these legal costs.</p> <p>On further request, the attorneys provided Magalies Water with RFQ 6000012233 and later a purchase order number PO 450007073 dated 28th August 2018 created by an official in the Procurement Department with the actual value of R950.00 (Nine Hundred and Fifty Rand).</p> <p>The purchase order screen was sent to the attorney via an email on the 28th August 2018 at 4.hr42pm.</p>		

Case Name	Summary of Facts	Current status	Amount
	<p>Prospects of Success</p> <p>Legal advised Procurement and Finance Department to pay the statement of account based on the RFQ 6000012233 and the screen shot dated 28th August 2018 for Purchase Order number: 450007073.</p> <p>The advised was also based on the costs implication of defending this matter and fact that the attorneys provided proof that the legal opinion was sent via email to Mr Vumisa, the previous Legal Manager.</p> <p>The Procurement and Finance Department refuses to pay the fees and reiterate that the law firm could not act on the RFQ Number 450007073 and that the PO NUMBER 45007073 received from the attorneys was not enough to confirm and complete the procurement process. The PO number 45007073 is deleted from the system.</p> <p>The matter was referred to Shuping Incorporated to defend the action.</p> <p>On the 16th March 2021 Magalies Water and the attorneys had a zoom meeting to discuss the prospects of success. The attorney was instructed to enter a plea and request further particulars from the attorneys regarding the claim.</p>		

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. Stakeholder Management

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.

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

15.1 Stakeholder Engagement (Internal and External).

Significant Stakeholder Engagements and positive Customer experience 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:

- Plan engagements which include identifying Stakeholders and objectives for engagement purposes
- Internal preparedness and alignment with Stakeholders
- Consultation through a systematic engagement programme to facilitate development of critical relationships and building trust
- Analysis of feedback from engagement processes

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.

15.2 Status of Agreements with Key Customers

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

Table 18: BSA Expiry Timelines

#	DESCRIPTION	AGREEMENT SIGNED	AGREEMENT EXPIRY DATE	STATUS
1.	Bela-Bela local municipality	2019	2029	Active contract
2.	City of Tshwane metropoltan municipality	2020	2023	Active contract
3.	Modimolle local municipality	2019	2021	Active contract
4.	Moses Kotane Local municipality	2013	2023	Active contract
5.	Rand water – Vaalkop southern water supply scheme	1997	Open ended	Active contract
6.	Royal Bafokeng administration	2011	2021	Active contract
7.	Rustenburg local municipality	2020	2023	Active contract
8.	Thabazimbi local municipality	2020	2030	Active contract

Table 19: 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*
8.	Rhino Andalusite Resources	Open ended*
9.	Pilanesberg Platinum Mine	Open ended*

#	NAME OF CUSTOMER	AGREEMENT EXPIRY
10.	Bafokeng Rasimone Platinum Mine	Open ended*
11.	Glencore Smelter	2026
12.	Maseve Mine	Open ended*
13.	Bakubung Wesizwe	Open ended*
14.	Limberg Mine (Cronimet Chrome Mine)	August 2028
15	Carousel Casino	Open ended*
16	Sa Ferrochrome (Pty)Ltd	2026

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

15.3 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 20: 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 Services	<ul style="list-style-type: none"> Product quality & quantity Quality Service Experience Reliability of supply Affordable Tariffs Good reputation
	Employer of Choice	<ul style="list-style-type: none"> Conducive working environment Fair and transparent labour practice

Stakeholder	Value Proposition	Outcomes
Stakeholders who provide services and resources (Customer services support)		<ul style="list-style-type: none"> • 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.



Magalies Water

15.4 Marketing and Communication Plan

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. The following activities will be carried out in order to ensure optimal utilisation of the plan:

- Internal and external engagements through brochures, website, intranet, various media platforms and outdoor advertising tools for brand elevation;
- Stakeholder engagements and exhibitions at key sector events;
- Interviews and programme features on local and community radio stations on topics that advance strategic objectives of the organisation;
- Supporting National, Provincial and Local Government initiatives and programmes.



Magalies Water

16. Human Resources Plan

Magalies Water 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, graduate trainees and employment of local people.

16.1 Implementation of the 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.

16.2 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:

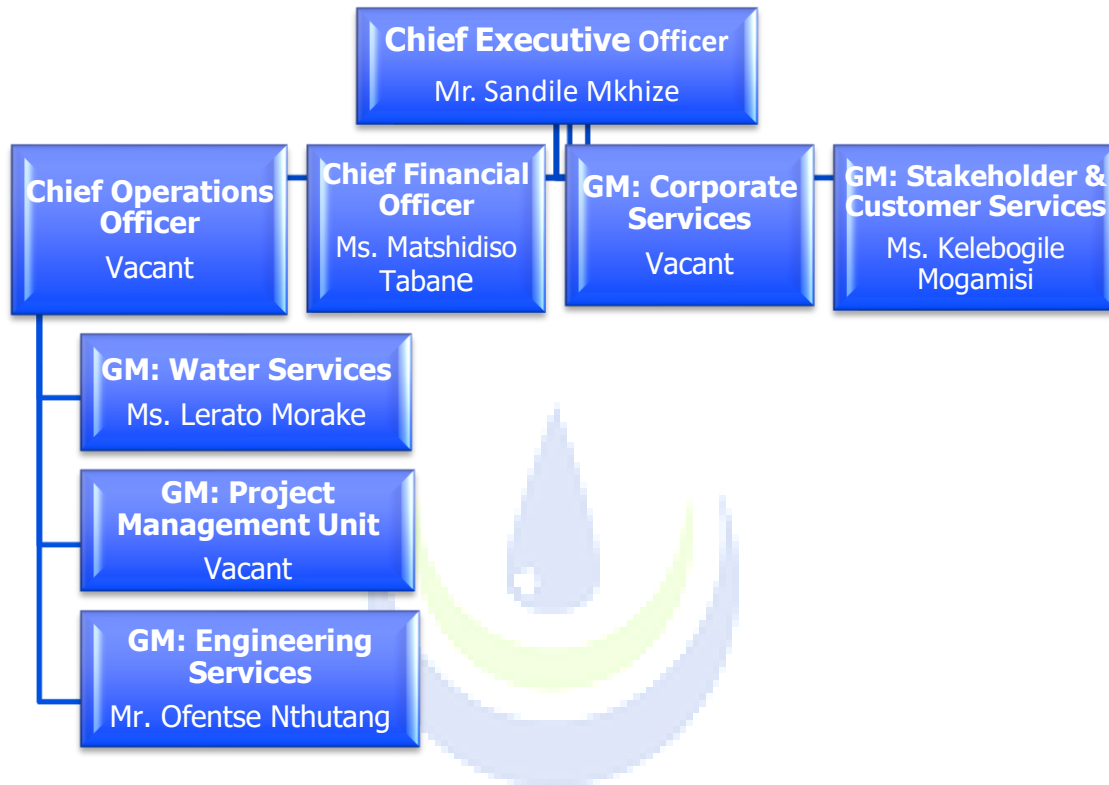
Table 21: Personnel Profile by Levels, Gender and Race

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%				2%				6/317	1.9%	2%

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

Number of Engineers: 5 (Included in the professionally qualified occupational category)

Figure 5: Executive Committee Organisational Structure



16.3 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 45% and 2%, of the total workforce.

16.4 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.

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 2021/22 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.

16.5 Employee 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

17. 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. Application for water use licences for future expansions to ensure there is no over abstraction of water which will impact in issues of water shortages.
6. 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.

18. 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 22: 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 once every two years.

19. 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:

- Educate consumers on how to conserve water in order to minimise water losses through awareness campaigns.
- Implement Corporate Social Initiatives that will assist municipalities within the supply area of Magalies Water to reduce non-revenue water (NRW) which will in turn ensure improved water supply and increase in revenue

Magalies Water Conservation Water Demand Management Campaign is implemented in many folds inclusive of the following:

1. **Somarela Metsi** - Metsi ke Bophelo/My Water, my pride campaign which is done through electronic and print media i.e. radio promos, on social media platforms and on billboards.
2. **Plant Tours** wherein we host different groups in some of our Plants to educate them about the Water Cycle i.e. source-to-tap with an aim of communicating Water Conservation and Water Demand Management and emphasise the mandate of Magalies Water. Education to the external stakeholders is basically done on continuous basis through existing communication channels.

20. 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 the organization 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 and community needs in the service areas. Magalies Water has planned to implement three (3) Corporate Social Investment initiatives for the 2021/22 financial year.

21. Key Performance Indicators and Targets

SHAREHOLDER COMPACT: PERFORMANCE OBJECTIVES AND TARGETS - MAGALIES WATER



Table 23: Key Performance Indicators and Targets-Magalies Water's Adapted Version

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/22	2022/23	2023/24	2024/25	2025/26
			Ministerial Outcomes	DWS 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 ≥ 97%	% compliance	Acute health microbiological risk ≥ 97%	Acute health microbiological risk ≥ 97%	Acute health microbiological risk ≥ 97%	Acute health microbiological risk ≥ 97%	Acute health microbiological risk ≥ 97%
							Acute health chemical risk ≥ 97%	% compliance	Acute health chemical risk ≥ 97%	Acute health chemical risk ≥ 97%	Acute health chemical risk ≥ 97%	Acute health chemical risk ≥ 97%	Acute health chemical risk ≥ 97%
							Chronic health chemical risk ≥ 95%	% compliance	Chronic health chemical risk ≥ 95%	Chronic health chemical risk ≥ 95%	Chronic health chemical risk ≥ 95%	Chronic health chemical risk ≥ 95%	Chronic health chemical risk ≥ 95%
							Operational risk ≥93%	% compliance	Operational risk ≥93%	Operational risk ≥93%	Operational risk ≥93%	Operational risk ≥93%	Operational risk ≥93%
							Aesthetic risk ≥93%	% compliance	Aesthetic risk ≥93%	Aesthetic risk ≥93%	Aesthetic risk ≥93%	Aesthetic risk ≥93%	Aesthetic risk ≥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: %	≤5%	≤5%	≤5%	≤5%	≤5%

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/22	2022/23	2023/24	2024/25	2025/26
			Ministerial Outcomes	DWS 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: %	≤6%	≤6%	≤6%	≤6%	≤6%
	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	≤4 Incidents	≤4 Incidents	≤4 Incidents	≤4 Incidents	≤4 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	Not contracted	Not contracted	Not contracted	Not contracted
Financial Performance	5	Finance reporting compliance	Outcome 6: An efficient, competitive and responsive economic infrastructure network	Equitable and sustainable water and sanitation services	To ensure good corporate governance	Unqualified Audit Report	Annual External Audit	Unqualified report with no matters of emphasis	Clean Audit	Unqualified	Unqualified	Unqualified	Unqualified
	6	Improve key financial ratios				To achieve growth and sustainable	Improved viability and sustainability	Current Ratio	Ratio	2.8: 1	2.9:1	3.1:1	3.0:1

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/22	2022/23	2023/24	2024/25	2025/26
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
					financial returns		Gross Profit Margin % (Primary Activity)	%	≥31%	≥29%	≥31%	≥31%	≥31%
							Gross profit margin (secondary activity)	%	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
							Net Profit Margin (Primary Activity)	%	≥7%	≥10%	≥11%	≥11%	≥11%
							Net Profit Margin (Secondary Activity)	%	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
							Debt/Equity	%	≤5%	≤8%	≤10%	≤12%	≤10%
							Return on Assets	%	≥2%	≥2%	≥3%	≥3%	≥3%
							Average Debtors Days	Number	≤55 Days	≤50 Days	≤45 Days	≤40 Days	≤40 Days
							Repairs and maintenance as % of Property, Plant & Equipment & Investment Property (Carrying Value)	%	≥1%	≥1%	≥1%	≥1%	≥1%
							Staff Remuneration as % of Total Revenue	%	≤29%	≤30%	≤30%	≤30%	≤30%

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/22	2022/23	2023/24	2024/25	2025/26
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
	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	≥40%	≥40%	≥40%	≥40%	≥40%
							New Entrants (BBBEE)	Number	80	80	80	80	80
	8	Manage costs within the approved budget				Actual expenditure compared with budgeted expenditure for the quarter	Financial reports	% increase	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted
	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	Not contracted	Not contracted	Not contracted	Not contracted
							Overall project expenditure within R target	% variance	Not contracted	Not contracted	Not contracted	Not contracted	Not contracted

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/22	2022/23	2023/24	2024/25	2025/26
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
	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	Not contracted	Not contracted	Not contracted	Not contracted
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%	90%	90%
	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	Not contracted	Not contracted	Not contracted	Not contracted
	13	Support Rural Development				Total Number of identified Municipalities supported	Signed Contracts, MOUs, etc	Number	1	1	1	1	1
	14	Achieve statutory reporting compliance	Outcome 9: A responsive, accountable, effective and efficient Local Government system			All Statutory Reports submitted on time	% Submission dates met	%	100%	100%	100%	100%	100%

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/22	2022/23	2023/24	2024/25	2025/26
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
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 create a high-performance organisation through effective talent management	Optimal staff retention	Staff turnover	%	≤3%	≤3%	≤3%	≤3%	≤3%
	16	Training and Skills Development	Outcome 4 Decent employment through inclusive economic growth		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	10	10	10	10	
				Bursaries employees			Number	20	20	20	20	20	
				Graduate Programmes			Number	4	4	4	4	4	
	17	Jobs Created	Outcome 5: A skilled and capable workforce to support an inclusive growth path			Permanent and contract (direct)	Total Number (Direct)	Number	5	5	5	5	5
						Temporary (indirect)	Total Number (Indirect)	Number	40	40	40	40	40

Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/22	2022/23	2023/24	2024/25	2025/26
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
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	24	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 Risk Management	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	Equitable and sustainable water and sanitation services	To ensure good corporate governance	Internal audit findings dealt with	Number of Repeat Findings	Number	≤10	≤8	≤7	≤7	≤7
							Number of Unresolved Findings	Number	≤15	≤13	≤12	≤12	≤12

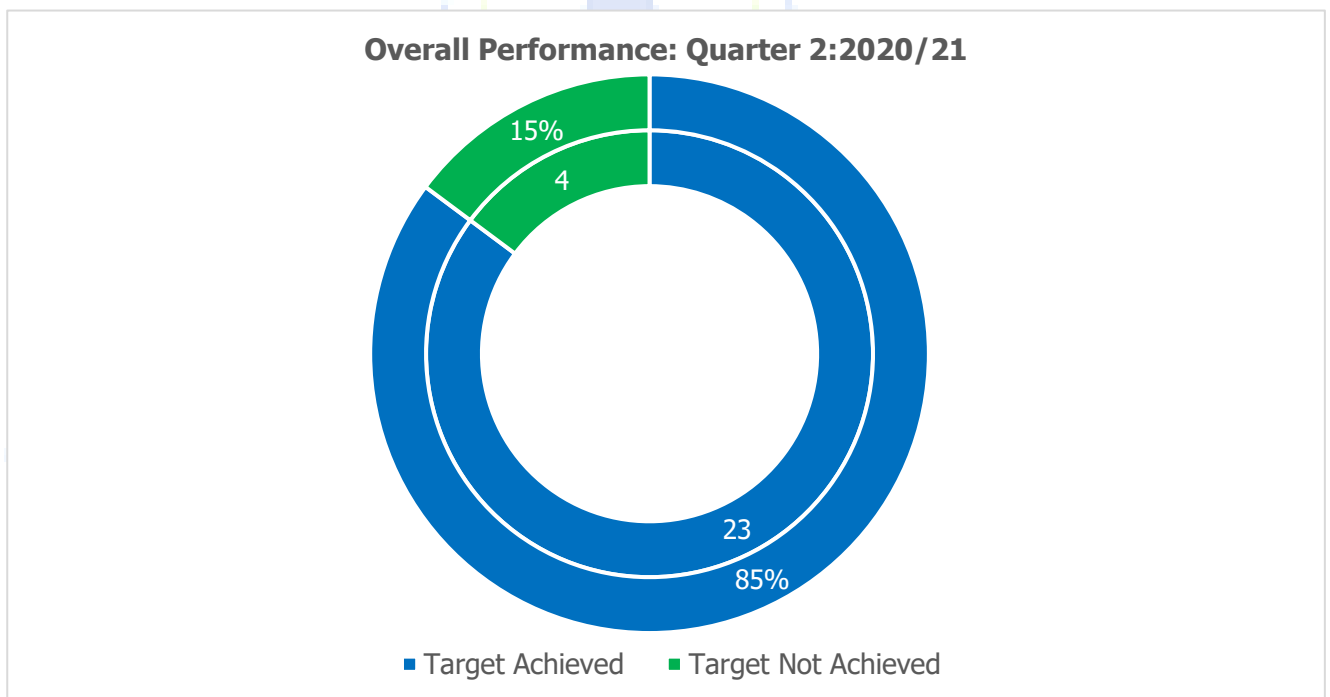
Performance Perspective	Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	2021/22	2022/23	2023/24	2024/25	2025/26
			Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives								
	20	Good Governance	Outcome 12: An efficient, effective and development oriented public service and an empowered and inclusive citizenship	Equitable and sustainable water and sanitation services		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	%	90%	90%	90%	90%	90%
	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 developmental Agenda	Good corporate citizenship	Number of initiatives undertaken	Number	3	3	3	3	3

22. Ministerial Directives

There are no new Ministerial Directives planned for the 2021/22 financial year. Directives will be implemented as and when received from the Shareholder.

23. Self - Appraisal of Performance (Quarter 2: 2020/21)

Magalies Water contracted with the Shareholder to implement thirty-nine (39) key performance indicators in 2020/21 and of those, twenty-seven (27) key performance indicators are applicable for Quarter 2. Magalies Water achieved twenty-three (23) out of twenty-seven (27) key performance indicators; this translates to **85%** overall performance for Quarter 2: 2020/21.



The following four (4) key performance indicators were not achieved:

- Operational Risk $\geq 93\%$ (target $\geq 93\%$ vs actual of 89.81%)
- % Submission Dates Met (target of 100% vs actual of 50%)
- Annual External Audit (target is unqualified vs actual of Audit is still in progress)
- Decision Making: % number resolutions taken by the Board vs number of resolutions required (target of 100% vs actual of 50%)

It should be considered that three (3) out of the four (4) non-achieved key performance indicators are due to the Auditor General not being able to complete the audit process of the 2019/20 Financial

Year by the usual completion date (31 October 2020) as a result of the impact of the COVID-19 pandemic. This has had an impact in the submission of the Annual Report which requires the Audited Annual Financial Statements (AFS). In terms of resolutions, the approval of the Annual Report including the AFS by the Board was not finalised.

Should the Annual Financial Statements have been audited and outcome communicated to Magalies Water, performance would have been ninety-six percent (**96%**) as twenty-six (26) out of twenty-seven (27) KPIs would have been achieved. Below is graphical representation of the performance as mentioned and submitted to the Shareholder for Q2:2020/21.



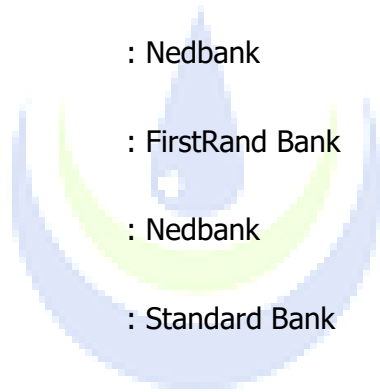
24. Bank Accounts

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.

1. 3774408-ZAR-2201-0 : ABSA
2. 03/7881108916 : Nedbank
3. SMT-DC14A00194 : FirstRand Bank
4. 1101 3701 0015 : Nedbank
5. 202 683 966 : Standard Bank
6. 03 844 1241 : Standard Bank
7. 03 844 3325 : Standard Bank



Magalies Water

25. 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 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 DWS and the National Treasury.



26. List of Abbreviations

BCM	Business Continuity Management
BBBEE	Broad Based Black Economic Empowerment
Co_{2e}	Carbon Dioxide equivalent
CSI	Corporate Social Investment
DWS	Department of Water and Sanitation
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
ICT	Information and Communications Technology
ISO	International Organisation for Standards
KPA	Key Performance Area
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