



**Proposed Opening Address
Dr Jabu Mabuza, Eskom Board Chairman
Portfolio Committee on Energy
5 June 2018**

Honourable Minister of Public Enterprises, Mr Pravin Gordhan

Chairperson of the Portfolio Committee on Energy, Honourable Fikile Majola

Members of the Portfolio Committee on Energy

Eskom Group Chief Executive, Mr Phakamani Hadebe

Eskom executives

Ladies and gentlemen

Good morning

On behalf of the Eskom Board, I would like to express sincere appreciation for being granted an opportunity to appear before the Portfolio Committee on Energy (PEC) again, this time accompanied by our shareholder representative, the Minister of Public Enterprises, the Honourable Pravin Gordhan. Being top of the agenda of this esteemed committee is encouraging, as it confirms government's support for Eskom's strategic contribution to the economy of South Africa. It is also in line with the President's call and the government's intent to stabilise and revitalise state-owned companies.

This platform allows us to continually discuss Eskom's operations, in a transparent manner, as we have done before similar committees over the past few months. Notably, this invitation comes at a time when the euphoria of a new dawn is captivating all spheres of society, including state-owned entities. The appointment of the Eskom Group Chief Executive, Mr Phakamani Hadebe, bears testimony to this.



The appointment of the Eskom Chief Financial Officer and Chief Operating Officer is in progress and is on track to enable us to restore leadership stability at Eskom.

Pardon me for repeating what I have said before other parliamentary committees in the preceding three weeks. Honourable members, when the Honourable President, Mr Cyril Ramaphosa, appointed my fellow Board members and me to steer this proudly South African company earlier this year, it was impossible to dismiss the fact that the organisation was in a dire situation. Turning the tide of this 95-year-old icon required quick and decisive action. Four months into the journey of the organisation's renewal, it is encouraging to note that we have transcended this challenging period. Along this journey, we have seen a number of executives and employees – implicated in various forms of wrongdoing – fall by the wayside, creating a favourable working environment for Phakamani and his team to focus on Eskom's primary mandate – providing secure and reliable electricity to drive South Africa's economy.

Since our appointment as the Board, our focus and discussions have centred around finding neat solutions to liquidity issues and addressing governance-related matters as a matter of urgency. A high-level review of Eskom business operations revealed that Eskom's governance challenges centred around three critical areas, namely, leadership, supply chain management, and ethics and discipline. As one of the steps to address leadership gaps, we are in the process of reviewing the mandates and terms of reference of all committees, clarifying our role as Board and that of the executives.

We have also approved a five-point plan to curb financial irregularities, which reached an all-time high of about R2.9 billion in the 2016/17 financial year – a 761% escalation from R348 million in the previous financial year. This remains an area of grave concern, and as part of precautionary measures, no employee is allowed to do business with Eskom. In addition, the organisation now employs a stringent process in the approval of sole source and emergency procurement transactions.



Doubling our efforts in curbing governance irregularities has restored the organisation's credibility and improved investor confidence, providing some much-needed financial relief. Phakamani and the team have invested, and continue to invest, time and energy in developing a long-term strategy that will move Eskom towards achieving economic and financial sustainability. The team and I are willing and happy to share the strategy with this committee, once finalised in September.

We began conducting mandatory lifestyle audits of executives and senior managers two levels below the Group Chief Executive. This was after the process had been stalled to obtain legal clarification. Along this line, our unified efforts against fraud, corruption, and maladministration are yielding the desired results. More and more employees continue to use our whistle-blowing channels. As we speak, over two hundred reported cases are currently under investigation, and over half of the 80 investigations concluded in the last quarter of the 2017/18 financial year confirmed the allegations made. The implicated employees are being subjected to internal disciplinary procedures, while plans are also in place to pursue criminal prosecution, money recovery, and other appropriate punitive actions against implicated suppliers.

Honourable members, while it is evident that notable strides have been made in turning the organisation around, there is still a long road ahead – understandably so for this strategic organisation that has both economic and developmental mandates. Talking of a long road ahead, it is undeniable that we are currently grappling with challenges pertaining to coal stock levels at six of our power stations. We have, however, put a recovery plan in place to manage the situation.

Ladies and gentlemen, as much as we are mindful that a colder-than-expected winter would place added pressure on the system, we are equally resolved to keep the lights on. We remain motivated to deliver on our mandate as we endeavour to keep Eskom the country's trusted and credible electricity supplier.

Once again, thank you for affording Eskom this opportunity to share an honest and transparent presentation.



Allow me to introduce the Eskom team who will provide more information. The Group Chief Executive, Mr Phakamani Hadebe, Mr Thava Govender, Group Executive for Generation and Acting Group Executive for Risk and Sustainability, Mr Dan Mashigo, General Manager for Operations, and Mr Molefi Nkhabu, Senior General Manager: Audit in the Office of the Group Chief Executive.

I thank you.

Language edited

A handwritten signature in black ink, appearing to read 'Mafu Ramotshela', written over a faint circular stamp.

Mafu Ramotshela

Language Services

Corporate Affairs Division