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BSI Standards Publication

Principles for effective and efficient corporate governance of water utilities

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National foreword

This British Standard is the UK implementation of ISO 24540:2023.

The UK participation in its preparation was entrusted to Technical Committee CB/503, Drinking water and wastewater service levels.

A list of organizations represented on this committee can be obtained on request to its committee manager.

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Published by BSI Standards Limited 2023

ISBN 978 0 539 02910 9

ICS 03.080.30; 13.060.20; 13.060.30

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This British Standard was published under the authority of the Standards Policy and Strategy Committee on 31 May 2023.

Amendments/corrigenda issued since publication

Date	Text affected
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First edition
2023-05-03

Principles for effective and efficient corporate governance of water utilities

*Principes pour une gouvernance efficace et efficiente des services
publics de l'eau*



Reference number
ISO 24540:2023(E)

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Foreword

ISO (the International Organization for Standardization) is a worldwide federation of national standards bodies (ISO member bodies). The work of preparing International Standards is normally carried out through ISO technical committees. Each member body interested in a subject for which a technical committee has been established has the right to be represented on that committee. International organizations, governmental and non-governmental, in liaison with ISO, also take part in the work. ISO collaborates closely with the International Electrotechnical Commission (IEC) on all matters of electrotechnical standardization.

The procedures used to develop this document and those intended for its further maintenance are described in the ISO/IEC Directives, Part 1. In particular, the different approval criteria needed for the different types of ISO document should be noted. This document was drafted in accordance with the editorial rules of the ISO/IEC Directives, Part 2 (see www.iso.org/directives).

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For an explanation of the voluntary nature of standards, the meaning of ISO specific terms and expressions related to conformity assessment, as well as information about ISO's adherence to the World Trade Organization (WTO) principles in the Technical Barriers to Trade (TBT), see www.iso.org/iso/foreword.html.

This document was prepared by Technical Committee ISO/TC 224, *Drinking water, wastewater and stormwater systems and services*.

Any feedback or questions on this document should be directed to the user's national standards body. A complete listing of these bodies can be found at www.iso.org/members.html.

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Introduction

Water is a global issue. Actions and subsequent decisions regarding water utilities are local issues. The United Nations has set 17 Sustainable Development Goals (SDGs), many of which are water related. Specifically, SDG 6 addresses water and sanitation and is intended to be applied at the local service level. People are aware of climate change and its impact on water availability but also the changes in weather, such as rain intensity or frequency, which can increase the risk of flooding events. The Paris Agreement takes these risks into consideration at the international level, but the question still remains on how they are considered at local level.

The water utilities sector is changing more rapidly than ever before and new solutions are being created and conceived. It is of vital importance that appropriate corporate governance systems exist and are implemented to support these changes and ensure that water services are provided which take into account user and stakeholder needs and expectations in a sustainable way.

The information provided in this document improves decision-making processes and outlines roles and responsibilities of responsible bodies and other relevant stakeholders in the governance of water utilities.

The roles of relevant authorities, responsible bodies and water utilities can differ between and within countries and result in different minimum requirements for the operations. Nevertheless, it is recommended that such organizations recognize the importance of effective and efficient corporate governance to allow for the water utility to operate properly.

The Organisation for Economic Co-operation and Development (OECD) *Principles on Water Governance*^[10] are considered as a reference in this document. The OECD principles deal with overall "governance", in contrast to this document, which deals with corporate governance.

This document describes three levels of corporate governance mechanisms, as follows:

- a) The first level of corporate governance relates to authorizations that are necessary for a water utility to operate. Typically, authorizations required for the water utility to be able to operate include:
 - 1) drinking water services, e.g. abstraction of raw water, water protection areas, building and operating facilities;
 - 2) wastewater services, e.g. discharge of wastewater treatment plants, discharge of non-domestic wastewater into the sewers, sludge disposal;
 - 3) assets, e.g. building and operating facilities;
 - 4) stormwater management services, i.e. collection and storage or treatment of stormwater prior to release into the environment.

Authorizations can be taken at the national, regional or local level.

- b) The second level of corporate governance considers the owner's mission, including setting the objectives of the service to be provided, the level of service, the setting or negotiation of water prices, and the investment and asset management strategies.
- c) The third level of corporate governance relates to the management of the water utility and the implementation of decisions made by the owner within the relevant authorizations.

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Principles for effective and efficient corporate governance of water utilities

1 Scope

This document establishes the basis for a framework for water utilities to operate efficiently and effectively considering stakeholder needs and expectations.

This document is applicable to all water utilities, regardless of ownership and management model (public or private), size, service provided or location.

This document proposes principles for effective and efficient corporate governance of water utilities with a focus on the roles and responsibilities of the responsible bodies and operators and on the decision-making process involving the relevant stakeholders. It also includes key types of decisions to be made.

2 Normative references

The following documents are referred to in the text in such a way that some or all of their content constitutes requirements of this document. For dated references, only the edition cited applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

ISO 24513, *Service activities relating to drinking water supply, wastewater and stormwater systems — Vocabulary*

3 Terms and definitions

For the purposes of this document, the terms and definitions given in ISO 24513 and the following apply.

ISO and IEC maintain terminology databases for use in standardization at the following addresses:

- ISO Online browsing platform: available at <https://www.iso.org/obp>
- IEC Electropedia: available at <https://www.electropedia.org/>

3.1

corporate governance

system by which utilities are directed and controlled

Note 1 to entry: Corporate governance is organizational governance applied to corporations.

Note 2 to entry: From Cadbury 1992^[5] and OECD 1999^[8].

[SOURCE: ISO/IEC 38500:2015, 2.4, modified — “utilities” replaced “corporations”. Note 3 to entry removed.]

3.2

governance

system of directing and controlling *water utilities* (3.3), corporate governance systems, *responsible bodies* (3.4), relevant stakeholders, relevant authorities and responsible authorities

Note 1 to entry: This includes all of the processes of governing – whether undertaken by the government of a state, by a market or by a network – over a social system (e.g. family, tribe, formal or informal organization, a territory or across territories) and whether through the laws, norms, power or language of an organized society.