



**Umgeni Water issuer disclosure  
for JSE listed debt programmes**

28 November 2018

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## RISK FACTORS

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Words used in this section headed "Risk Factors" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Issuer believes that the factors described below, which are not set out in any particular order, represent key risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. Accordingly, the Issuer does not represent or warrant that the statements below regarding the risks of holding of any Notes are exhaustive.

All of these risks could materially affect the Issuer, its reputation, business, results of its operations and overall financial condition.

The information set out below is therefore not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective investor.

Investors contemplating making an investment in the Notes should determine their own investment objectives and experience, and any other factors which may be relevant to them in connection with such investment.

## RISK ASSOCIATED WITH THE NOTES

Umgeni Water Defines "risk" as any exposure to the consequence of uncertainty that could affect the organisation's ability to meet its strategic objectives. Risk management is guided by an Integrated Risk management Framework, which is aligned to strategy, thereby ensuring a focused and directed process of risk management in the organisation. The board of Umgeni Water approves the organisation's risk appetite and tolerance framework on annual basis.

### 1. RISKS RELATING TO THE ISSUER'S BUSINESS

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, objectives and Outcomes Impacted
1	<p><b>Long-term Water Resources Availability</b></p> <ul style="list-style-type: none"> <li>• Overall Response Effectiveness: Reasonable 55%</li> <li>• Severity: Moderate-High: 40</li> </ul>	<p><b>Cause &amp; Context:</b> Customers will not be guaranteed 99% assurance of supply in the Mgeni System and 98% assurance of supply in the</p>	<p><b>Organisational Efficiency and Effectiveness</b></p> <p><b>Perspective: SO2:</b></p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, objectives and Outcomes Impacted
	<ul style="list-style-type: none"> <li>• Probability: 50% fairly poor and/or could occur within 2 years</li> <li>• Risk Owner: Executive: Engineering &amp; Scientific Services</li> </ul> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>• Outside Appetite</li> <li>• Within Tolerance</li> </ul> 	<p>South Coast System as required, due to demand being higher than the yield within the next 5 years. Delay in the implementation of the uMkhomazi Water Project to increase the yield in the Mgeni System increases the risk of non-supply and the need for restrictions.</p> <p><b>Treatment Approach:</b>  Integrated planning and implementation for medium and long-term augmentation of systems with stakeholders. Review of water resources mix including reuse, other water conservation and demand management initiatives and desalination. Timely completion of target water resources projects including: Mgeni system - uMkhomazi Water Project and South Coast system - Lower uMkhomazi BWSS</p>	<p>Increase bulk infrastructure access, customers and services</p> <p><b>Reliability of Supply Outcomes:</b>  Water Resources Adequacy;  Customer Satisfaction;  Stakeholder Understanding and Support; and  Community and Environmental Sustainability.</p>
2	<p><b>Infrastructure Investment</b></p> <ul style="list-style-type: none"> <li>• Overall Response Effectiveness: Reasonable 60%</li> <li>• Severity: Moderate-Low: 20</li> <li>• Probability: 80% likely &amp;/or could occur within 1 year</li> <li>• Risk Owner: Chief Financial Officer</li> </ul>	<p><b>Cause &amp; Context:</b> Alignment, prioritisation and implementation of the infrastructure plan between Umgeni Water and customers. Delays in decision-making relating to new infrastructure.</p>	<p><b>Financial Performance Perspective:</b>  <b>SO5:</b> Improve financial sustainability and enhance</p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, objectives and Outcomes Impacted
	<p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>• Outside Appetite</li> <li>• Within Tolerance</li> </ul> 	<p>Inadequate return on infrastructure investment due to unaffordability by rural customers. Mismatch between volume in customer's original request and actual off-take, the latter being either larger or smaller volumes.</p> <p><b>Treatment Approach: Critical supply infrastructure is annually identified, aligned, prioritised, funded and implemented as part of the entity's capital infrastructure programme linked to strategy.</b></p> <p>Details of major infrastructure initiatives and progress with these are outlined in the Bulk Potable Water Supply and Wastewater Treatment and Disposal Plans</p>	<p>socioeconomic development</p> <p><b>Capital Expenditure Programme</b></p> <p><b>Manage costs within Approved Budgets</b></p> <p><b>Outcomes:</b></p> <p>Financial Viability; Infrastructure Stability; and Community and Environmental Sustainability.</p>
3	<p><b>Short-Term Water Resources Availability</b></p> <ul style="list-style-type: none"> <li>• Overall Response Effectiveness: Poor 40% <ul style="list-style-type: none"> <li>• Severity: Moderate-Low: 20</li> </ul> </li> <li>• Probability: 80% likely &amp;/or could occur within 1 year</li> <li>• Risk Owner: Executive: Engineering &amp; Scientific Services</li> </ul> <p><b>Risk Appetite and Tolerance</b></p>	<p>Cause &amp; Context: Dam levels are such that there is a threat of non-supply if mitigation measures are not put in place (restrictions, emergency schemes).</p> <p><b>Treatment Approach: On-going short-term demand management initiatives. Implementation of appropriate operating rules. Water rationing implemented as per</b></p>	<p><b>Organisational Efficiency and Effectiveness</b></p> <p><b>Perspective:</b></p> <p><b>SO2:</b> Increase bulk infrastructure access, customers and services</p> <p><b>Reliability of Supply</b></p> <p><b>Outcomes:</b></p> <p>Water Resources Adequacy;</p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, objectives and Outcomes Impacted
	<ul style="list-style-type: none"> <li>• Outside Appetite</li> <li>• Within Tolerance</li> </ul> 	<p>the target percentage for applicable systems. Collaboration and partnerships to pool efforts, such as Joint Operating Committees. Implementation of the emergency scheme to transfer water from the Lovu River to the Amanzimtoti Water Works to support the supply from the Mgeni system.</p>	<p>Customer Satisfaction; Stakeholder Understanding and Support; and Community and Environmental Sustainability</p>
4	<p><b>Sustainable Water &amp; Wastewater Pricing</b></p> <ul style="list-style-type: none"> <li>• Overall Response Effectiveness: Good 70%</li> <li>• Severity: Moderate-Low: 20</li> <li>• Probability: 65% even probability &amp;/or could occur within 1- 2 years</li> <li>• Risk Owner: Chief Financial Officer</li> </ul> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>• Outside Appetite</li> <li>• Within Tolerance</li> </ul> 	<p><b>Cause &amp; Context:</b></p> <p>Constraints on ability to charge a tariff that will ensure financial viability of Umgeni Water and protection of cash flows in view of the operating environment. Major cost-drivers are fixed. Wastewater business model needs review.</p> <p><b>Treatment Approach:</b></p> <p>Strategic customer engagement on underlying assumptions for annual tariff review including the Annual capital programme. Scenario planning using the tariff model to simulate scenarios (CAPEX acceleration, increase in cost and lower sales volumes, non-receipt of grant funding as per base case assumptions) and the effect</p>	<p><b>Financial Performance Perspective:</b></p> <p><b>SO5:</b> Improve financial sustainability and enhance socioeconomic development</p> <p><b>Manage costs within approved budget</b></p> <p><b>Outcomes:</b></p> <p>Financial Viability; Customer Satisfaction; and Community and Environmental Sustainability</p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, objectives and Outcomes Impacted
		<p>on the tariff increase, operating cash flows, optimal debt level and covenants. Improvement of wastewater business model.</p>	
5	<p><b>Ability to Deliver Projects on Time and Within Budget</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Reasonable 60% <ul style="list-style-type: none"> <li>Severity: Moderate-Low: 20</li> </ul> </li> <li>Probability: 50% fairly poor and/or could possibly occur within 2 years</li> <li>Risk Owner: Executive: Engineering &amp; Scientific Services</li> </ul> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Within Tolerance</li> </ul> 	<p><b>Cause &amp; Context:</b> Actual cost and delivery time of projects may significantly differ from approved plans. The variation may lead to undesirable impacts such as reputational damage and financial costs. Delays due to appeals, re-appeals and finalisation of contracts with requisite CPG targets. Increase in the risk of social disruption. Unclear/ill-defined scopes of work. Lack of adherence to the internal PLP protocols, procurement and contractual shortcomings.</p> <p><b>Treatment Approach:</b> Continued effective engineering, procurement and construction management (EPCM) process alignment within the specified time-frames. Communities/ stakeholder engagement at design phase</p>	<p><b>Financial Performance Perspective:</b></p> <p><b>SO5:</b> Improve financial sustainability and enhance socio-economic development</p> <p><b>Manage costs within approved budget</b></p> <p><b>Organisational Efficiency and Effectiveness Perspective:</b></p> <p><b>SO2:</b> Increase bulk infrastructure access, customers and services</p> <p><b>Increase access to services</b></p> <p><b>Outcomes:</b> Financial Viability; and Community and Environmental Sustainability.</p>
6	<p><b>Breach of Materiality and Significance Framework</b></p>	<p><b>Cause &amp; Context:</b> Incurring fruitless, wasteful, irregular and unauthorised (over-</p>	<p><b>Financial Performance Perspective:</b></p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, objectives and Outcomes Impacted
	<ul style="list-style-type: none"> <li>• Overall Response Effectiveness: Good 80%               <ul style="list-style-type: none"> <li>• Severity: Minor-Low: 5</li> </ul> </li> <li>• Probability: 80% likely &amp;/or could occur within 1 year</li> <li>• Risk Owner: Chief Financial Officer</li> </ul> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>• Outside Appetite</li> <li>• Within Tolerance</li> </ul> 	<p>budget) expenditure as a result of lack of understanding and adherence to policies and procedures. Misstatements of financial statements.</p> <p><b>Treatment Approach:</b> Policies, delegation of authority framework and procedures in place. Strategic oversight and assurance of compliance through on-going assessment of control effectiveness.</p>	<p><b>SO5:</b> Improve financial systems and key financial ratios</p> <p><b>Financial Reporting Compliance</b></p> <p><b>General Compliance (Risk, Audit and Governance)</b></p> <p><b>Perspective:</b></p> <p><b>SO6:</b> Improve governance, risk and compliance systems</p> <p><b>Effective Internal Controls, Compliance and Risk Management</b></p> <p><b>Outcomes:</b> Financial Viability; Operational resiliency; and Stakeholder Understanding and Support.</p>
7	<p><b>Protection and Safeguarding of Assets</b></p> <ul style="list-style-type: none"> <li>• Overall Response Effectiveness: Reasonable 65%               <ul style="list-style-type: none"> <li>• Severity: Minor-Low: 5</li> </ul> </li> <li>• Probability: 65 % even probability &amp;/or could occur within 1- 2 years</li> <li>• Risk Owner: Executive: Corporate Services</li> </ul> <p><b>Risk Appetite and Tolerance</b></p>	<p><b>Cause &amp; Context:</b> Illegal settlements and unauthorised construction on properties and servitudes. Potential land claims on registered servitudes and new servitudes to be acquired.</p> <p>Umgeni Water's right of access limited. General encroachment and impact on assets. Remote locations are</p>	<p><b>General Compliance (Risk, Audit and Governance)</b></p> <p><b>Effective Internal Controls, Compliance and Risk Management</b></p> <p><b>Outcomes:</b> Financial Viability;</p>

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic, Perspective, objectives and Outcomes Impacted
	<ul style="list-style-type: none"> <li>• Outside Appetite</li> <li>• Within Tolerance</li> <li>• LOW</li> </ul> 	<p>difficult to secure or monitor, resulting in an increase in theft and vandalism with damage to third party property and injury to staff.</p> <p><b>Treatment Approach:</b>            Implementation of servitude management policy and procedure.            Safety and security measures to protect staff and public.            Community awareness campaigns on potential life-threatening consequences of encroachment innovative solutions implemented for reduction in theft and vandalism of infrastructure and improvement in the internal control environment for ICT-related assets.            Properties and servitudes maintained and monitored.            Disposal of property no longer in use.</p>	<p>Operational resiliency; and            Community and Environmental Sustainability.</p>

## **2. RISKS RELATING TO THE ISSUER'S INDUSTRY**

The abovementioned risks may be experienced by other water boards in South Africa. Furthermore the impact of climate change remains on the radar as an emerging risk other water boards may also face.

## **3. THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS**

3.1. Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

3.1.1. have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Programme Memorandum or any applicable supplement;

3.1.2. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;

3.1.3. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

3.1.4. understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and

3.1.5. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

3.2. The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial and legal adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### **4. THERE IS NO ACTIVE TRADING MARKET FOR THE NOTES**

The Notes issued with the Programme Memorandum will be new securities which may not be widely distributed and for which there is currently no active trading market. While application may be made for the Notes to be traded on the JSE or on such other Financial Exchange(s) as may be determined by the Issuer, there can be no assurance that the Issuer will be able to maintain such listing or that a trading market will develop for the Notes. If the Notes are traded after their initial issuance, they may trade at a discount or premium to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general political and economic conditions, the Condition of the financial sector, the financial Condition of the Issuer, the Issuer's financial performance and future prospects.

#### **5. THE NOTES MAY BE REDEEMED PRIOR TO MATURITY**

- 5.1. In the event that the Issuer is obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any taxes, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions.
- 5.2. In addition, if the Terms and Conditions provide that Notes are in certain circumstances redeemable prior to the Maturity Date, the Notes may be redeemed at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

#### **6. RISKS RELATING TO NOTES GENERALLY**

##### **6.1. Change of law**

No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the issuance of the Notes.

##### **6.2. Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisors to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### 6.3. Foreign Exchange Control

Foreign derived loan capital or equity capital may be introduced into South Africa through a formal system of Exchange Control as summarised in the section headed “*South African Exchange Control*” of this Programme Memorandum. However, unless the prior approval of the South African Reserve Bank has been obtained, the proceeds from the sale of assets in South Africa owned by a non-resident are not remittable to the non-resident.

## 7. **FINANCIAL MARKETS**

A prospective investor of the Notes should be aware of the prevailing and widely reported global credit market conditions (which continue at the date hereof), whereby there is a general lack of liquidity in the secondary markets for instruments similar to the Notes. The Issuer cannot predict if and when these circumstances will change, and if and when they do, whether conditions of general market illiquidity for the Notes and instruments similar to the Notes will return in future.

## DESCRIPTION OF UMGENI WATER

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### 1. BACKGROUND AND HISTORY

- 1.1. Umgeni Water is a state-owned business enterprise, established under Proclamation No. 114 of 1974 (Government Gazette No. 4300 of 14 June 1974) and in terms of section 108(2) of the Water Act, 1956 and now deemed to be established in terms of the Water Services Act of 1997 (the “**Water Services Act**”) read together with the Public Finance Management Act, 1999 (the “**PFMA**”).
- 1.2. The primary activities of Umgeni Water, as pronounced in section 29 of the Water Services Act, is to provide water services (water supply and sanitation services) to other water services institutions in its service area.
- 1.3. In terms of section 30 of the Water Services Act, Umgeni Water engages in other activities that complement bulk water service provision such as providing laboratory services, water quality monitoring and environmental management services and Umgeni Water acts as an implementing agent for government in respect of projects related to water service delivery.
- 1.4. The organisation derives revenue from the sale of bulk potable water to its customers. The customer base comprises six municipalities in KwaZulu-Natal namely, eThekweni Metro, iLembe, Sisonke, uMgungundlovu, Ugu District Municipalities, and uMsunduzi Local Municipality, to which over 416 million kilolitres of potable water were supplied in the past year.
- 1.5. In November 2017, Umgeni Water successfully concluded a supply agreement with an additional municipality (uThukela District Municipality) for implementation in 2019
- 1.6. Umgeni Water’s traditional six (6) customers cover 32% of the KZN geographical area and are home to 67% of households. With the organisation’s newly acquired customer number seven (7), uThukela DM; the focus area in 2019 will increase to cover 44% of the KZN geographical area and 73% of households.
- 1.7. Umgeni Water’s infrastructure assets in support of its bulk water services business comprise of:
  - Approximately 897 kilometres of pipelines and fifty-three (53) kilometres of tunnels;
  - Fourteen (14) impoundments;
  - Seventeen (17) water treatment works; and
  - Nine (9) wastewater treatment works.

## 2. OWNERSHIP AND CONTROL



## 3. REVIEW OF OPERATIONS/DESCRIPTION OF BUSINESS

- 3.1. Umgeni Water employs a staff of 1114, including engineers, scientists, accountants, other specialists and administrative personnel. The chief executive, as the accounting officer, guides the day-to-day activities of the organisation. There are five general managers and thirty seven senior managers who also contribute to the day-to-day management of the organisation. The non-executive board members are appointed by the Minister of Water and Sanitation , and the board is the accounting authority of Umgeni Water (the “**Board**”).
- 3.2. As a state-owned business enterprise, Umgeni Water reports directly to the executive authority, the Minister of Water and Sanitation and it operates within the framework of the Water Services Act, the National Water Act of 1998, the PFMA and the Public Audit Act, 2004.

#### 4. FINANCIAL HIGHLIGHTS: 2018

- 4.1. Umgeni Water achieved a sound financial performance in 2018 as a result of its resilient and agile operating systems which allowed for swift response to the recovery from the drought. The strengthening of the balance sheet provides the financial resources that are required to implement critical mega infrastructure projects that will ensure water resource security in the medium to long term as well as assist customers to meet future water demands and eliminate the water service delivery backlogs in the KZN province.

	2018	%	2017
	R'm	Change	R'm
<b>Revenue</b>	<b>2 904</b>	<b>16</b>	<b>2 510</b>
Water	2 666	22	2 187
Wastewater	172	19	145
Section 30	66	(63)	178
<b>Cost of sales</b>	<b>(1 192)</b>	<b>1</b>	<b>(1 179)</b>
Water	(1 051)	12	(937)
Wastewater	(97)	10	(88)
Section 30	(44)	(71)	(154)
<b>Gross profit</b>	<b>1 712</b>	<b>29</b>	<b>1 331</b>
<b>GP%</b>	<b>59%</b>	<b>6%</b>	<b>53%</b>
Other income	14	(56)	32
Other operating and administration expenses	(719)	(7)	(770)
<b>Profit from operations</b>	<b>1 007</b>	<b>70</b>	<b>593</b>
Net finance income	176	19	148
Share of profit from associate	5	-	5
<b>Profit before tax</b>	<b>1 188</b>	<b>59</b>	<b>746</b>

- 4.2. Bulk water revenue increased by 22% due to the 15% bulk water tariff increase combined with a 6% sales volumes growth,
- 4.3. The bulk water direct operating costs increased by 12% arising from the main cost drivers. The main cost drivers for direct operating costs are chemicals, energy, maintenance, raw water and staff costs which account for 79% (2017: 72%) of cost of sales. The direct costs of production for bulk potable water of ZAR370 million reflects a 15% increase from the year 2008 of ZAR323 million (10 year trend) due to significant increases in energy, chemical and maintenance costs.
- 4.4. The 19% increase in waste water is due to annual price increases in line with contractual agreements with customers which allows for upgrades and improvements to waste water treatment works.
- 4.5. The reduction in section 30 activities is due to the completion of projects.
- 4.6. As a result, gross profit percentage reduced to 71% from 73%.
- 4.7. Other operating and administration costs decreased by 7% primarily due to the reversal of impairments on rural development infrastructure of R118m (2017: R42m impairment expense) as a result of rural bulk infrastructure grant funding received.

- 4.8. Operating profits were 70% higher at R1007m (2017: R593m). The recovery of the operating profit margins alleviates the pressure on the financial loan covenant interest cover ratio which was under stress in the previous year. As a result capital expenditure had to be constrained as the new funding prospects was deferred to 2020 to allow for the recovery in operating profits so as not to risk any breaches to the interest cover ratio.
- 4.9. Net finance income was 19% higher directly associated with the increase in interest income on investments of R178m (2017: R150m) while finance costs after borrowing costs capitalised was R2m (2017: R1m). Borrowing costs capitalised to qualifying assets were R202m (2017: R211m).
- 4.10. Operating cash flows were 64% higher at R1 334m (2017: R812m), primarily due to the 6% sales volumes growth and 15% bulk water tariff increase combined with reduced working capital requirements. Cash used in investing activities were R534m (2017: R799m) consisting of R972m (2017: R1 126m) additions to property, plant & equipment offset by R455m (2017: R371m) rural bulk infrastructure grant funding received for development projects. Cash used in financing activities was R798m (2017: R32m) which consisted of R79m (2017: R79m) loan repayments and R78m (2017: R110m) net interest paid whilst investments increased by R641m as a result of reduced capital expenditure and rural bulk infrastructure grants received.

## 5. **MANAGEMENT STRATEGY (Five year Corporate/Business Plan)**

### 5.1. Strategic Highlights of the Business Plan

5.1.1. This strategy is informed by the operating environment, cognisant of the minister's expectations as implicitly and explicitly pronounced in the following statements and publications:

- The 2018 State of the Nation and National Budget Addresses,
- The Fourteen Strategic Outcomes of Government and pertinent Outputs cascading to the Executive Authority.
- The National Development Plan (NDP) for South Africa for 2030, the MTSF 2014-2019 and the NWRS2.

5.1.2. The key focus areas highlighted by the Minister of Water and Sanitation and the Department of Water and Sanitation.

- KwaZulu-Natal Provincial Growth and Development Strategy and Plans, as updated in 2018,
- Presidential Review Committee Report (2013) on reshaping state-owned-entities.

## 5.2. Our Strategic Thrusts

- 5.2.1. Align to developmental mandate to contribute to reduction in poverty, unemployment and inequity. Implement infrastructure developments to increase access and for growth. Progressively expand services into KwaZulu-Natal.
- 5.2.2. Provide support to municipalities to improve capacity and off-take sustainability. Investigate reticulation and retail support functions. Implement water loss / non-revenue water (NRW) management initiatives.
- 5.2.3. Implement integrated planning and water value chain functions that ensure long-term water resources adequacy and supply sustainability. Develop sustainable water resources and investigate diversification of water resources mix.
- 5.2.4. Engage in strategic partnerships including for water services, skills sharing, funding and financing. Improve marketing, branding and communication skills and capacity.
- 5.2.5. Embrace innovation and the digital revolution to improve resiliency of processes and infrastructure.
- 5.2.6. Leverage the balance sheet for growth, whilst carefully managing debt.
- 5.2.7. Continue to improve governance, risk and compliance systems.
- 5.2.8. Invest in infrastructure maintenance and key asset resilience.
- 5.2.9. Invest in leadership, management and skills development and mitigate workforce skills loss.
- 5.2.10. Continue to strengthen and drive a transformation agenda that supports inclusivity and reduces inequality and unemployment.

## 6. **RISK MANAGEMENT**

Risk Management at Umgeni Water is guided by an Integrated Risk Management Framework, which is aligned to strategy, thereby ensuring a focused and directed process of Risk Management in the entity. The risk appetite and tolerance framework is reviewed and approved on an annual basis

### 6.1. Risk Profile and management

- 6.1.1. The Board, assisted by the audit & risk committee, is ultimately accountable for risk management. The aim of integrated risk management is to ensure that in all Umgeni Water activities, opportunities are maximised and adversity minimised through adequate management of multidisciplinary risks. In recognition of the fact

that uncertainty could affect, positively or negatively, the organisation's ability to achieve its strategic and business objectives, Umgeni Water has developed and maintains policies and procedures to provide a systematic view of the risks faced in the course of its operations, business and administration activities, and institutes effective control mechanisms to mitigate the impacts of risk, to ensure organisational sustainability. Through interactive risk assessment Umgeni Water has identified and rated nine strategic risks. A priority scale guides both the risk accountability and the risk appetite of Umgeni Water.

6.1.2. Divisional and operational risk assessments are undertaken, identifying risks which limit divisions in achieving strategic objectives, and subsequently mitigations are implemented to manage these risks. Results of risk assessments and mitigations implemented are monitored by the corporate risk management committee and reported to the Board via the audit & risk committee.

6.1.3. In order to direct Umgeni Water's disaster risk management efforts in alignment with the provisions of the South African Disaster Management Act, 2002, Umgeni Water has formulated a multidisciplinary framework. The organisation currently has implementation guidelines and plans for high river levels and dam break disaster scenarios, as well as engagement protocols for water quality emergencies.

## 6.2. Fraud Prevention

A fraud prevention plan has been developed by the fraud prevention committee in accordance with the PFMA. The principle focus of the fraud prevention committee is to proactively fight fraud and to implement the fraud prevention plan. This committee, which is chaired by an external professional, has access to the chairperson of the audit & risk committee and the chief executive. Umgeni Water continues to operate the fraud prevention hotline, which is administered by Deloitte. The whistle-blowing facility has assisted in ensuring that the risk of fraud is minimised and monitored.

## 6.3. Audit and controls

6.3.1. The Board is responsible for the maintenance of effective and efficient systems of internal control. The internal control systems are designed to provide reasonable assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. Principal features of the organisation's internal finance controls provides for:

6.3.1.1. a system of financial planning, budgeting and reporting which allows continuous monitoring of performance;

- 6.3.1.2. a materiality and significance framework;
  - 6.3.1.3. clearly-defined delegations of authority;
  - 6.3.1.4. the establishment of a short, medium and long-term funding strategy;
  - 6.3.1.5. the tariff model which determines the financial impact of CAPEX and the bulk water tariff on Umgeni Water's debt profile; and
  - 6.3.1.6. established policies and procedures.
- 6.3.2. To assist the Board in the discharge of its responsibilities, internal audit undertakes an independent assessment of the internal control systems and business risks and reports to the Board through the audit and risk committee.
- 6.3.3. The audit plan covers major financial and commercial risks and responds to any changes emanating from Umgeni Water's integrated risk management process.
- 6.3.4. The external auditors are responsible for independently auditing and reporting on the financial statements in accordance with the International Financial Reporting Standards.
- 6.4. Risk factors and risk management regarding the Issuer
- 6.4.1. Integrated risk management is one of the drivers used to manage sustainability issues at Umgeni Water, as every risk management category broadly encompasses elements of sustainability. The Board is ultimately accountable for integrated risk management and the organisation commits to managing risk to ensure organisational sustainability.
- 6.4.2. Umgeni Water defines risk as all sources of uncertainty that could affect, positively or negatively, the organisation's ability to achieve its strategic and business objectives. The management of risks employed by the organisation is based on a multidisciplinary approach. This approach enables employees to better understand the nature of risk, and manage it systematically to ensure that, while all Umgeni Water activities and opportunities are maximized, adversity is minimized.
- 6.4.3. The integrated risk management framework comprises four related elements:
- 6.4.3.1. development of risk profiles at all levels within the organisation;
  - 6.4.3.2. integration of risk profiles and adoption of suitable mitigation measures through systematic procedures;

- 6.4.3.3. measurement of responses to risks identified; and
- 6.4.3.4. monitoring of risks for continuous improvement.
- 6.4.4. The status of strategic and operational risks are reported on and monitored by members of the corporate risk management committee, comprising the executive, senior managers from all divisions and the divisional risk champions, on a quarterly basis. The status of strategic risks is reported and monitored quarterly by the audit committee, which then reports to the Board. The Board and the audit committee undertake a strategic risk assessment and review on an annual basis.
- 6.4.5. Umgeni Water has an integrated risk management model approved by the Board. The model is implemented at a strategic, divisional and departmental level. Umgeni Water has identified seven strategic risks and strives to mitigate them on an ongoing basis.

## 7. **UMGENI WATER MANAGEMENT STRUCTURE**

### 7.1. Umgeni Water has a three-tiered management structure:

- 7.1.1. the Board;
- 7.1.2. the executive management; and
- 7.1.3. the senior managers.

### 7.2. The Board

- 7.2.1. The Board is the official accounting authority as per the PFMA. In terms of the Water Services Act, the Minister of Water and Sanitation appoints the Board of Directors which includes the chief executive. The term of office of a non-executive director is determined by the Minister of Water and Sanitation and is for a period not exceeding four years. Non-executive directors may be re-appointed for a period not exceeding three consecutive terms of office. The independence of the Board is maintained by adhering to certain key principles:
  - 7.2.1.1. limiting the number of hours per month that a Board member and chairperson work on Umgeni Water business to 40 and 50 hours respectively;
  - 7.2.1.2. keeping separate the positions of chairperson and chief executive;

- 7.2.1.3. having an independent non-executive member of the Board as Chairperson; and
- 7.2.1.4. having all Board committees chaired by independent non-executive members.
- 7.2.2. The Chairperson is responsible for the overall leadership of the Board and is also the primary linkage between the Board, the executive authority and the chief executive.
- 7.2.3. The six-member, non-executive Board guides the executive management team on strategic policy issues, and the sub-committees of the Board meet regularly and provide guidance to the Board.

7.2.4. The current board is an interim Board until the Minister finalise the appointments:

- 7.2.4.1. **MS. ZIPHOZETHU (GABSIE) MATHENJWA (Chairperson of the Board)** MSc in International Business Management (University of London); MBA (UKZN); BSc (UZ); Post-Graduate Diploma in Business Management (UKZN); Post-Graduate Diploma in Strategic Management and Corporate Governance (UNISA/ICSA); and Certificate in Financial Management and Investment (UNISA).

Appointed as a Board Member in September 2017. Umgeni Water Board member from 2009 to June 2017; Chairperson of Insika Foundation and the Sinafuthi Group; Board Member Denel SOC (Ltd); Board Member Safran Turbomeca Africa; Board Member of Mitsui African Rail Solutions; Mpumalanga Provincial Department of Economic Development; and Environment and Tourism Audit Committee Chairperson.

- 7.2.4.2. **MR. MATSHEDISHO DAVID DIKOKO** Executive Leaders on Local Government 2000, WITS; Certificate in Development planning and Management for Local Government Councillors PU for CHE; Study Tour Water Management in Denmark Geological Survey of Denmark and Greenland; Assistant Personnel Officer and Work Study Practitioner, Anglo American Corporation; and Economic and Management Science Technikon South Africa.

Appointed as a Board Member in September 2017.

Chairperson of Midvaal Water Company since September 2004; Board Member Midvaal Water Company from June 2001 to August

2004; Board Member of Botshelo Water from June 2001 to August 2004; and Director New Business Development OMV Crushers / Matlosana Industries since May 2006.

**7.2.4.3. MS. NOMPUMELELO CHAMANE**

Appointed as a Board Member in September 2017.

Chairperson of Umgeni Water Board HR and Remuneration Committee from 2009 to June 2017; Councillor with eThekweni Municipality; Experienced liaison officer with provincial structures of COSATU; Member of Albert Luthuli Hospital Committee; Board member of EU-funded Cato Manor Development Association (CMDA); and Chairperson of Finance Committee of St. Benedict Catholic Church

**7.2.4.4. Mr VISVIN REDDY**

Educator (Mathematics & Computer Science) by profession; and Various Diplomas and Certificates in Management and Communications.

Appointed as a Board Member in September 2017.

Board Member of Umgeni Water from June 2009 to June 2017; Seventeen years local government experience; Served on the Executive Committee of eThekweni Metropolitan Municipality as well as Chairman of the Infrastructure Committee; and a member of various community bodies

**7.2.4.5. MR. THOVHELEVHO-MIDIYAVHATHU TSHIVHASE**

Juris Diploma in Law University of Zululand; and BA Law University of Limpopo (previously University of the North / Turfloop).

Appointed as a Board Member in September 2017.

South African Nuclear Energy Corporation (NECSA); Chairperson of Investment and Finance Committee and Research Development and Technology since 2016; Chairperson of Lepelle Northern Water since 2016; Road Agency Limpopo (RAL): Member of the Board of Directors; Chairperson of the Social and Ethics Committee and Member of Human Resources and Remuneration Committee since 2015; South African Broadcast Production Advisory Body Board Member since 2014; Deputy Chair of Council: University of Venda

since 2014; Limpopo Provincial Legislature Chairperson of Portfolio Committee on Transport from 2005-2013 and Chairperson of Committee Portfolio on Public Works from 2013-2014; Chairperson of Congress of Traditional Leaders (CONTRALESA) Vhembe District from 2004-2009; Soutpansberg Petroleum Board (SBP) Chairperson from 2002- 2009; and Limpopo Provincial Legislature Chairperson of Portfolio Committee on Transport 1999-2004.

**7.2.4.6. MS. ZODWA MANASE**

B.Compt. (Hons); H.Dip (Tax); and CA (SA).

Appointed as a Board Member in September 2017.

Currently serves as TCTA Board Chairperson; CEO (Manase and Associates); Risk and Finance Committee (Chairman); Audit Committee; Governance Committee; Other Directorships/Trustees/Committee Memberships include Nelson Mandela Children's Hospital Trust Fund (Trustee); and PRASA, State Diamond Trader, Department of International Relations and Co-operation (Audit Committee Chairperson).

**7.2.4.7. MR. SBUSISO MADONSELA (COMPANY SECRETARY)**

Admitted Attorney of the High Court of South Africa; LLB (UZ); and Postgraduate Diploma in Compliance (UJ). Appointed as Company Secretary in January 2014. Umgeni Water Legal Services Manager until December 2013; Competition Commission's Legal Counsel; and extensive experience in private legal practice.

**7.3. The Executive Management**

7.3.1. The executive management team implements the decisions of the Board and manages the organisation on a day-to-day basis. This executive structure is supported by a number of senior managers, who provide technical information and assist the executive management team. On areas of strategic importance to the organisation, Umgeni Water consults through staff information sessions, the staff advisory council and through bilateral meetings with NEHAWU, the recognised union at the organisation. Normal management meetings with staff are ongoing.

7.3.2. Regular consultation and information meetings are held with customers, the Department of Water and Sanitation and the Parliamentary Portfolio Committee

on Water and Sanitation, as well as with the investor community, to inform them of organisational matters.

## 8. CORPORATE GOVERNANCE AND REGULATORY FRAMEWORK

### 8.1. Compliance to Water Services Act & PFMA

- 8.1.1. Umgeni Water's policies are reviewed continually to ensure it responds to relevant legislation.
- 8.1.2. The Water Services Act and the PFMA set out the operational and fiduciary duties of the Board. In order to increase the Board's understanding of the legislation, Board members are kept abreast of developments in legislation through presentations and memoranda.
- 8.1.3. The chief executive is assisted by five Executives in implementing the policies, decisions and strategies adopted by the Board. In addition, the chief executive is responsible for fostering a culture of compliance and ensuring that all employees support and abide by the Umgeni Water Code of Ethics. The general managers attend all meetings of the Board to report on the activities of their divisions. Executive management meetings are held fortnightly.
- 8.1.4. Board committee meetings are convened regularly in order to address specific areas so as to enable the Board to make informed decisions. This has improved the corporate governance systems in the organisation.
- 8.1.5. The Board is governed by a code of ethics and the work of the committees is guided by specific terms of reference. Board meetings have been well attended and the details of activities are disclosed below. Members of the Board consider and authorise strategic issues in accordance with laid-down Umgeni Water policy and procedures.
- 8.1.6. Responsibility for the efficiency and effectiveness of operations, the optimum utilisation of Umgeni Water resources, legal compliance, the safeguarding of assets and the existence of sound and effective internal controls rests ultimately with the Board. Accordingly, the Board approves all corresponding policy, and monitors and guides the organisation's overall performance.

### 8.2. Shareholders Compact

In accordance with the Treasury Regulations issued in terms of the PFMA, the Board of Umgeni Water, as the accounting authority must, in consultation with its executive authority, the Minister of Water and Sanitation, annually conclude a shareholder compact. The

shareholder compact reflects the key performance measures and indicators to which Umgeni Water is committed. The Board continues to inform its executive authority on all major developments affecting the organisation through:

- 8.2.1. quarterly reporting against key indicators;
- 8.2.2. sustainability reports;
- 8.2.3. detailed five-year business plans;
- 8.2.4. direct contact between the chairman, the Minister of Water Affairs and Environment and the Portfolio Committee; and
- 8.2.5. frequent communication at executive level on industry performance and policy issues.

### 8.3. Governing Bodies

- 8.3.1. Umgeni Water is committed to sound corporate governance and adheres to the King IV Report on Corporate Governance (hereinafter referred to as “King IV”). The board of Umgeni Water is committed to promoting good governance and providing ethical leadership and thus supports the principles and outcomes contained in King IV. Umgeni Water reviewed its application of the King IV and is satisfied that the company is compliant with all the principles as contained in King IV. A statement on Umgeni Water’s application of the principles of King IV is available in its annual report, available at the following link [http://www.umgeni.co.za/pdf/ar\\_2018/UW-AR-2017-2018\\_rev%209\\_setup%2017-10-18.pdf](http://www.umgeni.co.za/pdf/ar_2018/UW-AR-2017-2018_rev%209_setup%2017-10-18.pdf).
- 8.3.2. Umgeni Water is driven by the values of customer focus, integrity, developmental approach, respect for people, environmental sustainability and excellence. Business relationships, characterised by ethical behaviour, require compliance with the set values, applicable legislation and business practices. Key initiatives to ensure continued compliance with good corporate governance include:
  - 8.3.2.1. alignment of the terms of reference of Board committees;
  - 8.3.2.2. further refinement of the delegation of authority document to confirm alignment to legislation, regulations and internal policies;
  - 8.3.2.3. formal incorporation of existing risk management initiatives into an integrated risk management framework to address and implement enterprise-wide risk throughout Umgeni Water;

8.3.2.4. development of a corporate business cycle to improve efficiency and effectiveness; and

8.3.2.5. refinement of the corporate balanced scorecard to assist with meeting corporate objectives, using measurable targets.

A Board Charter (reviewed in 2017) provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter is read in conjunction with:

- The Public Finance Management Act (Act 1 of 1999), as amended by the Public Finance Management Amendment Act (Act 29 of 1999), hereinafter referred to as the PFMA;
- Treasury Regulations (GG 27338) as amended from time to time;
- The Water Services Act (Act 108 of 1997), as amended; and
- The King Code of Governance Principles, 2016 (King IV).

#### 8.4. Disclosure of Interest

On an annual basis and at every Board and Board committees' meetings members declare any interests and commit to non-disclosure of information that may unfairly advantage or disadvantage a party.

#### 8.5. Code of Conduct

The Board Code of Conduct and Committees' Terms of Reference set out the operational and other responsibilities of the Board. In effect, the Board Code of Conduct and Committees' Terms of Reference serve to guide the Board and committees in discharging their duties in order to ensure that the Board's independence is upheld.

#### 8.6. Role and Functions of the Board

The Board of Umgeni Water was appointed in September 2017 on an interim basis, whilst the process of appointing a permanent Board was underway. The nomination process and the appointment of a new Board is being concluded. The new Board is expected to be in place within the second quarter of the 2018/2019 reporting year. The current Board comprises of six(6) non-executive Board members and one (1) Executive Board member, namely the Chief Executive.

#### 8.7. Board Committees

The Board committees assist the Board in the performance of its duties and also in enabling effective decision-making. In terms of the Water Services Act, the Board is authorised to delegate powers to the Board committees established by the Board. The functions and powers delegated to committees are set out in the Board committees' Terms of reference. Terms of reference for all committees have been reviewed and approved by the Board. The Board had three formally constituted committees and with effect from 1 July 2009 were constituted as follows:

8.7.1. Audit and Risk Committee

The Committee is mandated to achieve the highest level of financial management, accounting and reporting to the shareholder and to meet the requirements prescribed in section 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act (Act 29 of 1999), as well as Treasury Regulations, 2005 (Chapter 27.1). The Audit Committee further performs a critical function of risk management by ensuring the effectiveness, quality, integrity and reliability of Umgeni Water's risk management processes. The terms of reference of the Audit Committee takes into account the recommendations in King IV, the Companies Act (Act 71 of 2008), the Public Finance Management Act (Act 1 of 1999) as amended and Treasury Regulations, 2005, to ensure alignment to best practice and legislation.

8.7.2. Ethics Committee

Umgeni Water has formally adopted best practice principles as contained in King IV with respect to fraud prevention planning. The change to King IV will enable, amongst other aspects, greater accountability and transparency as a broader stakeholder within society; an integrated approach to corporate governance in view of economic, social and environmental spheres; and proposed greater integration between the role and function of the Social and Ethics Committee and other Board Committees. In line with this, the Board acknowledges its responsibility to ensure that Umgeni Water is a fair, transparent and ethical entity and will continue to exercise oversight through its already fully functional Ethics Committee as prescribed in Section 29.1.1 of the Treasury Regulations in the PFMA, as well as in line with the requirements of section 72 (4) of the Companies Act (Act No.71 of 2008). The Ethics Committee ensures the implementation of the Integrated Fraud Management Framework and accounts to the Board through the Audit Committee. The Committee provides assurance to the Board that there is effective institutional wide prevention of fraud and corruption and that complaint are effectively managed, appropriately followed-up and efficiently investigated. The Committee is satisfied that it has fulfilled all its statutory duties and duties

assigned to it by the Board, through the Audit Committee, during the reporting period. The Ethics Committee has an Independent Chairman - who is neither a member of management nor a member of the Board. The Chairman, Mr. S. Shabalala, is a qualified Chartered Accountant and has extensive public and private sectors experience in Financial Management and Corporate Governance matters. He is currently a Managing Director of Ukukhanya Advisory Services, an Accounting and Auditing company based in Durban. The Ethics Committee reports matters within its scope of mandate to the Board through the Audit Committee which include environmental, financial and social ethics. A code of ethics provides guidelines for ethical decision-making by all employees, Board members and stakeholders. The code formally acknowledges the organisation's intent to undertake business in an ethical manner and is communicated to all employees through various awareness and communication forums and programmes.

#### 8.7.3. Human Resources And Remuneration Committee

This Committee comprises of four (4) non-executive directors, the Chief Executive. The Chairperson is Ms. Nompumelelo Chamane. The committee reviews and recommends to the Board all matters relating to:

- Human Resources policies, organisational structure and compliance with the Employment Equity Act, (Act 55 of 1998) and other labour legislation;
- Conditions of employment of Executive Management;
- Appointment of the Chief Executive and members of Executive Management;
- Remuneration packages of the Chief Executive, members of Executive Management and staff;
- Succession planning for Executive Management;
- Policies and practices for Performance Management;
- Strategic Human Resource related matters; and
- Special rewards recommended by the Chief Executive

#### 8.7.4. Procurement, Fixed Assets and Capital Projects Committee

This Committee is chaired by Mr V Reddy and comprises of two (2) non-executive directors and the Chief Executive. The Committee assists the Board with capital expenditure related/programme related decisions, recommends Procurement Policies to the Board for approval and approves the release of capital expenditure above Executive management's delegated authority but within the Committee's delegated authority. It ensures that the organisation's supply chain policy and procedures are equitable, transparent, competitive and cost effective. It reviews the organisation's infrastructure asset maintenance programme/performance.

Contracts which exceed the Committee's Delegation of Authority are referred to the Board for approval. The Committee reviews and recommends amendments to the limits in the delegation of authority, relating to budget approvals for capital projects and procurement, to enable management to expedite the implementation of projects.

## **SOUTH AFRICAN EXCHANGE CONTROL**

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*Words used in this section headed “South African Exchange Control” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

***The information below is intended as a general guide to the current position under the Exchange Control Regulations as at the date of the Programme Memorandum. The contents of this section headed “South African Exchange Control” do not constitute exchange control advice and do not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes. Prospective subscribers for or purchasers of any Notes should consult their professional advisors in this regard.***

### **Non-South African resident Noteholders and emigrants from the Common Monetary Area**

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes and the applicable Terms and Conditions may be subject to the Exchange Control Regulations.

### **Blocked Rand**

Blocked Rand may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rand may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account.

### **Emigrants from the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed “emigrant”. Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant’s blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD, the securities account maintained for such emigrant by the relevant Participant will be designated as an “emigrant” account.

Any payments of interest and/or principal due to a Noteholder who is an emigrant from the Common Monetary Area will be deposited into such emigrant Noteholder’s Blocked Rand account, as maintained by an authorised foreign exchange dealer. The amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

### **Non-residents of the Common Monetary Area**

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed “non-resident”. In the event that a Beneficial Interest in Notes is held by a non-resident of the

Common Monetary Area through the CSD, the securities account for such Noteholder by the relevant Participant will be designated as a “non-resident” account.

It will be incumbent on any such non-resident Noteholder to instruct the non-resident's nominated or authorised dealer in foreign exchange as to how any funds due to such non-resident in respect of Notes are to be dealt with. Such funds may, in terms of the Exchange Control Regulations, be remitted abroad only if the relevant Notes are acquired with foreign currency introduced into South Africa and provided that the relevant Individual Certificate has been endorsed “non-resident” or the relevant securities account has been designated as a “non-resident” account, as the case may be.

### **Exchange Control – Issuer**

As at the date of this Programme Memorandum, the Issuer does not require exchange control approval for this Programme.