

# ISO 24540:2023-05 (E)

## Principles for effective and efficient corporate governance of water utilities

---

| <b>Contents</b>    |   | <b>Page</b> |
|--------------------|---|-------------|
| Foreword .....     |   | v           |
| Introduction ..... |   | vi          |
| 1                  | Scope .....   | 1           |
| 2                  | Normative references .....  | 1           |
| 3                  | Terms and definitions .....   | 1           |
| 4                  | Overview .....  | 3           |
| 5                  | Corporate governance for water utilities .....                                  | 4           |
| 6                  | Governance framework .....  | 6           |
| 6.1                | General .....   | 6           |
| 6.2                | Define the vision, mission and strategic objectives of corporate .....          | 6           |
| 6.3                | Identify governance gaps .....  | 6           |
| 6.4                | Establish decision-making process .....   | 7           |
| 6.5                | Mapping and definition of roles and responsibilities .....                      | 7           |
| 6.6                | Stakeholder engagement for inclusive water utilities .....                      | 7           |
| 6.7                | Encourage the development of capacity building and sharing of information ..... | 8           |
| 6.8                | Adoption of monitoring and evaluation .....                                     | 8           |
| 7                  | Influencing factors .....   | 8           |
| 7.1                | General .....   | 8           |
| 7.2                | Legal aspects .....   | 8           |
| 7.2.1              | General .....   | 8           |
| 7.2.2              | Legislative framework .....   | 9           |
| 7.2.3              | Water policy .....  | 9           |
| 7.3                | Guidelines .....  | 9           |
| 7.4                | Business model .....  | 9           |
| 7.5                | Users .....   | 11          |
| 7.6                | Other stakeholders .....  | 11          |
| 7.7                | Overall system operation .....  | 12          |
| 8                  | Implementation .....  | 12          |
| 8.1                | Purpose of water services .....   | 12          |
| 8.2                | Objectives of water services .....  | 12          |
| 8.3                | Viewpoint of system to ensure publicity .....                                   | 13          |
| 8.3.1              | General .....   | 13          |
| 8.3.2              | Reliable achievement of required level .....                                    | 13          |
| 8.3.3              | Implementation of corporate social responsibility .....                         | 13          |
| 8.3.4              | Enhancement of user service .....   | 13          |
| 8.3.5              | Effective governance system and internal control system .....                   | 13          |
| 8.3.6              | Response in the event of a disaster .....                                       | 13          |
| 8.3.7              | United Nations Sustainable Development Goals .....                              | 13          |
| 8.4                | Organizational functions .....  | 14          |
| 8.4.1              | General .....   | 14          |
| 8.4.2              | Executive board, board of directors or municipal council committee .....        | 14          |
| 8.4.3              | Management committee .....  | 15          |
| 8.4.4              | Auditing .....  | 15          |

|        |  |    |
|--------|--|----|
| 8.5    | Monitoring the implementation .....                                    | 15 |
| 8.5.1  | Overview .....   | 15 |
| 8.5.2  | Monitoring body .....  | 15 |
| 9      | Monitoring or assessment of corporate governance .....                 | 16 |
| 9.1    | General .....  | 16 |
| 9.2    | Assessing the corporate governance of water utilities .....            | 16 |
| 9.2.1  | General .....  | 16 |
| 9.2.2  | Vision, mission and strategic objectives .....                         | 16 |
| 9.2.3  | Basic organizational decisions .....                                   | 16 |
| 9.2.4  | Preparation of day-to-day activities .....                             | 17 |
| 9.2.5  | Responsibilities matrix -- Who does what .....                         | 17 |
| 9.2.6  | Stakeholder mapping and engagement .....                               | 17 |
| 9.2.7  | Outcomes of corporate governance of water utilities .....              | 17 |
| 10     | Recommendations of corporate governance .....                          | 18 |
| 10.1   | General .....  | 18 |
| 10.2   | Cooperation and relationship between key players .....                 | 19 |
| 10.2.1 | Ownership .....  | 19 |
| 10.2.2 | Responsible body .....   | 19 |
| 10.2.3 | Operator of water utility .....  | 20 |
| 10.3   | Openness and transparency .....  | 20 |
| 10.3.1 | General .....  | 20 |
| 10.3.2 | Recommendation 6: openness and transparency .....                      | 20 |
| 10.4   | Stakeholder engagement .....   | 21 |
| 10.4.1 | General .....  | 21 |
| 10.4.2 | Recommendation 7: Stakeholder engagement .....                         | 21 |
| 10.5   | Monitoring of operational improvement .....                            | 21 |
| 10.5.1 | General .....  | 21 |
| 10.5.2 | Recommendation 8: Operations .....                                     | 21 |
|        | Annex A (informative) Consensus-oriented decision-making process ..... | 22 |
|        | Annex B (informative) Stakeholder engagement .....                     | 23 |
|        | Annex C (informative) Specific performance indicator examples .....    | 24 |
|        | Bibliography .....   | 27 |