

ORGANISATIONAL PROFILE

2.1 LEGISLATIVE MANDATE

Umgeni Water is a state-owned entity (SOE) established in 1974 to provide water services - water supply and sanitation services - to other water services institutions in its service area. The entity operates in accordance with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999), amongst others, and is categorised as a National Government Business Enterprise. Umgeni Water reports directly to the Department of Water and Sanitation (DWS), through the Board (Accounting Authority) and through its functionaries, the Chairperson of the Board and the Chief Executive. The Minister of Water and Sanitation is the Executive Authority for Water Boards.

2.2 ACTIVITIES OF UMGENI WATER

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.

In addition, section 30 of the Water Services Act, enables Umgeni Water to undertake other activities, provided these do not impact negatively on the entity's ability to perform its primary activity. These include:

- Providing management services, training and other support services to other water services institutions, in order to promote co-operation in the provision of water services;
- Supplying untreated or non-potable water to end-users who do not use the water for household purposes;

- Providing catchment management services to or on behalf of the responsible authority;
- With the approval of the water services authority having jurisdiction in the area, supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers;
- Providing water services in joint venture with water services authorities; and
- Performing water conservation functions.

2.3 SUPPLY AREA AND CUSTOMERS (SHOWN ON MAP)

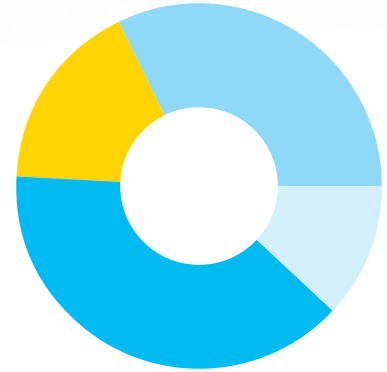
KwaZulu-Natal is the gazetted supply area of Umgeni Water and Mhlathuze Water and straddles a total geographical area of 94 359 km², which is home to 11.1 million people and 2.9 million households.

The KwaZulu-Natal Province comprises one (1) Metropolitan Municipality, ten (10) District Municipalities and forty-three (43) Local Municipalities. Fourteen (14) of these municipalities are Water Services Authorities as defined in the Water Services Act.

In the reporting period, Umgeni Water focused its service delivery and derived revenue largely from six (6) customers:

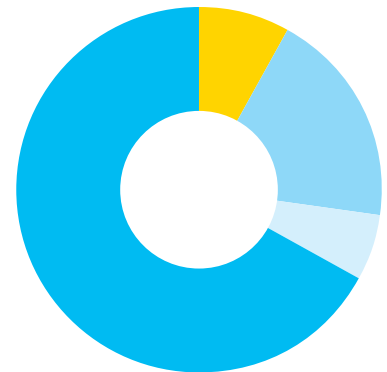
- eThekweni Metropolitan Municipality;
- iLembe District Municipality;
- Ugu District Municipality;
- Harry Gwala District Municipality;
- uMgungundlovu District Municipality; and
- Msunduzi Local Municipality.

Supply Area Contribution to KZN



- Mhlathuze Water, **39%**
- uThukela Water (Pty) Ltd, **17%**
- Umgeni Water (6 WSAs), **32%**
- uThukela DM, **12%**

Households Distribution



- Umgeni Water (6 WSAs), **67%**
- uThukela Water (Pty) Ltd, **8%**
- Mhlathuze Water, **19%**
- uThukela DM, **6%**

In November 2017, Umgeni Water successfully concluded a supply agreement with an additional municipality (uThukela District Municipality) for implementation in 2019.



94 359 km²
Umgeni Water
gazetted supply area



LOWER THUKELA BWSS

- 1.0
REPORT PROFILE
PG 6
- 2.0
ORGANISATIONAL
PROFILE
PG 8-17
- 3.0
MINISTER'S
FOREWORD
PG 18-23
- 4.0
CHAIRPERSON'S
REPORT
PG 24-29
- 5.0
CHIEF
EXECUTIVE'S
REPORT
PG 30-39
- 6.0
CORPORATE
GOVERNANCE
PG 40-53
- 7.0
STAKEHOLDER
UNDERSTANDING
AND SUPPORT
PG 54-59
- 8.0
PERFORMANCE
AGAINST 2017/2018
SHAREHOLDER
COMPACT
PG 60-67
- 9.0
CREATING VALUE
PG 68-87
- 10.0
CONSERVING
OUR NATURAL
RESOURCES
PG 88-99
- 11.0
ENABLING
OUR PEOPLE
PG 100-109
- 12.0
IMPROVING
RESILIENCY
PG 110-117
- 13.0
FINANCIAL
SUSTAINABILITY
PG 118-197
- 14.0
GRI CONTENT
INDEX
PG 198-203

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.

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.

2.4 STRUCTURE OF UMGENI WATER

The Umgeni Water Group comprises a parent entity with two small subsidiaries.

The Executive Committee is the top management structure of Umgeni Water Parent and for the reporting year comprised a Chief Executive and four Executives, namely for Operations, Engineering and Scientific Services, Finance and Corporate Services. The Chief Executive guides the daily operations of the entity with powers delegated to him by the Board.

The non-executive Board is the Accounting Authority and provides strategic leadership to the Executive. The Board is appointed by the Minister of Water and Sanitation.

With respect to the subsidiaries, Umgeni Water has 100% shareholding in both Msinsi Holdings SOC Ltd. and Umgeni Water Services SOC Ltd. The latter holds an 18.5% investment in Durban Water Recycling (Pty) Ltd.

The Umgeni Water Group as at 30 June 2018 comprised:

- A head count of 1 231 employees;
- Revenue for the year of R2.90 billion with R1.19 billion net surplus generated; and
- Balance-sheet asset value of R11.54 billion of which reserves totalled R8.09 billion.



MIDMAR WTW



PARLIAMENT OF SOUTH AFRICA



MINISTER OF WATER AND SANITATION



UMGENI WATER GROUP



Umgeni Water Board



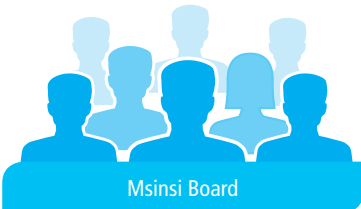
Msinsi Holdings SOC Ltd. (100%)



Umgeni Water Services SOC Ltd. (100%)



Chief Executive and Executive Committee



Msinsi Board



Durban Water Recycling (Pty) Ltd. (18.5%)

1.0 REPORT PROFILE PG 6

2.0 ORGANISATIONAL PROFILE PG 8-17

3.0 MINISTER'S FOREWORD PG 18-23

4.0 CHAIRPERSON'S REPORT PG 24-29

5.0 CHIEF EXECUTIVE'S REPORT PG 30-39

6.0 CORPORATE GOVERNANCE PG 40-53

7.0 STAKEHOLDER UNDERSTANDING AND SUPPORT PG 54-59

8.0 PERFORMANCE AGAINST 2017/2018 SHAREHOLDER COMPACT PG 60-67

9.0 CREATING VALUE PG 68-87

10.0 CONSERVING OUR NATURAL RESOURCES PG 88-99

11.0 ENABLING OUR PEOPLE PG 100-109

12.0 IMPROVING RESILIENCY PG 110-117

13.0 FINANCIAL SUSTAINABILITY PG 118-197

14.0 GRI CONTENT INDEX PG 198-203



**SPRING GROVE
DAM PUMP STATION**

UMGENI WATER'S STRATEGY¹

Umgeni Water's strategy, which is effective for the 2018/2019 reporting year, comprises five (5) goals and ten (10) long-term sustainability outcomes. The strategy map succinctly illustrates the manner in which sustainable value is created by integrating seven (7) strategic objectives through five (5) balanced scorecard perspectives in support of the mission and mandate.

STRATEGIC GOAL 1:

Provide reliable, responsive and affordable services and expand infrastructure to increase access, whilst ensuring stable water resources to meet current and future needs.

STRATEGIC GOAL 2:

Develop strategic partnerships, increase support to customers, improve visibility and be a regional leader in the provision of bulk water and sanitation services.

STRATEGIC GOAL 3:

Ensure sufficient operating cash flows, manage key cost drivers and leverage debt and assets to provide for future expansion, whilst supporting socio-economic development.

STRATEGIC GOAL 4:

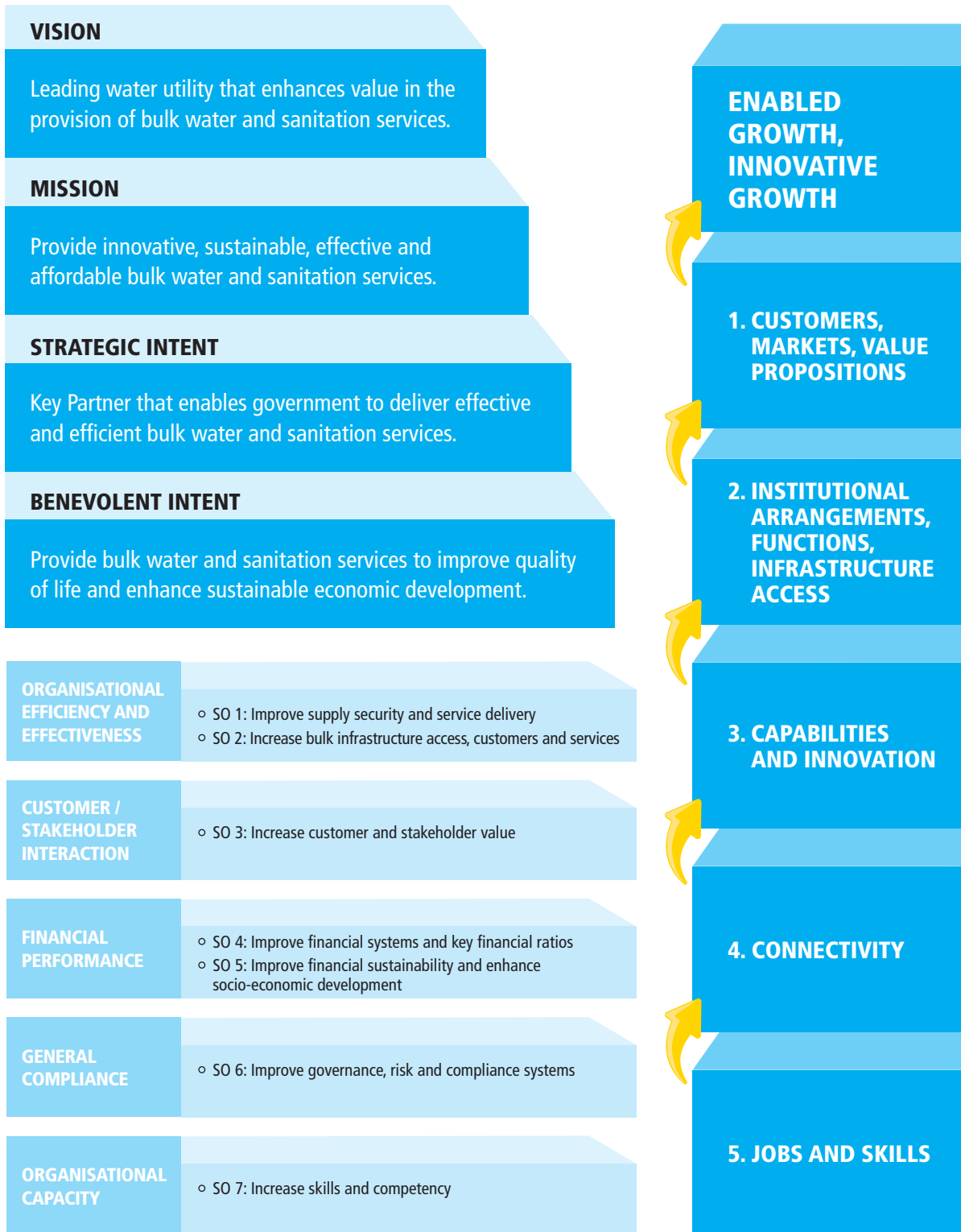
Ensure a well-governed and resilient entity that innovates, educates and supports community development and contributes to environmental sustainability.

STRATEGIC GOAL 5:

Strengthen and develop quality human resources and ensure a participatory, collaborative organisation dedicated to continual learning and improvement.

¹ Strategy was updated in April 2018 and is effective for the 2018/2019 reporting year.

STRATEGY MAP



We will be an entity that:

- Invests in its people/skills;
- Invests in technology and innovation;
- Invests in its relationships and partnerships;
- Adapts its culture and increases its commitment; and
- Positions itself through an aggressive and agile growth strategy.

- 1.0 REPORT PROFILE PG 6
- 2.0 ORGANISATIONAL PROFILE PG 8-17
- 3.0 MINISTER'S FOREWORD PG 18-23
- 4.0 CHAIRPERSON'S REPORT PG 24-29
- 5.0 CHIEF EXECUTIVE'S REPORT PG 30-39
- 6.0 CORPORATE GOVERNANCE PG 40-53
- 7.0 STAKEHOLDER UNDERSTANDING AND SUPPORT PG 54-59
- 8.0 PERFORMANCE AGAINST 2017/2018 SHAREHOLDER COMPACT PG 60-67
- 9.0 CREATING VALUE PG 68-87
- 10.0 CONSERVING OUR NATURAL RESOURCES PG 88-99
- 11.0 ENABLING OUR PEOPLE PG 100-109
- 12.0 IMPROVING RESILIENCY PG 110-117
- 13.0 FINANCIAL SUSTAINABILITY PG 118-197
- 14.0 GRI CONTENT INDEX PG 198-203

UMGENI WATER STRATEGY OUTCOMES

PRODUCT QUALITY (WATER AND WASTEWATER)

Achieved when Umgeni Water produces potable water and wastewater in full compliance with statutory and reliability requirements and consistent with customer and environmental needs.



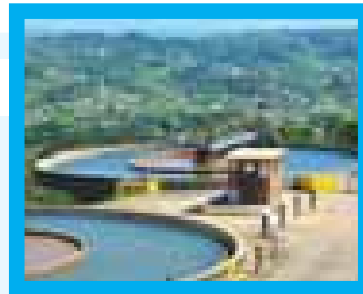
WATER RESOURCES ADEQUACY

Achieved when Umgeni Water assesses the scarcity of fresh water resources; investigates sustainable alternatives; manages water abstractions assiduously; and has access to stable raw water resources to meet current and future customer needs.



OPERATIONAL OPTIMISATION

Achieved when Umgeni Water has on-going, timely, cost-effective, reliable and sustainable performance improvements in all facets of its operations; minimises resource use, loss, and impacts from day-to-day operations; and maintains awareness of information and operational technology developments to anticipate and support timely adoption of improvements.



CUSTOMER SATISFACTION

Achieved when Umgeni Water provides reliable, responsive and affordable services in line with explicit, customer-agreed service levels; and receives timely customer feedback to maintain responsiveness to customer needs and emergencies.



STAKEHOLDER UNDERSTANDING AND SUPPORT

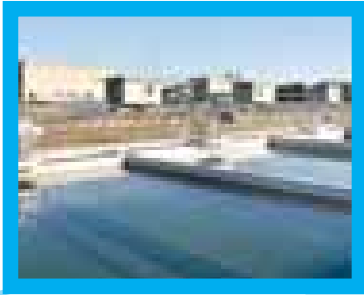
Attained when Umgeni Water engenders understanding and support from statutory, contracted and non-contracted bodies for service levels, tariff structures, operating budgets, capital improvement programmes, risk management decisions and water resources adequacy.





FINANCIAL VIABILITY

Achieved when Umgeni Water understands the organisational life-cycle costs and maintains a balance between debt and assets while managing operating expenditures and increasing revenues. In addition, the organisation aims for a sustainable tariff that is consistent with customer expectations, recovers costs and provides for future expansion.



INFRASTRUCTURE STABILITY

Achieved when Umgeni Water understands the condition and costs associated with critical infrastructure assets; and maintains and enhances the condition of all assets over the long-term. This is done at the lowest possible life-cycle cost and acceptable risk levels; consistent with customer service and statutory-supported service levels; and consistent with anticipated growth and system reliability goals. The organisation further assures that asset repair, rehabilitation and replacement efforts are coordinated to minimise disruptions and other negative consequences.



OPERATIONAL RESILIENCY

Achieved when Umgeni Water's leadership and staff work together to anticipate and avoid problems; and proactively identify, assess, and establish tolerance levels for effectively managing a full range of business risks, consistent with industry trends and system reliability goals.



COMMUNITY AND ENVIRONMENTAL SUSTAINABILITY

Achieved when Umgeni Water is explicitly cognisant of and attentive to the impacts it has on current and future community sustainability; supports socio-economic development; and manages its operations, infrastructure and investments to protect, restore, and enhance the natural environment, whilst using energy and other natural resources efficiently.



LEADERSHIP AND EMPLOYEE DEVELOPMENT

Achieved when Umgeni Water is a participatory, collaborative organisation dedicated to continual learning and improvement; recruits and retains a workforce that is competent, motivated and adaptive; works safely, ensuring institutional knowledge is retained and improved; provides opportunities for professional and leadership development; and creates an integrated and well-coordinated senior leadership team.

1.0
REPORT PROFILE
PG 6

2.0
ORGANISATIONAL
PROFILE
PG 8-17

3.0
MINISTER'S
FOREWORD
PG 18-23

4.0
CHAIRPERSON'S
REPORT
PG 24-29

5.0
CHIEF
EXECUTIVE'S
REPORT
PG 30-39

6.0
CORPORATE
GOVERNANCE
PG 40-53

7.0
STAKEHOLDER
UNDERSTANDING
AND SUPPORT
PG 54-59

8.0
PERFORMANCE
AGAINST 2017/2018
SHAREHOLDER
COMPACT
PG 60-67

9.0
CREATING VALUE
PG 68-87

10.0
CONSERVING
OUR NATURAL
RESOURCES
PG 88-99

11.0
ENABLING
OUR PEOPLE
PG 100-109

12.0
IMPROVING
RESILIENCY
PG 110-117

13.0
FINANCIAL
SUSTAINABILITY
PG 118-197

14.0
GRI CONTENT
INDEX
PG 198-203

STRATEGIC STATEMENTS OF UMGENI WATER AND ITS FUNCTIONAL DIVISIONS

UMGENI WATER:

We will lead the process of providing solutions via an innovative, vigorous growth path, to increase sustainable water supply, in order to satisfy the developmental water services requirements in our region, which contribute to government objectives.

BOARD:

We will consider internal and external factors, consult with stakeholders, develop a strategy, authorise implementation, manage resources, manage risks and oversee implementation to produce a valid and approved strategic plan, deliver on strategic objectives and provide sound corporate governance to achieve our vision and mission, in order to contribute towards government's objectives.

CHIEF EXECUTIVE OFFICE:

We will position and lead the organisation, plan activities and allocate resources, implement strategy, manage risk, champion corporate governance and partner with

stakeholders to deliver organisational objectives to achieve a well governed, vibrant, committed, sector-relevant and engaged organisation that delivers on its mandate.

OPERATIONS:

We will position ourselves, plan, structure, mobilise resources, source, specify, operate and maintain our infrastructure, abstract, treat, sell, distribute, monitor, conserve and re-use water, to deliver quality, effective and affordable water services to our stakeholders, which will deliver on organisational objectives.

LOWER THUKELA WTW

SCIENTIFIC SERVICES ¹:

We will undertake water sampling and laboratory analysis, assess water quality and environmental health, leverage technology, optimise water treatment processes to achieve sustainability and public health and provide innovative and optimal scientific solutions, in order to meet organisational objectives.

INFRASTRUCTURE DEVELOPMENT ¹:

We will reconcile water demand and water resources, plan infrastructure, provide optimal and innovative engineering solutions, implement capital infrastructure

programmes to deliver water infrastructure in an environmentally sustainable manner, in order to meet organisational objectives.

FINANCE:

We will plan, mobilise, account for and report on resources, manage financial risk, proactively implement procurement strategies and maintain internal control and systems, which result in funding, control, efficient, effective and economical supply of requisites, support and monitoring of the business to deliver sound financial management and corporate governance, to contribute towards organisational objectives.

CORPORATE SERVICES:

We will provide a specialised, diverse and essential enabling service through the provision of holistic human capital management, property and security management, management of information, communication and technology systems and computing infrastructure and legal services to enhance organisational service delivery capacity.

¹ Previously part of Engineering and Scientific Services Division.

1.0
REPORT PROFILE
PG 6

2.0
ORGANISATIONAL
PROFILE
PG 8-17

3.0
MINISTER'S
FOREWORD
PG 18-23

4.0
CHAIRPERSON'S
REPORT
PG 24-29

5.0
CHIEF
EXECUTIVE'S
REPORT
PG 30-39

6.0
CORPORATE
GOVERNANCE
PG 40-53

7.0
STAKEHOLDER
UNDERSTANDING
AND SUPPORT
PG 54-59

8.0
PERFORMANCE
AGAINST 2017/2018
SHAREHOLDER
COMPACT
PG 60-67

9.0
CREATING VALUE
PG 68-87

10.0
CONSERVING
OUR NATURAL
RESOURCES
PG 88-99

11.0
ENABLING
OUR PEOPLE
PG 100-109

12.0
IMPROVING
RESILIENCY
PG 110-117

13.0
FINANCIAL
SUSTAINABILITY
PG 118-197

14.0
GRI CONTENT
INDEX
PG 198-203