Eskom

SUSTAINABILITY REPORT

2022

Powering growth ... sustainably

ACRONYMS

AEL	Atmospheric emission licence
ARC	Audit and Risk Committee
B-BBEE	Broad-based black economic empowerment
BIC	Eskom Business Investment Competition
CDP	Carbon Disclosure Project
CFL	Compact fluorescent lamp
COP	Conference of Parties
CSI	Corporate social investment
CSIR	Council for Scientific and Industrial Research
DFFE	Department of Forestry, Fisheries and the Environment
DMRE	Department of Mineral Resources and Energy
DPE	Department of Public Enterprises
Dx	Distribution – one of Eskom's three operational divisions
EV	Electric vehicle
EVP	Employee value proposition
Exco	Executive Management Committee
GCE	Group Chief Executive
GHG	Greenhouse gas
GIS	Gas Insulated Switchgear
GRI	Global Reporting Initiative
Gx	Generation – one of Eskom's three operational divisions
IPP	Independent power producer/s
JET	Just Energy Transition
King IV™	King IV Report on Corporate Governance for South Africa, 2016
KPI	Key performance indicator
MES	Minimum Emission Standards
NDP	National Development Plan
NERSA	National Energy Regulator of South Africa
NNR	National Nuclear Regulator
NT	National Treasury
RE	Renewable energy
RR	Risk and Resilience
SADC	Southern African Development Community
SDGs	United Nations' Sustainable Development Goals
SED	Socio-economic development
SES	Social, Ethics and Sustainability Committee
SIS	Strategic Intent Statement
SME	Small and medium enterprise
SOC	State-owned company
SSEG	Small-scale embedded generation
TCFD	Task Force on Climate-Related Financial Disclosures
Tx	Transmission – one of Eskom's three operational divisions

CONTENTS

INTRODUCTION

About this report

Report objective

The objective of this report is to provide our stakeholders with a transparent account of our company's contribution and performance on sustainability matters. These stakeholders include, but are not limited to, our employees, labour unions, investors, market regulators, suppliers, civil society and customers. In this report, we also reflect on our past performance and give insight to the future, in respect of environmental, social and governance (ESG) initiatives.

Reporting frameworks

Our sustainability report is guided by the reporting principles of the Global Reporting Initiative (GRI) and the agenda of the United Nations' Sustainable Development Goals (SDGs). It is also influenced by the United Nations' Guiding Principles, the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) and the Carbon Disclosure Project (CDP).

This report is focused on our performance from 1 April 2021 to 31 March 2022 against material topics related to the environment, society and the economy. We use the GRI's materiality assessment methodology to determine our organisation's significant environmental, social and economic impacts or that which substantively influences the assessments and decisions of our stakeholders. In addition, the report deals with our future aspirations in these areas within the context of national and international priorities on sustainable development.

Reporting boundary

Aligned to our 2022 integrated report, information in this report refers to the performance of the Eskom group, which includes the business of Eskom Holdings SOC Ltd (Eskom), operating in South Africa and our major operating subsidiaries, unless otherwise stated.

Data and assurance

Some of the information in this report was sourced from the Eskom 2022 integrated report. For this information, our Assurance and Forensic (A&F) Department verified aspects of the report to provide reasonable assurance on the quantitative information and to a lesser degree, some qualitative aspects of the report. In addition, A&F provided limited assurance to ensure alignment of information sourced from the Eskom 2022 integrated report.

Approval

The Eskom Executive Management Committee (Exco) and the Social, Ethics and Sustainability Committee (SES) have approved the contents of this report.

Our suite of reports

Our 2022 suite of reports is available online at www.eskom.co.za/investors/integrated-results

Integrated report and supplementary information

The integrated report is prepared in accordance with the integrated report Framework. It considers our value creation model, strategy, risks and opportunities, performance and outlook, as well as governance of these areas. Supplementary information of interest to a variety of stakeholders is available at the back of the report. The external auditors provided reasonable assurance on specific Key Performance Indicators (KPIs), while the Assurance and Forensic Department verified certain aspects of the report.

Annual financial statements

The consolidated annual financial statements of Eskom Holdings SOC Ltd have been prepared in accordance with International Financial Reporting Standards (IFRS) as well as the requirements of the Companies Act, 2008 and the PFMA, 1999 and have been audited by our independent auditors, Deloitte & Touche.

Sustainability report

The sustainability report supplements and provides more detailed information on our sustainable development impact than the integrated report. The report is guided by the reporting principles of the GRI and considers our contribution to the United Nations' SDGs.

STATEMENT BY THE CHAIRMAN OF THE SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

As a Social, Ethics and Sustainability (SES) Committee, our role is to assist the Eskom board in fulfilling its statutory obligations by making recommendations for its consideration and approval. Such recommendations are centred around social and economic development, good corporate citizenship, the environment, climate change, health and safety, consumer relationships, stakeholder relationships, labour, employment, people issues, ethics management and sustainable development.

With Eskom being a vital engine to South Africa's economy, it is important to communicate and engage with our stakeholders.

This report gives us the opportunity to reaffirm our commitment to South Africa's prosperity by clearly demonstrating our support for government's priorities, as chartered in the National Development Plan (NDP) and by indicating our commitment to the 10 principles of the United Nations Global Compact (UNGC) and alignment to the Sustainable Development Goals (SDGs). As an organisation and even more aptly for a state-owned enterprise (SOE), Eskom is mindful of this collective responsibility and is committed to creating an enabling environment for sustainable development.

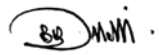
Despite facing many challenges, there are also numerous opportunities, as I reflect on the contribution we have made in the social and economic development of the country and the continent, I see our Corporate Plan, Turnaround Strategy and Just Energy Transition (JET) strategy as the compass that will guide us on our journey. As we transition towards a cleaner, greener energy business, we have developed and are implementing a JET strategy that not only enables us to reduce our emissions and water consumption, but also to create net positive jobs for many years to come.

In our efforts to always be a good corporate citizen, we continue to promote equality, prevent unfair discrimination, reduce corruption and contribute to the development of communities, particularly in our areas of operation. As most of our power plants reach the end of their useful lives and we shut them down, we are ensuring that we bring the communities affected along with us by endeavouring not to leave them worse off as we cease operating.

Our employees are integral to our success. Their safety and wellbeing are of high importance. As such, we have developed and regularly review Eskom's environmental, health and safety and sustainability policies, procedures and standards and monitor performance against them and their progressive implementation. We also monitor the impact of our operations on society and the environment and – where appropriate and necessary – amend our policy or strategy. With a diverse generating capacity, which includes nuclear, we are cognisant of the need to ensure that we provide assurance to Eskom's stakeholders and the public at large on nuclear safety.

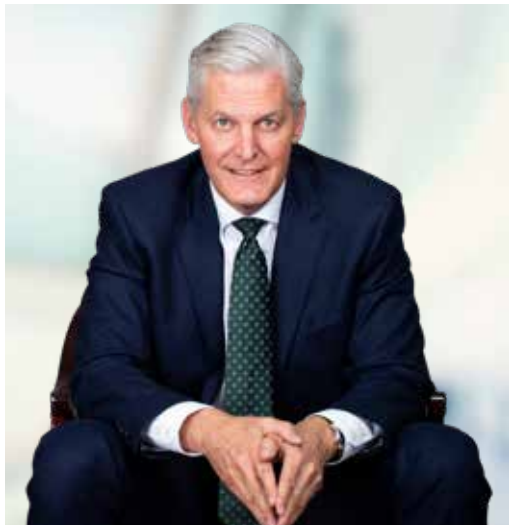
As the board SES Committee, we are tasked, among others, to monitor consumer relations, including the advertising and public relations functions and compliance with the company's consumer protection laws in order to improve relationships with stakeholders. We also have to ensure decent working conditions, good employment relationships and the educational development of our employees in line with the relevant legislation, legal requirements, or prevailing codes of best practice.

As the Chairman of the SES Committee, which the Eskom board has delegated to perform the oversight role of all sustainability matters of Eskom, it gives me great pleasure to share our sustainability report for the 2021/22 financial year.



Mr Bheki Ntshalintshali
Chairman: Social, Ethics and Sustainability Committee

STATEMENT BY THE GROUP CHIEF EXECUTIVE



Eskom plays a critical role in assisting with lowering the cost of doing business in South Africa, enabling economic growth and providing stability of electricity supply by providing electricity efficiently and sustainably. As a state-owned enterprise (SOE), we are responsible for supporting the South African government in achieving the objectives of the National Development Plan (NDP) 2030 and contributing to sustainable development. To enable us to make a meaningful contribution to the national agenda, the Department of Public Enterprises (DPE) has outlined a transformation framework that guides the involvement and requirements of SOEs, including Eskom, in achieving the NDP goals.

We have committed ourselves to contribute to the strategic objectives of the NDP and other related policies through the turnaround plan and Just Energy Transition (JET) Strategy, in accordance with Eskom's social commitment to communities. The social compact aims to ensure a fair and just transition when repurposing generation assets, to partner with local stakeholders when introducing greener energy technologies and to deal with the challenges of unemployment, poverty and inequality, including contributing to inclusive growth and development, all towards a greener footprint in the country.

Our people are integral to our business and in ensuring the sustainability of our business. We employed 40 421 people as at 31 March 2022 (2021: 42 749). The employee benefit cost amounted to R33.0 billion (2021: R32.9 billion), constituting about 15% of operating costs. We invest extensively in developing our employees through various skills programmes comprising internal and external training interventions, further studies and on-the-job training. We have over the years lost critical specialised skills that have impacted on our business continuity but we are on a quest to ensure we replace such skills. Retention and development of skills through a targeted employee value proposition are essential to ensure that we have the required skills to meet the organisation's needs, especially considering operational challenges and financial constraints.

Our current poor environmental performance with regard to compliance and our safety performance – where fatalities and serious injuries continue to occur – has led to the implementation of key strategic initiatives aimed at achieving a marked and continuous improvement in behaviour and practices and preservation and protection of the environment. This leads to an improved Safety, Health, Environment and Quality (SHEQ) culture. Eskom subscribes to international management systems and embarks on various SHEQ initiatives to improve performance continually. We are committed to our duty of care in minimising the impact of our activities on ecosystems and enhancing ecosystem services through responsible land management practices.

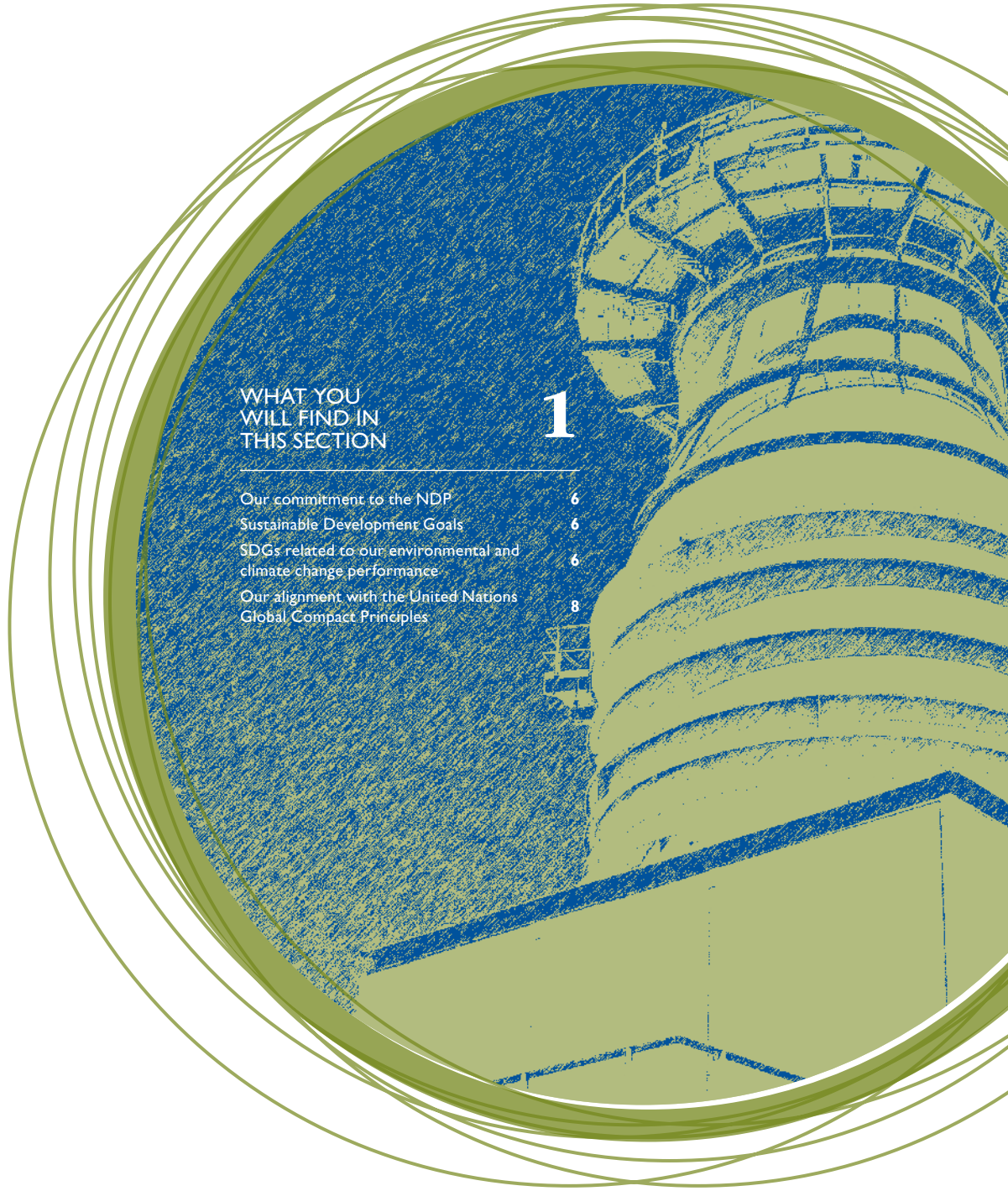
While our efforts continue to deliver the outcomes of the turnaround plan, a deliberate focus will be placed on aligning our future investments, utilising the JET as the key guiding principle. The JET serves as a pivotal point to Eskom's future, enabling Eskom to focus on many of its challenges in the short term while pursuing long-term growth and sustainability. The JET is in support of national goals to decrease greenhouse gas (GHG) emissions, promote job creation through reskilling and stimulate economic growth by leveraging the opportunities presented by the transition to a cleaner and greener energy future, while creating new job opportunities for those displaced by the replacement of coal with cleaner technologies. It means a transition towards a low-carbon, climate-resilient economy.

Given the conflation between rapid developments in renewable technology, Eskom's aspiration for achieving net zero carbon emissions by 2050, more stringent environmental legislation and Eskom's ageing fleet, Eskom will prioritise repurposing and repowering coal power stations as they are shut down. This will be done while driving key enablers to expedite future utility-scale procurement programmes, mitigate negative socio-economic impacts by delivering on the social and skills plans, promote local industrialisation and job creation and focus on enhancements to improve environmental performance.

In the continued spirit of enhanced disclosure and transparency, I am proud to present the Eskom sustainability report for the period 2021/22.

André de Ruyter
Group Chief Executive

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT



WHAT YOU WILL FIND IN THIS SECTION 1

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

Our sustainable development journey is guided by national and international frameworks and the NDP and the SDGs, together with other relevant frameworks and programmes such as UN Global Compact (UNGC), TCFD and the CDP. We continuously strive to improve our sustainable development performance and ensure its integration to our business operations.

As part of our efforts to integrate sustainable development throughout the business further, the following measures were undertaken in FY2021/22.

- Awareness sessions and training on material matters that influence our sustainability
- Consultations with divisions and subsidiaries to ascertain understanding and business needs and to ensure alignment and inclusiveness for sustainability initiatives
- The Eskom Sustainable Development Framework is being reviewed. This framework is aimed at illustrating how we integrate, monitor and report on sustainable development and recommending areas for improvement, thereby placing our business on a path of long-term sustainability

Our commitment to the NDP

As a State-Owned Company (SOC), we must demonstrate support and commitment to government in achieving the objectives of the NDP and contributing to sustainable development. The Department of Public Enterprises (DPE) is our shareholder ministry and sets our mandate. To enable meaningful contribution to the national agenda, the DPE has outlined a transformation framework that guides the involvement and requirements of SOCs, including Eskom, in achieving the NDP goals. We are mandated to play a pivotal role in enabling national socio-economic development goals. In line with this mandate, we are a crucial enabler of economic growth and development, driving the creation and development of black industrialists and entrepreneurs.

In the FY2021/22, we continued to contribute meaningfully to the following areas:

- Electrification
- Social equity
- Employment creation
- Enhancement of education, training and innovation through skills development and research programmes
- The green economy and the South African economy

Sustainable Development Goals

The SDGs are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". Behind the 17 goals is a more detailed list of 169 targets and 230 indicators. The goals call for building peaceful, inclusive and well-governed societies with responsive institutions as the basis for shared prosperity. The goals are people-centred and planet-sensitive, they are universal, applying to all countries, while recognising the different realities and capabilities of each country. In supporting our government and although all the SDGs apply to our business in one way or another, we have prioritised seven goals that are presently most applicable to us.

Our contribution and progress against the seven prioritised SDGs are as follows:

SUSTAINABLE DEVELOPMENT GOALS Priority	NDP 2030 Objective	Eskom Strategic objective	Summary of our impact and management
13 CLIMATE ACTION	**Chapter 5:** Environmental sustainability and transition to a low-carbon economy	Produce net zero emissions by 2050 with an increase in sustainable jobs	**Negative impact** on climate change and environment that is managed through our Turnaround, JET and Environmental strategies.
7 AFFORDABLE AND CLEAN ENERGY	**Chapter 4:** Economic infrastructure	Facilitate future open energy industry	**Positive**: We support economic growth and improve the quality of life of South Africans and the region through our electrification programme and enabling the Integrated Resource Plan (IRP) and Renewable Energy IPP Procurement Programme (REIPPPP). **Negative**: The cost of electricity, particularly tariff increases for an already economically vulnerable society.
8 DECENT WORK AND ECONOMIC GROWTH	**Chapter 3:** Economy and employment **Chapter 4:** Economic infrastructure	Pursue financial and operational sustainability Produce net zero emissions by 2050 with an increase in sustainable jobs	Our energy business and electrification programme allows for economic growth, business opportunities and provides direct employment to over 40 000 households.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Chapter 1:** Key drivers of change **Chapter 4:** Economic infrastructure	Modernise the power system	Through our electrification programme, smart meters, research and development and key account customers we support economic growth, innovation, technology advancement and industrialisation.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Chapter 5:** Environmental sustainability	Pursue financial and operational sustainability	**Negative:** Our impact on biodiversity – some of our power stations have had a negative impact on the biological health of water bodies downstream of our operations. **Positive:** We declared three nature reserves through the National Environmental Management Protected Areas Act, 2003.
6 CLEAN WATER AND SANITATION	**Chapter 5:** Environmental sustainability	Pursue financial and operational sustainability	**Negative**: High relative water consumption at power stations. **Positive:** We manage our water challenges through environmental and water management policies, strategies, performance scorecards and management action plans.
17 PARTNERSHIPS FOR THE GOALS	**Chapter 15:** Transforming society and uniting the country	Pursue financial and operational sustainability	We have various partnerships across the world, government, society and business spheres.

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT continued

SDGs related to our environmental and climate change performance

Based on the environmental and climate change performance, we affect the following SDGs:

Material topic	NDP contribution	Associated SDG where applicable	Positive (+) or Negative (–) impact	Summary of impact/ contribution to NDP and SDGs
Climate change	**Chapter 5:** Environmental sustainability and transition to a low carbon economy	13 CLIMATE ACTION	–	Addressed through Eskom JET Strategy
Particulate and gaseous emissions	**Chapter 5:** Environmental sustainability	3 GOOD HEALTH AND WELL-BEING; 7 AFFORDABLE AND CLEAN ENERGY; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	–	Addressed through Generation Recovery Plan, Minimum Emission Standard Projects and JET Strategy
Water use	**Chapter 5:** Environmental sustainability	6 CLEAN WATER AND SANITATION; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS	–	Addressed through Generation's strategic water management implementation plan and implementation comprehensive water strategy implementation and management plans across all coal-fired power stations
Waste production	**Chapter 5:** Environmental sustainability	8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS	+	Ash beneficiation
			–	Our need to dispose of waste
Environmental incident and compliance	**Chapter 5:** Environmental sustainability	6 CLEAN WATER AND SANITATION; 11 SUSTAINABLE CITIES AND COMMUNITIES; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 15 LIFE ON LAND	–	The non-compliance is being addressed through a Generation Environmental Compliance Steering Committee to give priority to resolving and avoiding environmental legal contravention incidents at power stations.
Biodiversity and land use	**Chapter 5:** Environmental sustainability	1 NO POVERTY; 2 ZERO HUNGER; 3 GOOD HEALTH AND WELL-BEING; 6 CLEAN WATER AND SANITATION; 8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION; 15 LIFE ON LAND; 17 PARTNERSHIPS FOR THE GOALS	–	The impact between wildlife and our infrastructure
			+	Management of nature reserves

Our alignment with the United Nations Global Compact Principles

As a signatory to the UNGC, we are committed to its principles relating to human rights, labour, environment and anti-corruption. Our commitments are reflected in compliance with the principles of the UNGC and the Organisation for Economic Co-operation and Development (OECD) recommendations on anti-corruption. We submit our annual communication on progress (COP) to the UNGC, which enables us to show our commitment to the ten principles and the SDGs and thus building our credibility and brand value, measure and demonstrate our progress and to compare our progress against other peers through comparable corporate sustainability data.

GOVERNANCE, LEADERSHIP AND ETHICS

WHAT YOU WILL FIND IN THIS SECTION 2

GOVERNANCE, LEADERSHIP AND ETHICS continued

Governance and leadership of sustainable development and related issues

As we execute our mandate, we align with our governance framework that clarifies roles between the Shareholder, the board and the management of the Eskom group. We continue efforts to enhance our governance and leadership as we understand that these are cornerstones to our sustainability. For further details on our overall governance matters, refer to the governance, leadership and ethics section in the 2022 integrated report.

Social, Ethics and Sustainability (SES)

The board fulfils the primary roles and responsibilities of a governing body outlined in King IV™ by:

- Setting the strategic direction of the organisation and treating strategy, risk, performance and sustainability as inseparable.
- Providing oversight through effective governance frameworks and approving policies and plans that enable strategy.
- Monitoring management's performance and implementation of the strategy, ensuring accountability and promoting the integrity of reporting.
- Ensuring identification and management of compliance requirements and risks through effective internal controls, supported by a risk-based internal audit function.
- Promoting a high-performance ethical culture aligned with Eskom's values and operating as a responsible corporate citizen – ethically, socially and environmentally.

Board Strategy Committee/Governance and Strategy Committee

The board Strategy Committee's mandate has been expanded to include governance matters and has been renamed as the Governance and Strategy Committee. The committee's responsibilities include the following:

- Oversight of Eskom's response to and implementation of government directives, roadmaps and policy documents relating to the restructuring of Eskom and the electricity supply industry.
- Making recommendations to the board on Eskom's long-term strategy, including the JET, legal separation and the transfer of assets, liabilities and resources.
- Interacting with the government and associated offices on these matters

Some of the key sustainability activities that were tabled and influenced by this committee include:

- Eskom's JET strategy and roadmap and the international funding announced during COP 26.
- Progress on Generation's strategic repurposing and repowering of ageing coal-fired power stations and Transmission's infrastructure expansion and grid planning projects and associated funding.
- Initiatives and levers to address the debt burden, together with the classification of debt, core assets and non-core assets amid Eskom's legal separation.

Audit and Risk Committee

The committee's roles and responsibilities include:

- the statutory functions of an audit committee are set out in the Companies Act, 2008 and the PFMA, 1999, including oversight of internal and external audit functions, financial reporting, internal control systems, as well as risk and compliance management
- oversight of risks and opportunities and governance of information and technology
- serving as the statutory audit committee for Eskom's wholly-owned subsidiaries, except for Eskom Captive Insurance Company (Escap), which has its own audit committee in terms of the Insurance Act, 2017

The committee also monitored and considered some sustainability-related reports from management on the following areas:

- quarterly reports to the Shareholder, covering Eskom's financial, operational, ESG performance as well as risks and opportunities
- financial performance and liquidity, IT governance and performance, PFMA compliance, enterprise risk and resilience, forensic and technical investigations, black-start capability and readiness and feedback on new legislation, litigation and other significant matters

Social, Ethics and Sustainability Committee

The board delegates the leadership of sustainability and ethics matters to the SES Committee. This committee reports to the board quarterly.

The committee's responsibilities include:

- the statutory functions of a social and ethics committee are set out in the Companies Act, 2008;
- oversight of socio-economic development, good corporate citizenship, environmental, climate change, health and safety programmes and the assurance of select KPIs through the sustainability audit;
- supervision of nuclear strategies and policies, as well as nuclear safety in terms of regulatory requirements and international best practice; and
- serving as the statutory social and ethics committee for Eskom's wholly-owned subsidiaries; and
- ensuring that the sustainability reporting is in line with the Global Reporting principles, namely the stakeholder inclusiveness, sustainability context, materiality and completeness and that the disclosures in Eskom integrated report are aligned to the recommendations of King IV™.

The board, through its Social, Ethics and Sustainability Committee, is responsible for the governance of ethics in Eskom, by establishing an ethical culture and providing oversight of ethics strategies and policies in accordance with King IV™.

Adherence to our Code of Ethics, known as the "The Way", is not optional. It is the way we do business in Eskom, guiding the way in which the board and employees interact with one another as well as with our shareholder, customers, suppliers, the public, other stakeholders and the environment.

"The Way" is defined by six core values, which form the foundation of our values-driven organisation and reflect our commitment to the highest standards of governance and ethical behaviour.

- **Zero Harm** means *protecting* the Eskom Way
- **Integrity** means *acting* the Eskom Way
- **Innovation** means *thinking* the Eskom Way
- **Sinobuntu** means *caring* the Eskom Way
- **Customer satisfaction** means *serving* the Eskom Way
- **Excellence** means *working* the Eskom Way

The committee considered the following and, where required, recommended matters for approval or noting by the board:

- Operational and environmental sustainability performance, including challenges and mitigating measures
- Human resources sustainability and compliance with labour and employment regulations, as well as occupational health and safety performance
- Progress on the capacity expansion programme
- Initiatives to improve Eskom's B-BBEE rating and socio-economic transformation, including supplier development, localisation and industrialisation
- Corporate social investment, stakeholder engagement and customer relations
- Nuclear oversight, nuclear waste management and associated risks
- Ethics report and progress on forensic and anti-corruption initiatives

To address the prior year's focus areas, the committee:

- monitored Eskom's transformation and progress on the turnaround plan;
- reflected on compliance with the principles of the UNGC and the OECD recommendations on anti-corruption; and
- considered environmental performance, including contraventions and non-compliance notices, as well as risks relating to ash disposal facilities.

Focus areas for the coming year include:

- executing ongoing supervision of environmental sustainability matters;
- overseeing Eskom's ethics review to improve the ethics management strategy and related policies and procedures; and
- driving improved financial and operational sustainability through Eskom's transformation.

Executive Management Committee

The Executive Management Committee (Exco) is accountable for exercising executive control over day-to-day operations to deliver on the strategy set out by the board.

Refer to the IR for the composition of the board and Exco, including information on skills as well as racial, gender and age diversity

Divisional boards for Generation, Transmission and Distribution were established to drive separate accountability for each division, as a transitional structure and a first step towards Eskom's legal separation. The divisional boards do not constitute a board of directors in accordance with the Companies Act, 2008, but function as operational boards until the legal separation is concluded. Although the divisional boards function relatively independently, they report to Exco on a regular basis to ensure that decision-making is aligned with Eskom's overall strategy.

Eskom's legal separation will ultimately result in the formation of wholly-owned subsidiaries with independent boards for Transmission, Generation and Distribution, starting with the National Transmission Company South Africa SOC Ltd. The boards of the wholly-owned subsidiaries will still be accountable to the board of Eskom Holdings SOC Ltd, in line with good governance practices.

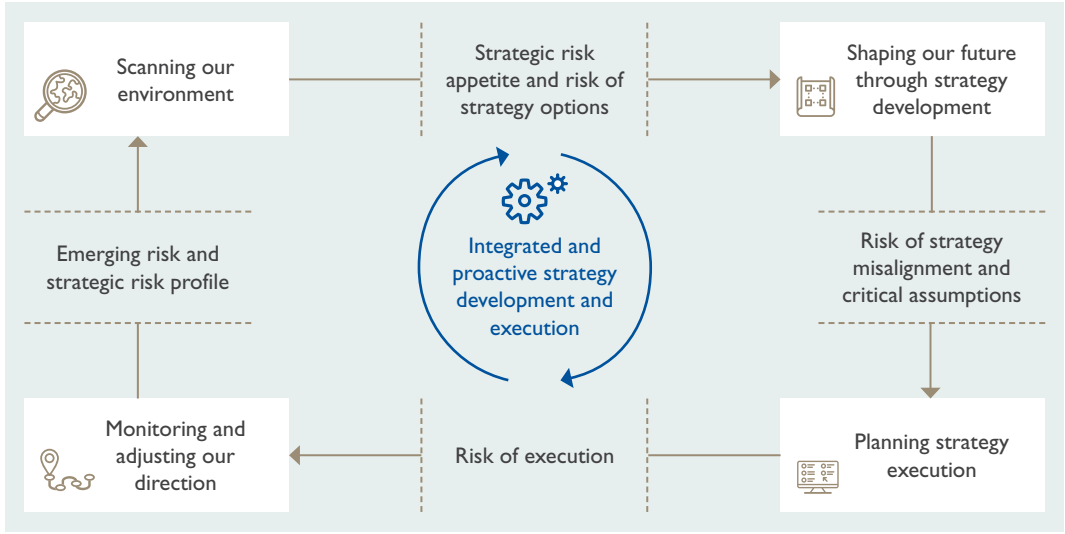
Risk and Sustainability Division

The Risk and Sustainability (R&S) Division has set out strategic objectives and deliverables in line with Eskom's overall strategy and corporate plan. It has the clear mandate to lead and support sustainable business performance through functional leadership, assurance and oversight in the areas of integrated risk and resilience management, occupational health and safety, environment, climate change and sustainable development, quality and renewable energy in support of Eskom's vision.

GOVERNANCE, LEADERSHIP AND ETHICS continued

Strategic context

Globally and locally, the energy sector is transforming, driven by fundamental shifts in policy, technology, as well as economic and environmental demands. The industry is evolving from a predictive, vertically integrated model that leverages economies of scale with centralised generation flowing in a single direction towards a decentralised, modular model based on bi-directional flow of power. This shift introduces new players to the industry and an unfolding series of demand-centric, value-adding applications. The most significant of these is the shift towards greener, cleaner technology, which aims to reduce overall emissions in line with South Africa's commitment to the Paris Agreement.



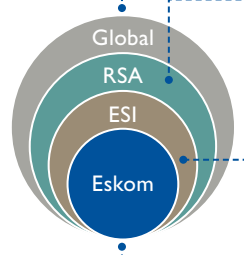
A number of developments and considerations inform our strategic context and thereby influence our long-term strategy – global trends and influences, factors at a national level, developments relating to the electricity supply industry and Eskom's financial and operational challenges.

We operate in a financially constrained environment and have posted significant financial losses over the past few years. Our financial sustainability continues to be threatened by a lack of cost-reflective tariffs. NERSA awarded a tariff increase of 9.61% for FY2023, which is significantly lower than the 20.5% for which we applied. We are still grappling with non-payment of arrear debt by delinquent municipalities, an unsustainable debt burden and high debt servicing costs. In addition, high levels of fraud and corruption remain a concern and we are still recovering from the scourge of state capture. Continued government support will be required to bolster liquidity if the challenges threatening our financial sustainability go unresolved.

Furthermore, operational performance remains a major challenge, with loadshedding set to continue, at least in the short to medium term, unless we receive a substantial financial injection. This is largely due to the unreliable and ageing generation plant, older stations reaching the end of their life, a decrease in the capital expenditure budget, environmental non-compliance and the loss of core, critical and scarce skills.

A number of external factors also have an impact on our sustainability and therefore, shareholder and political support is critical. Policy shifts to enable Eskom to operate efficiently given the evolution of the industry, specifically around issues such as Eskom's debt, arrear municipal debt, National Treasury decision-making and NERSA's tariff determination, remain fundamental.

Our financial and operational challenges have been exacerbated by volatile global and local economic conditions, affected over the past two years by the COVID-19 pandemic and the associated lockdowns, travel restrictions and a decline in tourism. Most recently, the Russian-Ukraine conflict continues to impact the sustainability of the global energy sector. We are already affected by rising fuel prices and declining fuel availability, which may pose significant challenges for Eskom and the country.



- The "4Ds" namely decarbonisation, decentralisation, digitisation and democratisation are global trends influencing businesses
- Increased commitment to address environmental footprint towards climate neutrality goals
- Global trends show a shift away from large scale coal assets towards cleaner, decentralised systems underpinned by the advancements in renewable technology, data-driven businesses models and increased customer choice
- A constrained fiscus with growth further inhibited by COVID-19 may affect government support and investment as funds are diverted to health and welfare
- High unemployment and poverty place greater limitations on government's support for increased tariffs
- Increased focus on addressing climate and environmental issues limiting the continued impact of the coal fleet on CO_2 emissions and unacceptable particulate emissions
- Given the dynamics in the local context, and a series of previous decisions, the industry evolution needs to align with the shifts in a way that will avert crisis
- A number of policy and regulatory decisions are at varying levels of implementation (e.g. NDP, IRP 2019, DPE's Roadmap, amendment of acts applicable to Eskom) which further define Eskom's parameters
- Eskom's mandate and available resources define the scope of our possible solutions which should translate into key actions to navigate out of the current crisis towards a sustainable entity
- Financial challenges are driven by under-recovery of costs, inadequate tariffs, declining sales, escalating municipal debt and high level of borrowings
- Operating challenges such as maintenance constraints, unplanned outages, excessive diesel cost and loadshedding
- Environmental legal contraventions and the cost of addressing emissions compliance (around R330 billion)

Strategic direction

Our desired end state is an organisation that is able to contribute to providing electricity to meet growing demand and demonstrates positive environmental and socio-economic impacts, with a significantly reduced financial dependence on the South African government.

The introduction of renewable and other cleaner technologies, as well as the expected shutdown of around 20GW of nominal capacity at coal-fired power stations that reach their end of life between now and 2035, will require significant strengthening and expansion of transmission infrastructure, in line with the requirements of the Transmission Development Plan. Eskom needs to further position itself to respond to the changing environment through the introduction of technology for better efficiencies, the establishment of a Distribution System Operator to manage and coordinate distributed generation as a neutral facilitator of open markets and active partnering to solve incapacity and non-payment challenges at municipalities.

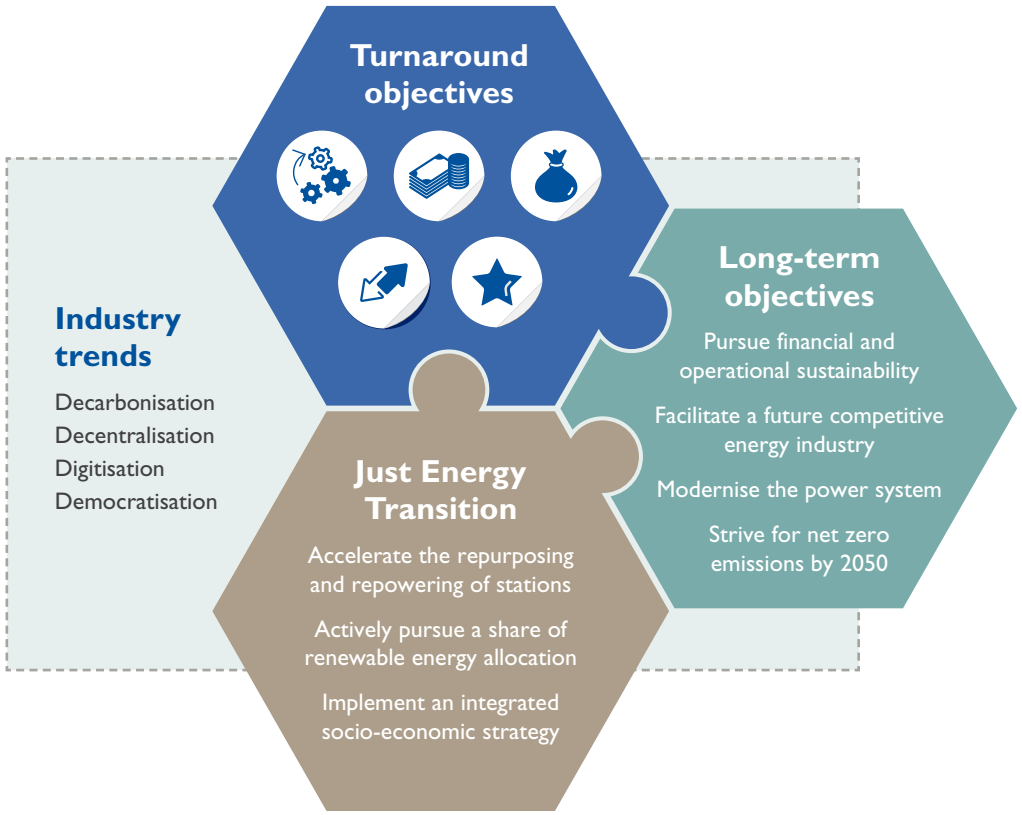
While our longer term aspirations are driving towards new and improved infrastructure, operations and financial sustainability, the focus for the next two to three years is on executing the turnaround plan and legal separation, while positioning the organisation for the transition.

The turnaround plan is aimed at addressing immediate operational and financial challenges to set the organisation on a sustainable path, by achieving the following:

- Reshaping Eskom's business and operating models and establishing an agile organisation to respond to rapid changes without disrupting daily services
- Committing to greater efficiencies across the organisation, reducing wasteful expenditure and optimising revenue
- Improving corporate governance and acting against corruption and mismanagement
- Ensuring greater transparency in the governance of Eskom and its subsidiaries

While our focus is on delivering the outcomes of the turnaround plan, we will continue to drive the JET to serve as a pivotal point in Eskom's future, enabling us to address many of our challenges in the short term, while ensuring long-term growth and sustainability. The JET will also assist in supporting national goals to decrease GHG gas emissions, promote job creation through reskilling and stimulating economic growth.

GOVERNANCE AND LEADERSHIP OF SUSTAINABLE DEVELOPMENT AND RELATED ISSUES continued



Industry trends

Our long-term strategy responds to major industry trends that are shaping the future of the electricity sector, which can be summarised around four key themes, namely decarbonisation, decentralisation, digitisation and democratisation.

Decarbonisation

The industry is experiencing huge shifts towards more carbon-efficient energy sources, resulting in global climate neutrality goals. This shift is driven by the continued reduction in renewable energy technology costs and more stringent environmental policies aligned to the Paris Agreement.

Decentralisation

Distributed energy gives rise to new roles and participants in the power market. The uptake of residential and commercial rooftop photovoltaics (PV) has increased significantly in South Africa, particularly in light of new regulations permitting consumers to generate their own electricity for self-consumption. Decentralisation will require utility operations to be decentralised for local area control.

Digitisation

Digitisation and digitalisation have become more prevalent to incorporate and coordinate distributed generation efficiently and to improve the overall efficiency of the grid and operations across value chains. The industry is experiencing an increase in digital electricity infrastructure investment and decreasing costs for grid technologies. New data, generated globally, will lead to new ideas and has huge value creation potential.

Democratisation

Future energy systems will incorporate many customer technologies through decentralised generation and decentralised ownership. Consumer choice of electricity source and supply will broaden. Artificial intelligence, blockchain, the Internet of Things and advanced analytics start-ups are also disrupting the status quo and driving innovation in this space.

Our business risk management

Identification and assessment of risks

The Enterprise Risk and Resilience Department have established risk structures within each division, consisting of risk owners, risk coordinators and R&R practitioners. The risk owners are accountable for identifying, assessing and managing the risk, which is integrated into the management processes and is evident in decision-making processes and outcomes. Risks are classified from Priority I to Priority IV.

Risk management in Eskom

Although we are not certified to ISO 31000, we are aligned to the standard for risk management We apply an integrated approach to managing risks according to the IRM Framework and Standard.

Integration into Eskom overall risk management

Eskom's R&R Policy, with its Enterprise R&R Management Plan and Eskom's Risk Appetite and Tolerance Framework, make up the key governing documents approved by the Eskom board. This standard aligns with the recommendations on good governance as contained in King IV™, which introduced the oversight of resilience (business continuity) as a board-level priority. All Priority I and emerging risks are reported to Exco and the board, which provide oversight as recommended by King IV™.

We intend to remain a key player in the electricity sector and a vital contributor to economic growth, job creation, socio-economic development and the creation of a stable, equitable and cohesive South Africa. We contribute to the national long-term development vision guided by the NDP policy. We are mandated by our Shareholder as an SOC to play a developmental role, promoting transformation, sustainability, economic development and broad-based black economic development. We also understand that this mandate enables our social licence to operate, enhancing our reputation with internal and external stakeholders.

Based on the outcomes of the Eskom Factor 2.0 report, our social impact is positive because of:

- our contribution to national transformation imperatives, such as employment equity, skills development, preferential procurement, localisation, supplier development and industrialisation;
- our impact on local communities through various investments and by reducing externalities; and
- our development of internal and external know-how.

GOVERNANCE AND LEADERSHIP OF SUSTAINABLE DEVELOPMENT AND RELATED ISSUES continued

Integrating risk and resilience

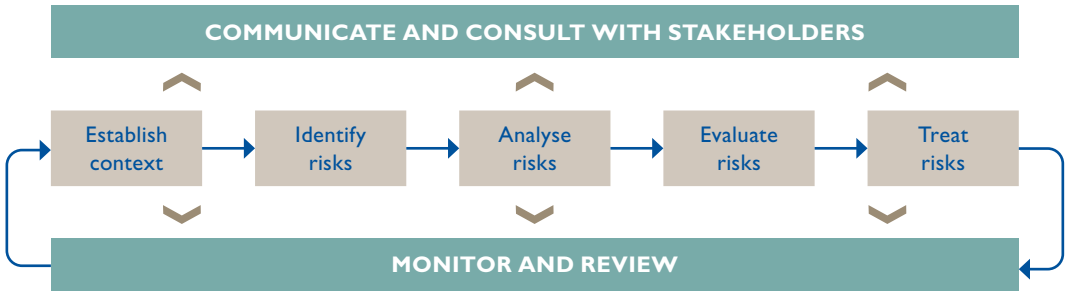
Enterprise risk management process

We have an established, integrated approach to managing risk and resilience across Eskom and its subsidiaries. The board is responsible for the governance and oversight of risk in line with King IV™, approving the risk appetite and tolerance levels of the organisation as well as the Enterprise Risk and Resilience Management Policy and Plan.

As management is considered the first line of defence when treating risk, the responsibility to implement and execute effective risk and resilience management has been delegated to Exco by the Board. Exco and its Risk and Sustainability Committee, together with ARC, review the key priorities and deliverables of our Risk and Resilience Management Plan annually and monitor the organisation's risk management performance in line with the Risk Appetite and Tolerance Framework.

Risk appetite refers to the amount and type of risk an organisation is prepared to pursue or accept in achieving its objectives, while risk tolerance refers to an organisation's readiness to bear the risk after risk treatment. This risk appetite and tolerance process serves as an early warning mechanism when adverse risk trends reach unacceptable limits.

We employ one integrated risk management information system for all organisational risk management information, with accountable owners assigned to each risk. Key risk indicators are in place for all risks, to ensure that they are managed proactively and to understand the rate and direction in which they are moving. Our integrated risk management process is outlined below.



In November 2020, DPE published its Risk and Integrity Management Framework (RIMF), which is aimed at strengthening practices by SOCs in the areas of risk management, sustainability reporting, conflict of interest management, vetting of employees and general ethics management. We have begun implementing our plan to address the requirements of the RIMF and thereby enhance governance, risk monitoring and risk reporting.

Enterprise resilience

We ensure compliance with the Disaster Management Act, 2002 and manage our response to major threats and disruptions through our Enterprise Resilience Programme. Technical and non-technical vulnerabilities are continuously reviewed, with simulation exercises conducted regularly to ensure that the organisation can continue to operate and is able to recover within a reasonably short time in the event of serious incidents or disasters.

Disaster risks are classified as those inherent to our operations that, while having a relatively low likelihood of materialising and adequate controls, would have a significant consequence should they materialise. The following national disaster risks are managed through our Enterprise Resilience Programme, which caters for disaster management and emergency preparedness. Accountability for risk monitoring and response planning for each has been assigned to individual Exco members.

- National blackout
- Severe supply constraint
- Nuclear incident
- Economic or financial collapse
- Cyber-attack or critical systems failure
- National industrial action
- Drought and water-related disaster
- Environment or climate disaster
- Solar or geomagnetic storm
- Pandemic
- Terrorism or political instability

The worldwide COVID-19 pandemic, as well as severe generation supply constraints, continued to affect our operations during the year under review. Eskom's Emergency Response Command Centre (ERCC) has handed over the response to the COVID-19 pandemic to the Human Resources Tactical Command Centre to be integrated into Eskom's normal business operations. However, we remain ready to activate the ERCC to respond to any of the national disaster risks should the need arise.

Political instability materialised in July 2021 through waves of social unrest following the incarceration of former President Jacob Zuma. Infrastructure and service delivery were impacted, predominantly in the KwaZulu-Natal province. Eskom's disaster management plans were implemented and working groups conducted risk assessments and monitored risks relating to each area of our operations. Thankfully, no incidents were reported at Eskom sites. Nevertheless, prolonged periods of unrest could have created generation supply constraints due to the unreliability of generating plant.

Given the violent nature of the unrest, the safety and security of our people and assets were considered paramount. Non-essential work was deferred and employees and contractors were not dispatched to volatile areas without an integrated route risk assessment to prevent hijacking and other crime while responding to faults. At the height of the violent unrest, Eskom was in constant communication with the National Joint Operational Centre to address security requirements, including the safe transportation of fuel. Contracted private security, SAPS and the South African National Defence Force were deployed to provide support at various Eskom sites in affected areas.

Assessment of risk

Integrating and effectively managing risk and resilience ensures that we are able to formulate and execute our strategy, operate our business with minimal disruption, proactively leverage opportunities as they arise and respond to and recover from disruptions should they materialise. It is therefore important that risks that affect our strategic objectives are identified, managed effectively and monitored continuously.

Strategic risks

Treating the following long-term risks are paramount for Eskom's future success:

- The financial sustainability of Eskom being compromised due to declining sales, lack of cost-reflective tariffs, poor operational performance necessitating increased reliance on expensive open-cycle gas turbines (OCGTs) to avoid or minimise loadshedding, escalating arrear debt from non-paying customers and high levels of borrowings
- Deterioration in generating plant performance, loss of and inability to attract critical skills, capacity constraints and inability to sustain and maintain transmission network reliability, leading to potential system constraints, the risk of a national blackout and a decline in stakeholder confidence
- Loss of licence to operate due to poor environmental performance, leading to plant shutdown and/or litigation
- Critical applications and various IT platforms being compromised due to attacks against network infrastructure and business systems, cyber-security shortfalls or instability leading to severe business disruptions
- Failure to transform and transition from a coal-based power system to a low-carbon and climate-resilient company at an adequate rate, while complying with policies and regulations
- Legal separation delays caused by a lack of alignment with external stakeholders, leading to reputational damage and a decline in investor confidence

Our risk landscape is monitored, tracked and reported across seven risk categories which address these long-term risks. These include finance, operations, environment and climate change, people culture and safety, information technology, stakeholder management as well as governance and compliance.

GOVERNANCE AND LEADERSHIP OF SUSTAINABLE DEVELOPMENT AND RELATED ISSUES continued

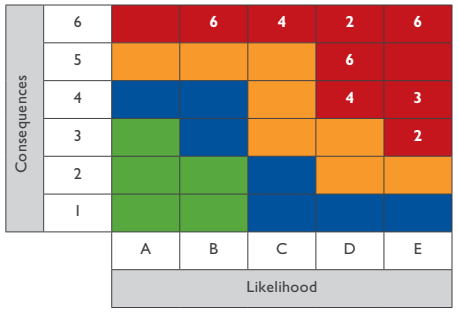
Risk appetite statement per risk category	Risk summary	Related material matters	High-level treatment options
Finance High appetite to reduce Eskom's loss to less than R5 billion by the end of FY2024 by increasing revenue, operating at an efficient cost base, improving debt collection and stabilising the balance sheet. This will require support from government and possible policy changes, where necessary	Eskom's liquidity in the short term and financial sustainability in the medium to long term are at risk due to a declining customer base, escalating arrear municipal debt, high levels of borrowings and debt servicing, unacceptable levels of fraud and corruption, as well as regulatory uncertainty and the lack of cost-reflective tariffs. These challenges may lead to compromised operations, an inability to maintain Eskom's status as a going concern and failure to meet our mandate	• Financial sustainability (long term) • Government support and debt structure • Liquidity (short to medium term) and going concern • Operational stability	• Review of standard tariff plans, structures and rates, as well as legal review of NERSA decisions • Government support to bolster liquidity • The Eskom Compact signed by labour, business and government at NEDLAC • Eskom's turnaround plan, including cost curtailment initiatives • Weekly meetings with DPE and National Treasury, focusing on liquidity management • Engagement with DPE and National Treasury on ways to address the debt burden • Municipal debt management strategy and escalation of arrear municipal debt challenges to government
Operations High appetite to meet the country's electricity demand, prevent a national blackout and protect the national grid using load reduction and loadshedding as control measures. This will be achieved by operating plant efficiently and safely through a skilled and competent workforce, while limiting environmental harm and obtaining support from government where required	The deterioration in operational performance is linked to Eskom's constrained financial position. This is exacerbated by ageing plant, lack of adequate maintenance over many years, running ageing plant at unacceptably high utilisation levels, coal quality challenges at some stations, the loss of core, critical and scarce skills, procurement and National Treasury delays, as well as low staff morale. In addition, new plant not achieving desired levels of performance, due to a combination of plant design deficiencies and operational and maintenance inefficiencies, contribute to supply constraints. The ageing national grid is also plagued with intolerable levels of theft and vandalism of network equipment. Delays in connecting IPPs to the grid adds to the unreliability of power supply. These factors pose a fundamental risk of loadshedding to protect the national grid from a national blackout, leading to a further decline in stakeholder confidence	• Liquidity (short to medium term) and going concern • Operational stability • Adequate skills and high-performance ethical culture	• Generation recovery plan • Koeberg long-term operation project to avoid shutdown in 2024 • Eskom's turnaround plan, focused on improving reliability, reducing loadshedding and addressing design defects • Transmission sustainability improvement plan • Distribution energy losses initiatives programme • Plans are being revised to respond to increasing network equipment crime • Improving consequence management to address poor performance • Engagements to address National Treasury delays in procurement processes
Environment and climate change High appetite to comply with environmental regulations and legislation, to prevent harm or damage to the environment and people living in communities close to Eskom's plant High appetite to transition to a low-carbon and climate-resilient company, while addressing socio-economic imperatives and complying with policies and regulations	Poor environmental performance and non-compliance with environmental regulations and legislation could lead to the loss of Eskom's licence to operate and plant shutdown. Contributing to this risk is the lack of disciplined execution of operations as well as a lack of adequate project management and funding to implement initiatives aimed at ensuring environmental compliance and the reduction of our environmental footprint Eskom's failure to transform and transition from a coal-based power system to a low-carbon and climate-resilient company could lead to penalties from authorities and/or potential loss of Eskom's social licence to operate. This is driven by a lack of alignment on the net zero pathway, coupled with no allocation by DMRE of low-carbon technology to Eskom, which may lead to failure to determine an optimal combination of clean technologies to achieve emission reductions	• Environmental performance and compliance • Climate change and Just Energy Transition • Adequate skills and high-performance ethical culture	• Extensive integrated work on a response that considers emissions, cost, tariff, net present value, practicality, alternate technology options and energy provision • Securing funding for emission projects and Eskom's JET • Establishment of a Clean Energy Department in Generation to oversee the development, design, construction and execution of clean energy projects
People culture and safety High appetite for a skilled workforce and a high-performance ethical culture High appetite for Zero Harm among employees, contractors and members of the public by eliminating fatalities and reducing injuries. Furthermore, there is no appetite to negatively affect human health, both physical and mental	The loss and lack of skills is a root cause to many risks and will continue to impact Eskom's sustainability. In addition, a breakdown in relationship with labour and management affects productivity and creates a harmful working environment and in extreme cases, could affect our ability to supply electricity to customers. The physical and mental health and the safety of people are compromised by a failure to effectively implement occupational health and safety improvement initiatives	Operational stability Adequate skills and high-performance ethical culture	• COVID-19 protocols and rollout of the employee vaccine programme • Safety awareness and education programmes • Staff engagements • HR strategy implementation, including a skills audit • Implementation of a hybrid work model • Development of Eskom's Culture Transformation Programme to deliver a high-performance ethical culture • Mental health awareness and education programmes – not only focused on educating about mental health, but also to reduce the stigma and discrimination that people with mental illness face in communities and at work
Information technology High appetite to proactively improve Eskom's information technology direction, while enabling, empowering and co-creating innovative technology solutions for Eskom's customers	The evolving IT environment requires continuous investment to prevent cyber-security intrusions affecting information and operational technology. This is exacerbated by cyber-security shortfalls and the loss of core, scarce and critical IT skills, which pose a risk to Eskom's IT infrastructure, network and business systems and may lead to compromised confidentiality and integrity of business information	Operational stability Adequate skills and high-performance ethical culture	• Continual enforcement of security compliance on all applications, as well as collaboration between group IT and application vendors • Addressing critical supplier disputes • Development of new key risk indicators to enhance risk monitoring • Megawatt Park data centre replacement project
Stakeholder management High appetite to enhance Eskom's relationship with stakeholders, including the communities in which we operate, government and the shareholder, to achieve common value. This is underpinned by an effective, efficient, timeous and integrated communication plan and by managing external risk factors that have an impact on Eskom's sustainability	Failure to sufficiently assess and proactively respond to external stakeholder expectations impacts our financial and operational sustainability. In addition, the decline in socio-economic conditions exacerbates associated community-related risks such as theft and vandalism of our infrastructure and potential harm to members of the public exposed to our products and infrastructure, leading to legal, reputational and financial risks	Government support and debt structure Governance, compliance and ethics	• Implementation of the stakeholder engagement plan, including continuous internal and external stakeholder engagements • Various engagements with DPE and National Treasury • Implementation of Eskom's reputation strategy
Governance and compliance No appetite for any non-compliance with obligations which may cause harm to the organisation, including non-compliance with compulsory regulations and legislation, as well as voluntary commitments. In addition, there is no appetite for unethical conduct, fraud, corruption or criminal behaviour in general	Non-compliance with sections 50 and 51 of the PFMA, 1999, has proven an ongoing challenge and has led to qualified audit opinions for the past few years. This has been caused by a lack of specialised oversight on key PFMA-related processes, which could lead to reputational damage, financial loss, fruitless and wasteful expenditure and criminal prosecution of directors This is exacerbated by fraud, corruption, unethical behaviour, employees not complying with policies and procedures, as well as regulatory and litigation challenges facing Eskom	Operational stability Environmental performance and compliance Governance, compliance and ethics	• Addressing vacancies on the board • Implementation of the Fraud Risk Management Plan • Establishment of a dedicated task team to address the recommendations of the Judicial Commission of Inquiry into Allegations of State Capture (Zondo Commission) • System improvements to enhance controls, management of conflicts of interest and consequence management • Reviews and investigations by A&F • Establishment of the PFMA loss control function to execute and report on PFMA compliance • Implementation of the procurement roadmap to improve commercial governance processes • Ethics risk assessment, as well as compulsory training on ethics, fraud awareness and PFMA requirements

GOVERNANCE AND LEADERSHIP OF SUSTAINABLE DEVELOPMENT AND RELATED ISSUES continued

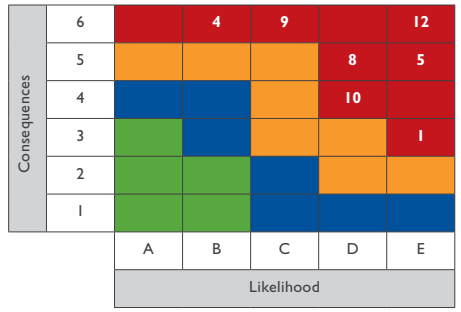
Organisational risks

Organisational risks are classified from Priority I risks at the highest level to Priority IV risks at the lowest, based on the magnitude of the consequence and likelihood of the occurrence. All Priority 1 and emerging risks are reported quarterly to Exco and the board, which provide oversight as recommended by King IV™.

Priority 1 level risks at March 2022



Priority 1 level risks at March 2021



We have achieved an improvement in the number of Priority 1 risks as a result of several risk management interventions implemented during the year. An "attacking the causes" initiative was introduced to address root causes and ensure alignment to risk controls. Furthermore, information captured in the risk management system was reviewed by divisional risk managers and independently reviewed by the Enterprise Risk Management Department. A number of findings were identified and shared with risk owners to address the shortcomings. Risk inquiries were also conducted on long outstanding Priority 1 risks to improve management accountability.

Regrettably, financial sustainability and liquidity risks continue to remain at the highest level of risk, namely 6E and are a contributing factor to many other risks in the business. Treatment plans are monitored to ensure that they are achievable within specified timelines and to identify where escalation is required for risks that are outside of Eskom's control.

Emerging risks

Emerging risks are assessed on a regular basis through scanning our environment and identifying changes in our operating environment due to global and local developments, as well as changes reported in the business. The identification of emerging risks is critical to ensure that these risks are managed proactively. As with existing organisational risks, emerging risks are tracked and reported quarterly to Exco and the board.

At 31 March 2022, we had 33 Priority 1 risks (2021: 49), which include strategic risks and those affecting achievement of the shareholder compact, with their corresponding positions on the risk matrix shown below in terms of our Risk Appetite and Tolerance Framework.

The Russian invasion of Ukraine in February 2022 poses a significant emerging risk to Eskom and the broader energy sector. Eskom is likely to continue to be affected by supply chain disruptions, rising fuel prices and declining fuel availability, which will lead to increased costs amid an already constrained financial position and further generation supply constraints, thereby increasing the risk of loadshedding.

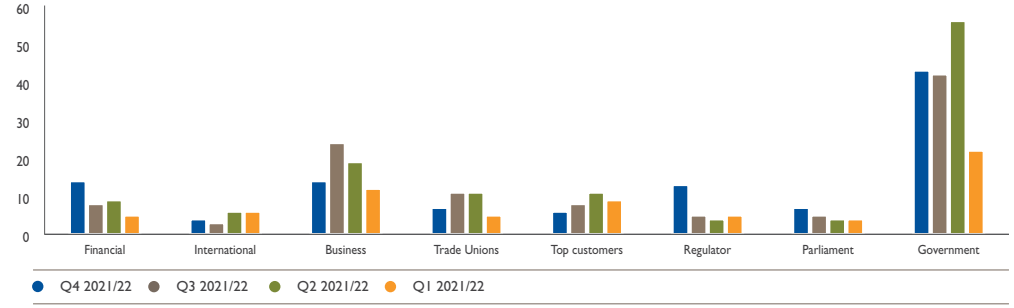
To mitigate this risk, our financial plan for FY2023 has been adjusted to accommodate potential fuel price fluctuations. We will collaborate with suppliers and government to ensure continued availability of critical resources.

Our stakeholder engagement

We believe that transparent reporting to the shareholder, our stakeholders and the broader public is key to restoring trust in Eskom. Advocacy and stakeholder engagement remain key enablers of our strategy and turnaround plan and, as such, our engagements with stakeholders are carefully planned in terms of the approach, scope and intended outcome.

Our stakeholder engagement plans are developed to address the challenges facing Eskom's structural, financial and operational sustainability. Several strategic platforms were created during this financial year to engage on issues of Eskom legal separation, JET and repurposing of power stations. These meetings were used to clarify Eskom's security of supply and decarbonisation value-proposition and socio-economic contribution and trade-offs we need to balance. The success of Eskom's turnaround plan will rely on Eskom's commitment and the support of its stakeholders to achieve a sustainable energy future for South Africa.

The following graphic indicates the total engagements per stakeholder group on material matters during 2021/22:



Material matters raised by stakeholders

These material impacts include those that have a direct or indirect impact on our ability to create, preserve, or erode environmental, social and economic value for us, our stakeholders, the environment and society at large. Stakeholders and Eskom shared the following touch points:

Environmental matters

Key material topics:

- Emissions from power stations
- Eskom air quality improvement plans
- Birds and power lines
- Compliance with environmental legislation

Social matters

Key material topics:

- Ensuring women's participation in the energy industry
- Ensuring a JET with inclusive growth
- Economic diversification
- Education and skills development
- Support for displaced workers

Economic and financial matters

Key material topics:

- Eskom's escalating debt
- Eskom's turnaround plan vs legal separation
- Eskom's procurement processes vs the Public Finance Management Act, 1999
- Procurement and supply chain management
- Generation capacity
- Cable theft and vandalism
- Infrastructure to support industrial diversification
- Technological innovation and new sources of energy
- Funding plans and borrowing limits

Governance and leadership matters

Key material topics:

- Leadership accountability and corruption challenges
- Lack of oversight and consequence management

We are involved in enhancing stakeholder engagement to bring visibility to strategic issues and thereby influence policy, legislative and regulatory reforms to enable Eskom's strategic intent.

Eskom's response to strategic issues

JET: Achieving Eskom's Just Transition objectives requires profound changes in market outcomes and social and political relationships. We had various community roadshows, stakeholder forums and workshops to empower the affected citizens and support social solidarity. Management roadshows were conducted to engage with displaced workers. Through COP26, the country was positioned as a preferred investment destination and, in addition, secured funding for our Just Transition to cleaner energy.

Loadshedding: The GCE held frequent media briefings to update the public on the system's status. Eskom launched the Power Alert campaign requesting voluntary residential demand reduction between evening peaks. In response to the electricity shortage, we rolled out the "use electricity smartly" campaign. A public safety campaign warned electricity users against the impact of illegal connections. The media and other key stakeholder groups, were hosted at power stations to explain the source of the problem and our initiatives to address the issue.

Eskom's legal separation: Workstreams enable collaboration with stakeholders to allow legal separation. We respond to policy maker concerns through advisory committees to address decision-making problems. Trade union concerns are addressed through the Eskom Restructuring Consultative Forum.

Eskom will engage consistently and collaboratively to address all the above stakeholder concerns. Most importantly, we strive to be responsible corporate citizens, ethically and socially.

GOVERNANCE AND LEADERSHIP OF SUSTAINABLE DEVELOPMENT AND RELATED ISSUES continued

Improving the quality of relationships

As stated in our 2022 integrated report, we recognise the importance of rebuilding and strengthening confidence and trust in Eskom by implementing our turnaround plan to ensure that we can deliver on our mandate and the Roadmap for Eskom in a Reformed Electricity Supply Industry released by DPE in October 2019 (DPE's Roadmap). As part of that process, we need the continued support and commitment of our employees and all stakeholders as we transition towards a more desirable future for Eskom and the country. Improving the quality of our relationships with stakeholders will enable that process.

Refer to the section on stakeholder engagement in our 2022 integrated report for detailed information on stakeholder engagement

Our material matters

The material topics addressed in this report are based on the GRI materiality principle. In line with the GRI materiality principle, this sustainability report reflects the broader lens of materiality, our organisation's significant environmental, social and economic impacts that substantively influence the assessments and decisions of our stakeholders. These material impacts include those that have a direct or indirect impact on our ability to create, preserve or erode environmental, social and economic value for us, our stakeholders, the environment and society at large. This approach assists us in mitigating and improving our impact on society, the local economy and the environment.

Our material topics reported include:

Environmental and climate change material topics

The environmental issues that we have reported on are based on material aspects to our stakeholders and us. We have determined environmental materiality through our environmental management system of quantifying the significant impacts arising from the environmental aspect of our activities undertaken in the generation, transmission and distribution of electricity. We also consider the environmental legislative framework in which we operate, our environmental licences and the conditions of these as well as the expectations and requirements of our stakeholders.

The key material topics are:

- Particulate and gaseous emissions
- Ambient air quality and related air quality offsets
- Greenhouse Gases (GHG) and, in particular, carbon dioxide emissions
- JET and the move away from coal
- Renewable energy
- Water use
- Waste production
- Environmental incidents and compliance
- Interaction between birds and power lines
- Biodiversity and land use
- Climate change

Social material topics

The key material topics are:

- Contributing to national transformation imperatives, including employment equity and contribution to local suppliers
- Skills development
- Affecting local communities through various investments and reducing externalities (an externality is a positive or negative outcome of a given economic activity that affects a third party who is not directly related to that activity)
- Being a good employer
- Safety
- The future shutting down of coal-fired power stations

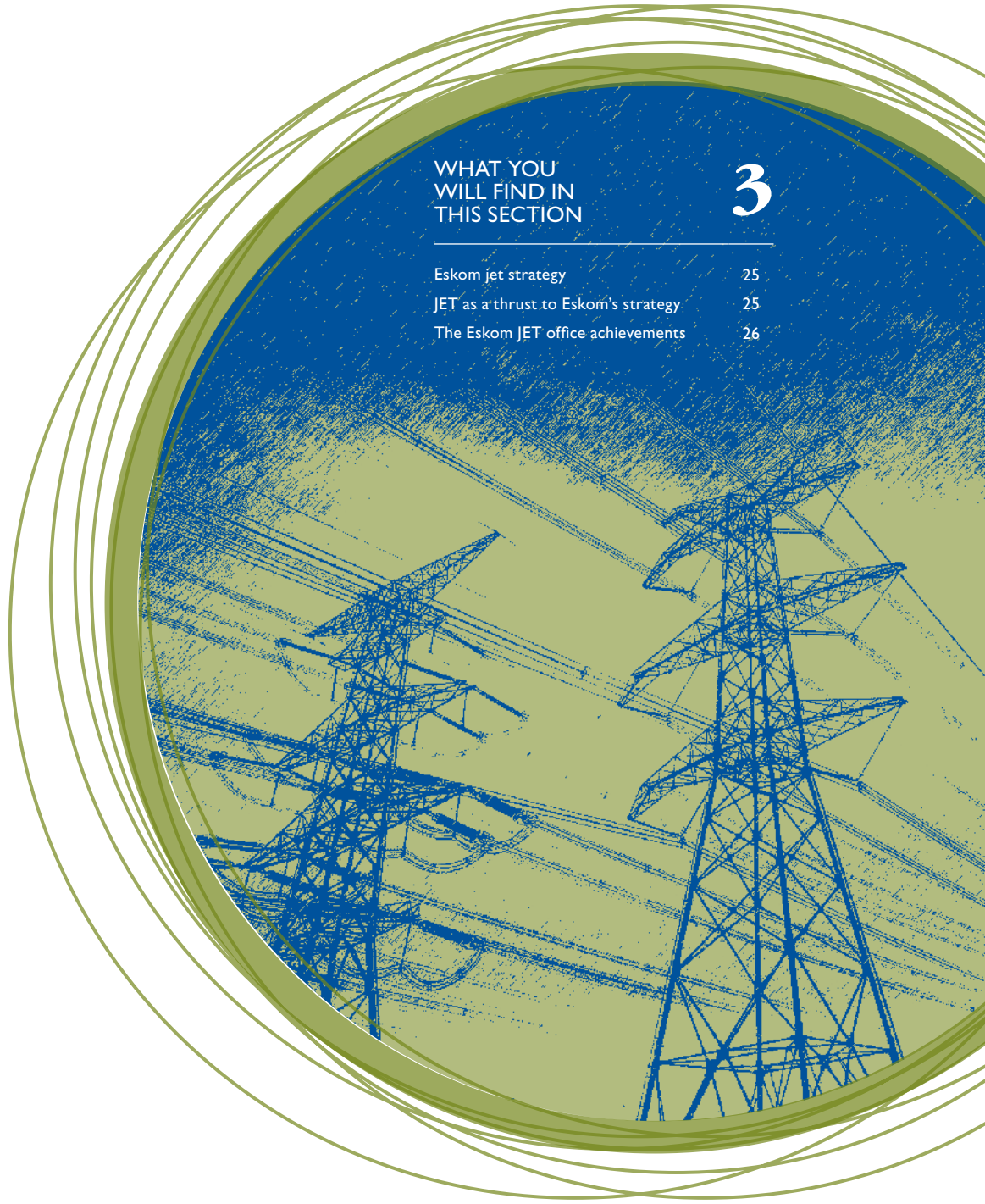
Economic sustainability topics

The key material topics are:

- Driving the economy by providing electricity and contributing to public finances and employment
- Loadshedding
- Electricity tariffs
- Eskom's debt

We know that our material impacts create risks and opportunities for us as a company. Our sustainability is, therefore, dependent on how well we manage these material topics. For further information, refer to the sections on environmental, climate change and social performance.

ESKOM'S JUST ENERGY TRANSITION



WHAT YOU WILL FIND IN THIS SECTION 3

ESKOM'S JUST ENERGY TRANSITION continued

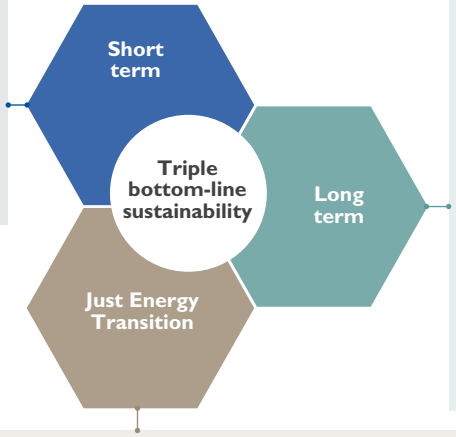
The prevailing industry trends towards decarbonisation, decentralisation, digitisation and democratisation, which are shaping the evolving electricity industry, have created opportunities to leverage the country's ageing fossil electricity generating infrastructure to transition to low-carbon technologies, enabling South Africa to support global agreements to redress the impact of climate change. While the Eskom turnaround plan remains the platform for ensuring future business sustainability, Eskom is also leveraging the JET to pivot towards its long-term strategic objectives. Pre-emptive action by Eskom and the South African government, with inter-ministerial support before COP26 (2021 United Nations Climate Change Conference held in Glasgow, Scotland), has culminated in South Africa securing concessional funding of ~USD8.5 billion from an international consortium of countries to support its just transition plans.

This funding facility was largely supported by the Eskom JET Strategy, which underpinned South Africa's proposal to funding nations. Eskom is accelerating its project readiness to secure allocation of available JET funding, with the knowledge that the country's access to further concessional funding to drive the transition hinges on the reduction of fossil fuel generation through the effective delivery of repowering, repurposing and utility-scale greenfields projects, enabling a competitive power system, while embracing the shift in the role of the consumer to that of being a prosumer.

To enable the government's goals for the JET transaction, Eskom has developed a prioritised list of projects and will advocate for the timeous release of COP26 funding, based on Eskom's readiness to execute JET projects across Generation, Transmission and Distribution.

As Eskom, we have developed the JET strategy as part of our long-term corporate plan to assist us in evolving into a sustainable organisation.

Eskom turnaround plan
- Strengthen balance sheet
- Improve income statement
- Build high performing culture
- Improve operations
- Drive restructuring

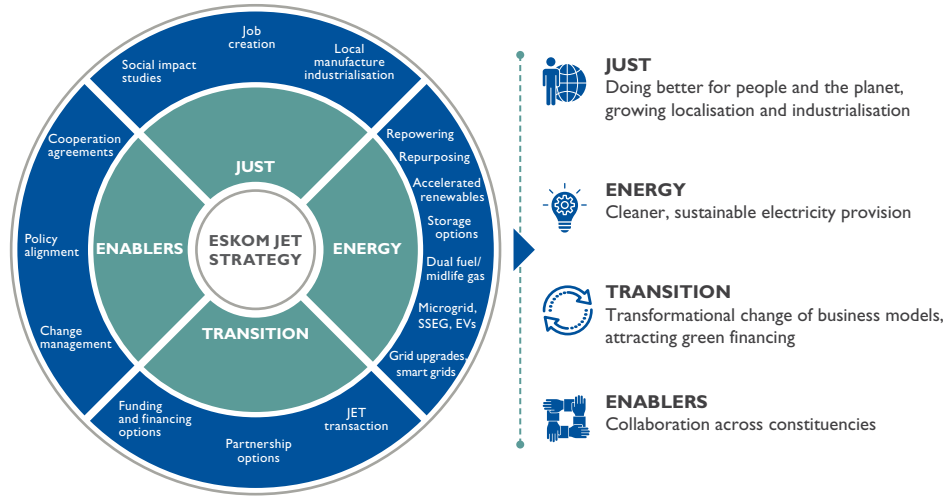


Transition utility
- Pursue net zero carbon emissions by 2050 while factoring in the need to continuously nurture economic growth and create sustainable jobs
- Ensure effective and equitable access to electricity by modernising our power system
- Facilitate competitive energy industry for the future
- Financially and operationally stable

Just Energy Transition
- Accelerate the repurposing and repowering of stations
- Actively pursue a share of renewable energy allocation in line with DMRE's 2019 IRP
- Implement an integrated socio-economic strategy including reskilling
- Smart industrial policy can drive manufacturing investment and job creation

The Generation strategy integrates the power station shutdown and repurposing plan, coal strategy, emissions reduction planning and JET, which aligns with the 2035 Strategy. To support the development and accelerate additional capacity, Eskom has been given support to make some of the usable vacant land around the power stations in Mpumalanga available to IPPs and customers planning to implement large-scale distribution-embedded resource (DER) projects. Apart from accelerating additional capacity, this will ensure the optimal usage of Eskom land at power stations, provide additional revenue through land leases and wheeling charges and reduce the impact and investment required for the grid.

Eskom JET strategy



The first five years of the transition are deemed to be the most critical to enable the sustainable success of the just transition of both Eskom and the country and to make a vital contribution to economic growth, job creation, socio-economic development and the creation of a stable, equitable and cohesive South Africa. Key focus areas in the immediate and short term include the repurposing and repowering of stations, ensuring alignment with the government's JET plans, actively pursuing renewable energy allocations and implementing an integrated socio-economic strategy, as discussed below.

Accelerate the repurposing and repowering of stations

This initiative is aimed at repurposing and repowering the power stations that will be shut down to enable and optimise the just transition from coal to more carbon-efficient generation, solar PV, wind, battery storage and gas. These are some of the immediate technologies prioritised for repowering initiatives, with the investigation of other technologies to be considered in the medium to longer term. Komati Power Station will be Eskom's flagship site to demonstrate the repurposing and repowering ambitions for a JET.

Eskom's alignment with the National JET plans

In driving initiatives within Eskom, alignment with national JET plans is critical. Collaboration and integration with the various government ministries, as well as the Presidential Climate Commission, will be driven on all matters involving the transition, including targets, funding mechanisms, localisation, industrialisation and socio-economic impacts.

Actively pursue a share of renewable energy allocation

Accelerating the transition to renewable energy will improve the carbon profile of South African industries and will retain competitiveness. Renewables will be enabled through their own build, partnerships and PPAs. Potential for local manufacture, optimisation regarding established special economic zones (SEZs) and renewable energy development zones (REDZs) will be leveraged.

Implement an integrated socio-economic strategy

Some of the additional benefits of moving towards lower-carbon technologies are the potential to create new and exciting jobs and a greater conservation of biodiversity in South Africa. The increase in investment in cleaner technologies will open the door for social upliftment through job creation, the creation of demand along the supply chain and the development of previously disadvantaged groups, including black- and women-owned companies, as well as promoting community-based ownership. The initial focus on re-industrialisation in the Mpumalanga region will contribute to this.

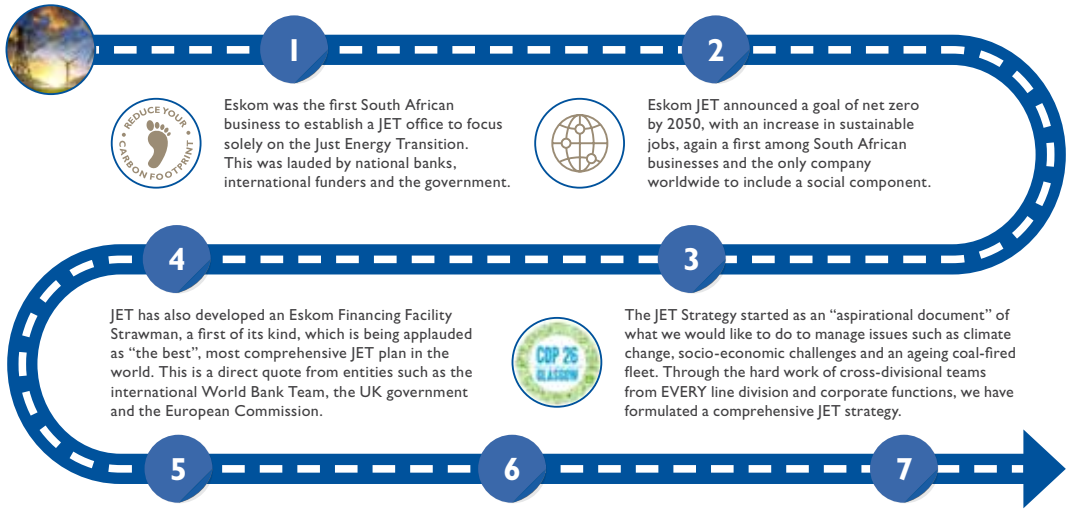
ESKOM'S JUST ENERGY TRANSITION continued

JET as a thrust to Eskom's strategy

Eskom's long-term strategy positions the utility as an enabler of a JET and a key role player in executing the IRP2019. JET is about leveraging the opportunities presented by the transition to a cleaner and greener energy future, while creating new job opportunities for those displaced by the replacement of coal with cleaner technologies. It means a transition towards a low-carbon, climate-resilient economy and society in a manner that does not impede socio-economic development but results in an increase in sustainable jobs. It is not a sudden shift in economic activity but occurs in a phased manner over time.

The Eskom JET office achievements

It has been a journey of just over 24 months since we started the JET work in earnest. In that time, through marginal gains, Eskom JET efforts have become the talk of the town even among the COP26 international delegates. The flow diagram below highlights some of the key accomplishments during this period.



1 Eskom was the first South African business to establish a JET office to focus solely on the Just Energy Transition. This was lauded by national banks, international funders and the government.

2 Eskom JET announced a goal of net zero by 2050, with an increase in sustainable jobs, again a first among South African businesses and the only company worldwide to include a social component.

3 The JET Strategy started as an "aspirational document" of what we would like to do to manage issues such as climate change, socio-economic challenges and an ageing coal-fired fleet. Through the hard work of cross-divisional teams from EVERY line division and corporate functions, we have formulated a comprehensive JET strategy.

4 JET has also developed an Eskom Financing Facility Strawman, a first of its kind, which is being applauded as "the best", most comprehensive JET plan in the world. This is a direct quote from entities such as the international World Bank Team, the UK government and the European Commission.

5 Extensive modelling work has been done to get us to a point where we can publicly and confidently speak about a decarbonised goal and the policy infrastructure and financing support required for this goal.

6 JET has completed comprehensive socio-economic impact studies at Komati, Grootvlei and Hendrina. Jet worked with the DFFE and the funders to secure grant funding to complete seven more of these studies. The studies have given the JET team excellent leverage with civil society, labour and NGOs, which see that Eskom is serious about the JUST part of the transition.

7 A business case for projects at the Komati Power Station did commence before COP26 in November 2021 and this reflects significant progress and commitment from Eskom.

8 JET's extensive engagements with business, civil society and the government have led to an outpouring of support for Eskom's JET plan. Everyone is rooting for the success of this, effectively shouting down the naysayers.

9 Eskom's positions on the JET are now an integral part of the South African Just Transition position through the Presidential Climate Commission and are firmly included in the DPE's draft Just Transition framework, firmly endorsed in the DFFE's Nationally Determined Contribution (submission to the Paris Agreement), the business view on Just Transition through the NBI and the BUSA JET positions.

10 JET has established a firm relationship with the Manufacturing Circle, which is working hard to drive Eskom's messages among its members.

11 JET has a terms of Agreement (ToR) with the DTIC to advance collaboration with the local manufacturing sector and a Memorandum of Understanding (MoJ) with Sasol to collaborate where it makes sense to do so.

12 It is rare to find any media on the Just Transition in the country that does not make a mention of Eskom's plans in this regard. Most media articles, tweets and reports quote the Eskom numbers and the Eskom plans. It was mentioned in the SONA and repeated several times by the President in different forums.

13 The economy of the COP26 may not be fully appreciated. It is not a conference but an actual government-to-government negotiation process. Several engagements with the COP26 preparation teams in several countries reveal that they are all working hard to make the Eskom JET work. This includes the UK COP president's team.

14 One of the most important accomplishments is the awareness and excitement that our Internal Change Management Team has produced. Employee morale has been buoyed by what is seen as a future for our organisation. Younger employees are also abuzz with new ideas and excited to see JET progress.

OUR ENVIRONMENTAL PERFORMANCE

WHAT YOU WILL FIND IN THIS SECTION 4

One of the critical actions contained in the NDP is that of interventions to ensure environmental sustainability. A commitment to achieving a minimum standard of living acknowledges the need for a clean environment and building environmental sustainability and resilience.

Our approach to environmental management is as follows:

- Concerns about the health effects of air emissions are likely to grow and regulations will become more stringent; thus, the probability and magnitude of impacts on the Eskom business are likely to increase.
- Regulatory changes and increased scrutiny may lead to increased environmental enforcement and future environmental compliance costs could have a material adverse effect on cash flows and operational effectiveness.
- Failure to comply with legal requirements could subject the business to substantial penalties and fines including criminal prosecution of individuals.
- The World Bank also forecasts that water availability in cities could decline by as much as two thirds by 2050, as a result of climate change and competition from energy generation and agriculture, thus the probability and magnitude of the impact of water management on financial results on the electricity utility is likely to increase.
- A growing awareness amongst stakeholders, politicians, industry and the general public regarding the impact of climate change is expected to continue to drive momentum away from fossil fuels towards a low carbon economy going forwards, increasing the risk of stranded carbon assets and increased scrutiny of individual energy infrastructure investment.
- The electricity grid is increasingly threatened by extreme weather patterns. Resilience to the expected changes in climate is likely to require new approaches to network planning, risk analysis and contingency management and innovation.
- The continued rise in renewable energy, distributed generation, battery storage and overall lower growth in the demand for energy have introduced new players to the market.
- Government's own national development plans aligned with the United Nations' 17 Sustainable Development Goals (SDGs) could lead to a need for more holistic environmental and socio-economic approaches.

We measure our environmental performance through several KPIs, including relative particulate emissions, specific water consumption and the number of reported legal contravention incidents.

Measure and unit	Target 2025	Target 2023	Target 2022	Target met?	Actual 2022	Actual 2021	Actual 2020
Relative particulate emissions, kg/MWh sent out[SC]	0.28	0.30	**0.31**	■	**0.34**	0.38	0.47
Specific water consumption, ℓ/kWh sent out[SC, 1]	1.25	1.39	**1.33**	■	**1.45**	1.42	1.42
Net raw water consumption, Mℓ	n/a	n/a	**n/a**	n/a	**283 610**	270 736	286 553
Red data bird mortalities (no targets set, but tolerance levels to ensure continual improvement)	243	270	**300**	■	**241**	359	392
Environmental legal contraventions (no targets set, but tolerance levels to ensure continual improvement)	14	17	**18**	■	**65**	81	59
Environmental legal contraventions reported as a result of significant failure of business systems, number[2]	1	1	**1**	■	**7**	7	5
Carbon dioxide (CO_2), Mt[3]	n/a	n/a	**n/a**	n/a	**207.2**	206.8	213.2
Sulphur dioxide (SO_2),kt[3]	n/a	n/a	**n/a**	n/a	**1 671**	1 604	1 721
Nitrous oxide (N_2O), t[4]	n/a	n/a	**n/a**	n/a	**1 561**	1 527	2 826
Nitrogen oxide (NO_x as NO_2),kt[4]	n/a	n/a	**n/a**	n/a	**822**	804	851
Particulate emissions,kt	n/a	n/a	**n/a**	n/a	**66.65**	71.35	94.92

1. Relative particulate emissions values and specific water consumption include Medupi Units 2, 3, 4, 5 and 6 and Kusile Units 1 and 2, but exclude units synchronised but not yet in commercial operation. Units are only included one year after achieving commercial operation. Therefore, Kusile Unit 3, as well as Medupi Unit 1, are still excluded.
2. Particulate emissions reported at certain coal-fired power stations, specifically Kendal and Kriel, exceeded the range of the station's particulate emission monitors for periods during the year. This may have resulted in an understatement of particulate matter emissions. However, the extent of the understatement and its impact on the materiality of final figures cannot be quantified.
3. Specific cases of environmental legal contravention incidents that are considered to be of very high significance in terms of their impact on the environment and/or on Eskom in that they have a material business impact and illustrate a significant failure of business systems recorded as incidents as a result of a significant failure of business systems.
4. Emission figures are calculated based on coal characteristics and power station design parameters using coal analysis and coal burnt tonnages. Figures include coal-fired and gas turbine power stations and oil consumed during power station start-ups. For carbon dioxide emissions, it also includes the underground coal gasification plant.
5. N_2O and NO_x reported as NO_2 are calculated using average station-specific emission factors (measured intermittently) and tonnages of coal burnt.
6. No target is set for net raw water consumption or emission volumes. Therefore, the target for these measures is shown as not applicable.

OUR ENVIRONMENTAL PERFORMANCE continued

Over the last few years, our environmental performance was well outside the tolerance levels we set ourselves in relation to relative particulate emissions, specific water use, environmental compliance and our impact on red data bird species classified as "critically endangered" in South Africa, Lesotho and Eswatini.

In ensuring our contribution to the NDP, our environmental management practices are undertaken in pursuit of our value of Zero Harm, which is underpinned by the framework of our environmental compliance obligations set out in South African legislation and our Shareholder Compact. Our environmental management practices are based on understanding the impact of our activities on the environment, our stakeholders' expectations, setting environmental objectives and KPIs, putting in place the controls and monitoring and reporting on performance. This allows us to respond to risks, incidents and shortcomings in our performance.

Our environmental sustainability matters

We have a responsibility to South Africa and all its citizens and our stakeholders in South Africa and outside our borders to ensure our operations are not materially contributing to an environment that is harmful to the health and wellbeing of our society. Environmental duty of care regarding air quality, land use, biodiversity, water and waste and ash management ensures our operational sustainability.

Our business of generation, transmission and distribution of electricity, as well as the construction activities we undertake, have an impact on the environment. Accordingly, we are subject to several South African laws, regulations and licencing requirements relating to the environment. We are regulated by a number of authorities, including the DFFE, the Department of Water and Sanitation (DWS) and provincial and local conservation and licencing authorities. These governmental authorities protect the public interest and the environment by regulating our material activities to ensure effective environmental protection.

Zero Harm is one of our six values and is defined as the prevention of harm to people and the environment through visible and felt leadership, including implementing effective controls and practices.

Eskom's environmental management policies, strategies and systems provide the framework for ensuring we have our plant and equipment correctly planned, built, operated and maintained. We set out standards and procedures that require compliance with applicable environmental laws, regulations and authorisations.

Air emissions: Particulate and gaseous emissions

The emissions from our coal-fired power stations are one of the most significant environmental aspects with which we are faced. The production of electricity by burning coal produces four major pollutants in the form of emissions: particulate matter (PM), carbon dioxide (CO_2), sulphur dioxide (SO_2) and nitrogen oxides (NO_x). The National Environmental Management: Air Quality Act, 2004, (NEMA) requires the installation of technology to reduce emissions. We have implemented pollution reduction technology since the early 1980s, reducing PM emissions by more than 80%.

Eskom emission reduction history

Air quality improvement programme: Relative particulate emission performance has improved since the previous financial year because of focused maintenance of generating plant under the Generation recovery plan, particularly an improvement in the performance at Kendal Power Station. Nonetheless, the year-end target was not achieved. The most significant contribution to the poor performance came from Duvha, Grootvlei, Kendal, Lethabo, Matimba, Matla and Tutuka power stations because of ash plant challenges, electrostatic precipitator performance, fabric filter bag problems and SO_3 plant failures.

We continue to drive the implementation of the previously committed Minimum Emission Standards (MES) projects. Good progress has been made on PM projects and all of these projects will probably be completed by 2025. There is a risk that some Tutuka units with PM upgrades may be completed after the legal requirement of 31 March 2025, but work to minimise this risk is ongoing and alternatives are also being considered.

We remain at risk of not meeting commitments made in previous minimum emission postponement applications because of project delays and constraints on available funds.

Our strategy is to facilitate the development of a future electricity sector that is competitive and enabled by modern power system technologies as South Africa strives to achieve net zero carbon emissions by 2050. Our proposed JET is a pathway that would make it possible to simultaneously spur economic growth, create sustainable jobs and put emissions into structural decline, thereby ensuring an electricity supply that does not compromise economic growth.

MES for South Africa were published in 2013 and amended in 2018. They stipulate emission limits, which require Eskom to reduce gaseous emissions of sulphur dioxide and nitrogen oxides as well as particulate emissions. These aim to ensure reasonable measures are in place to prevent pollution and ecological degradation and secure ecologically sustainable development while promoting justifiable economic and social development.

In 2014 and again in 2019, we committed to retrofitting several power stations to reduce emissions under postponement applications granted by the then Department of Environmental Affairs. Full compliance with the new plant standards requires all coal-fired power stations to implement emission reduction technologies, such as fabric filter plant (FFP), low NO_x burners and/or flue gas desulphurisation (FGD).

We submitted postponement applications in terms of the MES to DFFE during August 2020, with additional information submitted early in January 2021.

We received a decision on our application from DFFE in November 2021. A positive postponement decision was issued for power stations shutting down by 2030, namely Grootvlei, Arnot, Hendrina, Camden, Komati, Acacia and Port Rex. However, our request for postponements at Matla, Duvha, Matimba, Medupi and Lethabo were all refused in their entirety by the National Air Quality Officer (NAQO). Postponement applications for Majuba, Tutuka, Kendal and Kriel were partially approved.

The impact of full compliance would necessitate the expenditure of about R330 billion, which Eskom and South Africa simply cannot afford given Eskom's financial position and the required additional increase on the tariff. It would also result in upgrading stations that would shut down before or shortly after upgrades are completed. The impact on installed capacity would be the immediate loss of around 16 000MW at Majuba, Kendal, Lethabo, Tutuka, Duvha, Matla and Kriel. A loss of around 32 000MW would be seen by April 2025. This lack of capacity cannot practically be provided for and would result in Stage 8 loadshedding being required immediately, with Stage 15 loadshedding by 2025.

We submitted an appeal to the authorities for the eight stations with unfavourable decisions in December 2021, which suspended the decision and allowed us to continue to operate legally, while the Minister of DFFE considered our motivation for a balanced and sustainable way forward.

In March 2022, the Minister granted Eskom's request in the appeal to invoke a consultative process on our MES applications in accordance with the provisions of section 3A of the National Environmental Management Act, 1998, in which all appellants, stakeholders and interested and affected parties could participate. The appeal process will be held in abeyance while the consultative process is under way.

Various emission abatement technologies have been installed at our stations. These include:

- Electrostatic precipitators (ESPs) at Duvha, Kendal, Komati, Kriel, Lethabo, Matimba, Matla and Tutuka
- SO_3 flue gas conditioning plants to improve the efficacy of ESPs at the stations mentioned before, except at Tutuka
- FFP at Arnot, Camden, Duvha, Grootvlei, Hendrina, Kusile, Majuba and Medupi
- Boilers with low NO_x design at Kendal and Matimba
- Low NO_x burners at Camden, Kusile and Medupi
- FGD at Kusile

OUR ENVIRONMENTAL PERFORMANCE continued

In line with our commitments, we are undertaking additional emission reduction projects to reduce PM emissions, as well as sulphur and nitrogen oxides. Progress during the year includes:

- ESP refurbishments were completed at Kendal Units 5 and 6 and the refurbishment of the remaining two units has been scheduled
- High-frequency power supply (HFPS) projects to further reduce PM emissions were installed at Kendal Units 1, 5 and 6, Lethabo Units 2 and 3, Matla Unit 2 and Tutuka Unit 4
- Contracts have been placed for the ESP refurbishment and SO_3 flue gas conditioning at Lethabo and planning is under way
- At Kriel, the HFPS upgrade contract was awarded in December 2021 and engineering design is under way. Commercial challenges have delayed the ESP and SO_3 upgrades and the planning is being revised
- Work on the NO_x projects at Majuba, Matla and Tutuka remain on hold, pending a reassessment of the requirements for these projects considering engagements with the authorities regarding the MES applications
- Elements of the technology approach for the PM reduction at Tutuka have been reassessed given funding constraints. Revised commercial documentation is being prepared
- The World Bank has approved extending the loan agreement for the Medupi SO_2 reduction FGD project until June 2027. A revised procurement strategy has been developed and planning to meet the revised date is under way

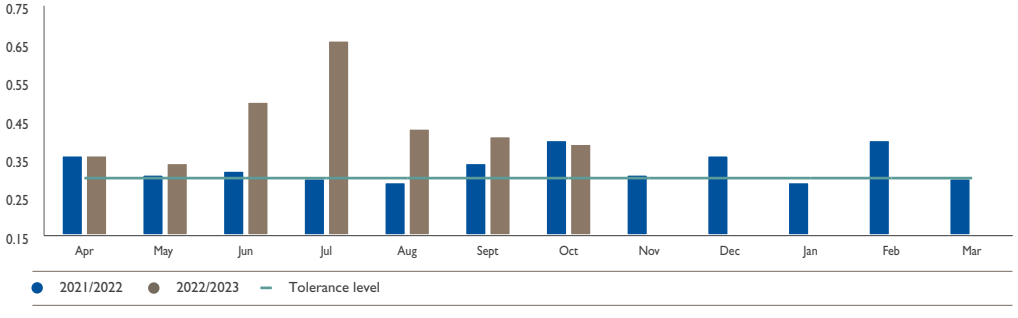
Air quality offset programme

The amended Atmospheric Emissions Licences (AELs) for our coal-fired power plants require us to implement an offset programme to reduce PM pollution in the receiving environment adjacent to the power stations. The offset will be carried out on specific low-income houses and includes the installation of ceilings to improve insulation as well as electric and gas stoves to replace coal stoves.

Several contracts have been signed to date, including that for the health study; planning, monitoring and verification; the Kwaza project management office; and Kwaza insulation. Progress to date is as follows:

- Lead implementation at KwaZamokhule (near Hendrina Power Station) that was started in April 2022 and runs to June 2024 targets 3 450 households. All the components (stoves, heaters and ceilings) to begin installations in homes in KwaZamokuhle have been received
- Lead implementation at Ezamokuhle (near Majuba Power Station) is planned to start in August 2022 and will run to August 2023 and will target 2 100 households
- Sharpville Waste Management Solution (near Lethabo Power Station) is planned to start in October 2022 and will run to October 2024 and will target three-monthly clean-ups for 18 months

The health study undertaken by the Medical Research Council (MRC) was closed by the end of March 2022 because of the impact of COVID-19 on the study. Feedback to the individuals surveyed regarding the results of the health tests is being provided as required.



Relative PE performance (kg/MWh sent out) for the 2021 and 2022 financial years

Gaseous emissions

SO_2 emission limits

Exceedances of daily SO_2 limits were recorded by all coal-fired power stations on 132 days in total during the year (2021: 279). Of those exceedances, 68 occurred at Medupi, which is now operating under a monthly AEL limit rather than a daily limit. Medupi exceeded the monthly limit in April and May 2021. Matimba, which also operates under a monthly AEL limit, reported 15 exceedances on its units but did not exceed its monthly limit during the year. The poor SO_2 emissions performance at these stations is because of the generally higher sulphur content of Waterberg coal.

NO_x emission limits

Exceedances of allowed daily NO_x emissions were recorded by all coal-fired power stations on 225 days in total during the year (2021: 125). Of these, only 66 were true non-compliances with the daily NO_x limit, with the remainder associated with monitoring issues. Lethabo reported 38 exceedances during the year. The remainder of the exceedances were reported at Matla, Tutuka and Camden and were generally because of monitoring issues.

Water management

Eskom's power generation is predominantly coal-based and relies on raw water from rivers and dams for the power station processes, including cooling. Eskom's Energy Efficiency campaign and the programme have also reduced Eskom's energy output and thus its water usage. Going forward, Eskom's water footprint will reduce even further with the decommissioning of its coal fleet and diversification of its energy mix towards renewables. Eskom has also invested in dry cooling technology because of the water scarcity situation in South Africa. Dry cooling uses approximately a tenth of the water consumption of a wet-cooled power station.

The Vaal River system, which feeds most of Eskom's power stations, is backed up by water transfers from Lesotho and KwaZulu-Natal. Eskom has signed some agreements with the DWS to develop and build water transfer infrastructure to ensure adequate and secure water supply to its power stations. Eskom manages the water supply operations with its water suppliers daily to ensure continuous water supply to Eskom's power stations.

Eskom works very closely with the DWS to ensure adherence to the DWS Annual Operating Analysis rules that require inter-basin water transfers between the catchments and dams to provide high assurance of water supply to the power stations and to mitigate against drought and low dam levels. In hydrological terminology, Eskom receives its water at a 99.5% level of assurance to mitigate against curtailments during droughts. However, a one in 200-year drought event will see Eskom being curtailed. These criteria are used to model and manage inter-basin transfers of the water resources supplying Eskom.

Eskom and other major users are collaborating as members of the Strategic Water Partners Network and Mine Water Co-ordinating Body and other catchment forums to mitigate against shared risks in various catchments where Eskom's power stations are located.

Reducing water consumption

South Africa is water-scarce because of low average rainfall and Eskom accounts for about 2% of the country's total freshwater consumption annually. Eskom is classified as a strategic water user and is responsible for managing water efficiently in the generation and distribution of electricity.

Generation's strategic water management implementation plan identifies seven objectives that are driven by the generation of electricity:

- Secure water for electricity generation
- Maintain high water use efficiently
- Maintain Zero Liquid Effluent Discharge (ZLED)
- Ensure legal compliance with water legislation
- Manage water supply activities to third parties
- Implement the JET
- Maintain high-level stakeholder engagement and advocacy

We are implementing comprehensive water strategy and management plans across all coal-fired power stations to reduce water consumption, ensure compliance with water use licences and maintain our assurance of water supply.

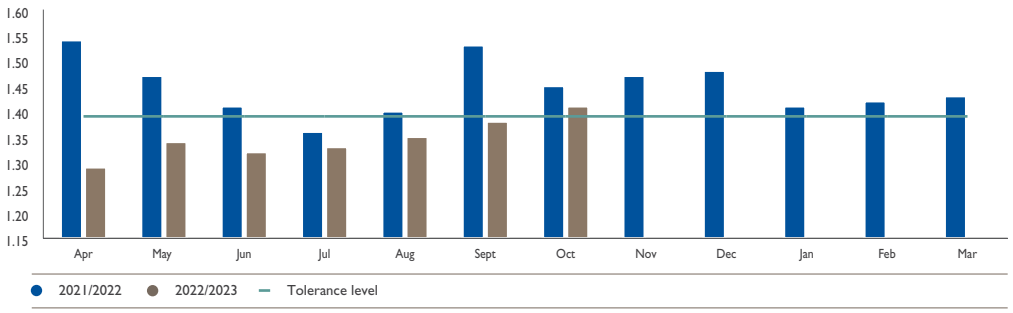
As a strategic water user, we are assured of water supply in the short to medium term. Nevertheless, given the vast amounts of water we consume, we continue to implement comprehensive strategic water implementation and management plans at all coal-fired power stations to reduce water use and ensure compliance. Disappointingly, the implementation of the water strategy has not yet resulted in a reduction in water usage at coal-fired power stations.

Water performance remains a challenge. The deterioration is attributed to several inadequate water management practices at some power stations. Attempts to address this have yielded some positive results.

The increased energy sent out across the fleet also affected the specific water usage. Apart from poor water management practices, the poor technical performance of coal-fired stations is another contributory factor, together with ageing plant and long lead times to address some of the root causes of high-water consumption and poor water management practices. This goes against Eskom's intent to achieve ZLED and comply with legislation.

There is an additional focus on power stations addressing the root causes of high inflows and preventing water pollution in dams by improving water management practices. Regrettably, focused monitoring of the effective implementation of water management action plans, both at the power station level and by the Generation Environmental Compliance Steering Committee, has not yet led to a significant decrease in such events compared to the previous financial year.

OUR ENVIRONMENTAL PERFORMANCE continued



Specific water use performance (ℓ/kWh sent out) for the 2021 and 2022 financial years

We monitor and report on our progress and performance to the DWS on the following six SDG goals and targets:

SDG 6.3	**Water quality and wastewater:** • Water use licences/general authorisations for various sites • Reuse and recycling of water on-site according to Eskom's ZLED philosophy • Reuse of mine water at some of the power stations (Lethabo and Tutuka) • Water monitoring programme (surface and groundwater)
SDG 6.4.1	**Water use efficiency:** • Monitoring of water use efficiency at the power stations and facilities • Reuse of mine water at some power stations • Reuse and recycling of water at the power stations • Water accounting programme at the power stations • Drought risk management plans
SDG 6.6	Water-related ecosystem: • Environmental and water authorisations • Biomonitoring programmes • Alien species eradication plan • Partnership with NGOs for the management of wetlands and wildlife

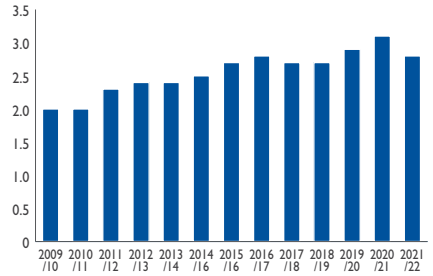
Waste management

We support the government's commitment to waste management to protect human health and the environment as defined in the National Environmental Management Act and the national waste management strategy, which is a legislative requirement of the National Environmental Management: Waste Act, 2008.

Ash utilisation/beneficiation

Ash produced from coal combustion by our power stations is the largest source of waste from our operations. Our power stations produced 32.90Mt of ash (2021: 30.84Mt), with Lethabo and Matimba the biggest contributors. Ash sold from six stations in terms of our ash utilisation strategy reduced slightly to 2.8Mt for the year (2021: 3.1Mt), to be used to manufacture bricks, cement, for soil amelioration, road construction and mine backfilling.

(a) As noted earlier, the ash dam solution at Camden Power Station has been completed, with the station now ashing on the new ash dam. There have been no load losses because of ash dam constraints from December 2021.



Total ash utilised during a 13-year period

Phasing out polychlorinated biphenyls (PCBs):

In terms of the Stockholm Convention, South Africa is required to phase out PCB-contaminated equipment by 2025.

The DFFE published regulations in 2014 under section 44 of the National Environmental Management Act, 1998, to phase out the use of PCB materials and contaminated materials (> 49 ppm) by 2023. In 2015, Eskom submitted its PCB phase-out plan to the DFFE. This plan was independently audited in 2020 and submitted to the DFFE to fulfil the requirements of the regulations for the phase-out of PCBs. Eskom currently has less than 10 pieces of PCB-contaminated equipment that will be phased out by the end of 2023.

Environmental compliance

Regrettably, 65 environmental legal contravention incidents took place between April 2021 and the end of March 2022. Most of these have occurred in the Generation Division and are mostly related to the uncontrolled release of contaminated water. Eskom's focus remains on improving water management practices across the power stations to prevent legal contravention incidents because of non-compliance with the water use licences.

The Generation Environmental Compliance Steering Committee focuses on emission, water and ash disposal facilities at the power stations. In addition, the Generation Division's maintenance plan, which aims to improve the performance of the plant, will, in turn, address many of the environmental challenges experienced regarding emissions and water.

The criminal action against Eskom in terms of Kendal Power Station emissions, as reported in Eskom's 2021 integrated report, is related to Kendal Power Station's electrostatic precipitators and flue gas conditioning that was designed to emit below the existing plant limit of 100mg/Nm^3 for PM. During the strike action in 2018, the units at Kendal continued to run to avoid system failure. However, operating with ash backlogs significantly damaged some of the units and affected their ability to operate within the legal limits. There are instances when the power stations cannot comply with the emission limits set out in their AELs. In such cases, load losses are taken and appropriate reporting mechanisms implemented in terms of the AELs.

In September 2019, Eskom was served notice of criminal charges in respect of alleged contraventions of the National Environmental Management Act, 1998 and the National Environmental Management: Air Quality Act at Kendal Power Station. In November 2020, Eskom was issued a summons in connection with these charges and was represented in court on 28 January 2021. The matter was postponed to 20 August 2021. Eskom attended court on 20 August 2021. The matter was postponed to 14 January 2022. Eskom attended the Witbank Magistrate's Court, where the matter was set down for a pre-trial hearing on 25 March 2022. One of the charges related to "providing misleading information" was dropped. The matter has been postponed to October 2022.

Environmental management systems

All our operational divisions (Generation, Transmission, Distribution and Group Capital) and our subsidiary (Eskom Rotek Industries (ERI)) have maintained certification against the ISO 14001 environmental management system standard.

Assessing our environmental performance using several KPIs is an integral part of our environmental management system to drive continual improvement. Our KPIs include air, water, waste and biodiversity management. Red data bird mortalities are monitored, together with proactive and reactive mitigation programmes to prevent mortalities.

Biodiversity

In consultation with national and provincial authorities, Eskom formally declared three nature reserves (Ingula Nature Reserve, Majuba Nature Reserve and Koeberg Nature Reserve) through the National Environmental Management: Protected Areas Act, 2003. The declaration of the nature reserves enables us to have the licence to operate our power generation activities within these natural environmental areas where the power stations have been constructed while protecting South Africa's biodiversity and ensuring the long-term security of our country's natural heritage.

In May 2021, the Ingula Nature Reserve was included in the International Ramsar Convention on Wetlands of International Importance, an international treaty for the conservation and sustainable use of wetlands.

OUR ENVIRONMENTAL PERFORMANCE continued

Environmental management approach and governance

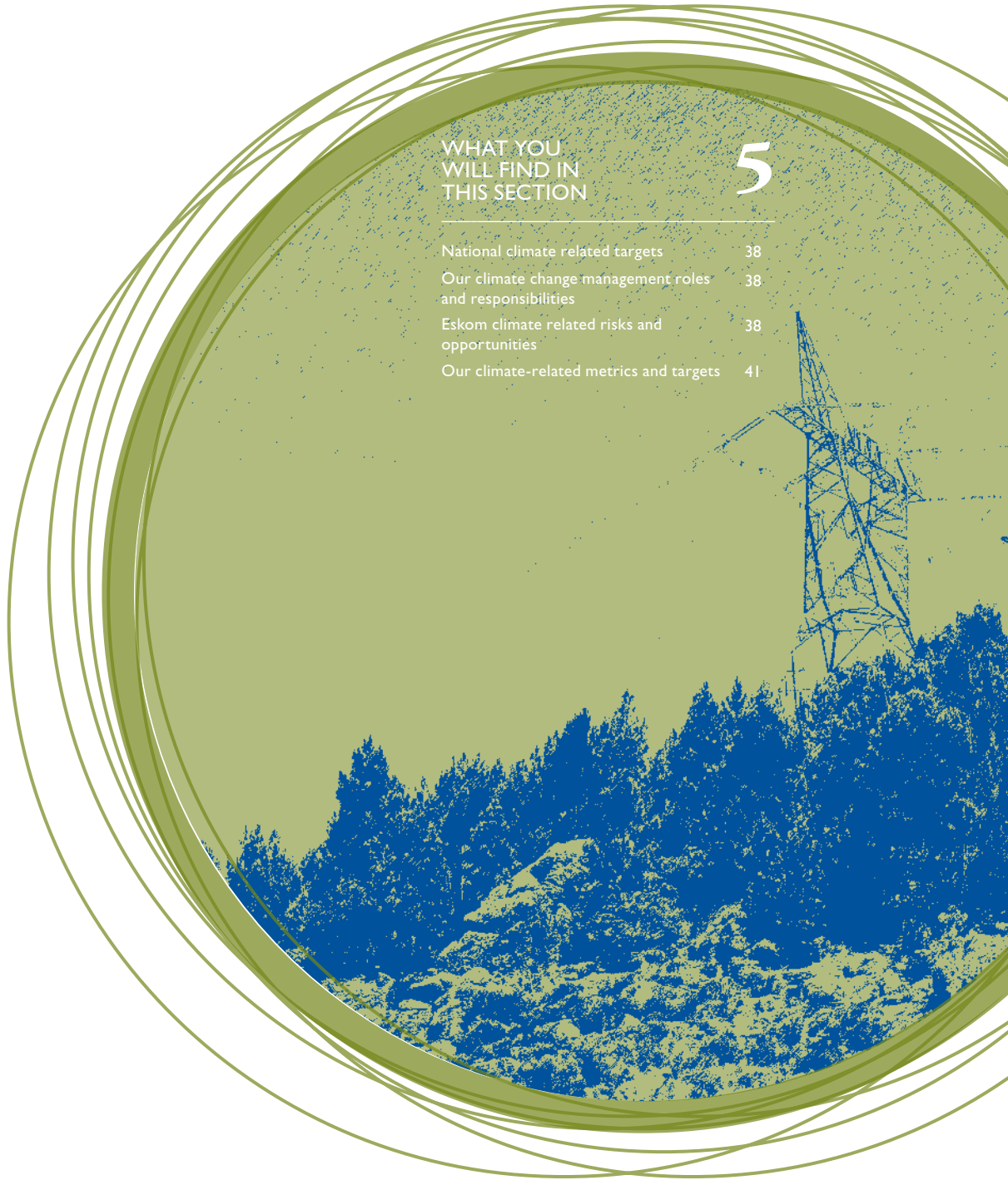
The environmental practices are supported by a team of environmental professionals, governance committees, an environmental strategy and relevant environmental policies, procedures, standards and improvement plans.

Our environmental management is undertaken in pursuit of our value of Zero Harm, which is underpinned by the framework of our environmental compliance with South African legislation and what our stakeholders expect of us. Our environmental management is therefore based on our management systems and understanding of the impact of our activities on the environment, what our stakeholders' expectations are, setting environmental objectives and KPIs, putting in place the controls to monitor and report on performance and to respond to risks, incidents and shortcomings in our performance.

The road ahead for environmental management

Eskom's 2035 strategy encompasses the journey that Eskom intends to take in response to the changing energy environment and the impact this has on a sustainable power utility. This strategy is necessitated by the challenges that Eskom faces as a business as well as the global and local shifts occurring in the energy sector, particularly with respect to environmental and climate change challenges, difficulties in accessing financing and changes to the macro industry environment significantly altering the energy supply industry (ESI). The JET presents a unique opportunity to pivot Eskom into a sustainable energy industry and significantly contribute to the achievement of South Africa's revised Nationally Determined Contribution (NDC) emission target range of 350 to 420 megatons of carbon dioxide equivalent ($MtCO_2e$) in 2030. While the focus continues to be on fixing the current business, our 2035 plan focuses on building on the objectives that will prepare us for the future. The focus of this plan is to (i) facilitate a competitive future energy industry, (ii) modernise our power system and (iii) strive for net zero emissions by 2050 with an increase in sustainable jobs. This plan will prepare Eskom for competition and will leverage technology and transition responsibly while maintaining grid security. The road to 2035, therefore, covers the shutting down of several coal-fired power stations by 2035, repurposing and repowering, delivery of clean generation projects, expansion of the Transmission grid and the roll-out of micro grid solutions, among others. The aim is to achieve a reduction of 38% in carbon emissions by 2035 as well as estimated reductions of (i) 45% sulphur dioxide, (ii) 55% nitrogen oxides and (iii) 77% PM. This will require Eskom to invest in grid infrastructure construction covering ~8 000km transmission and ~7 500km of distribution lines to enable the connection of new clean generation capacity.

OUR CLIMATE CHANGE PERFORMANCE



WHAT YOU WILL FIND IN THIS SECTION 5

OUR CLIMATE CHANGE PERFORMANCE continued

Climate change is one of the greatest challenges facing humanity and it is a measurable global reality. The world is already beginning to experience increased temperatures and observing more frequent and severe weather events. Climate change will endanger the livelihoods of hundreds of millions of people around the world and impose increasing costs on our societies if nothing is done.

South Africa is vulnerable to climate change, given that local warming is approximately twice the global rate because of its geographical location and socio-economic state. South Africa is committed to achieving the goals of the Paris Agreement, keeping global warming well below 2°C above pre-industrial levels by 2050 and pursuing efforts to limit the temperature increase to 1.5°C. As part of the Eskom JET Strategy, we have further committed to reaching net zero by 2050 while promoting net job creation.

National climate-related targets

The Paris Agreement requires governments to put forward 2030 pledges and targets to cut carbon emissions to limit warming. According to the 2018 IPCC Report, coal-fired power generation needs to be reduced by 78% by 2030 to keep the 1.5°C goals within reach. Meeting the goals set out in the Paris Climate Agreement is a race against time. Whether we succeed or fail depends on the speed with which we phase out coal-fired power production worldwide. However, the speed at which coal-fired production can be phased out in South Africa depends on the rate at which replacement generation capacity can be rolled out and all the financial, skill, regulatory and logistical support required to enable that. Otherwise, there will be dire socio-economic consequences for the country.

Almost all countries have submitted their own NDCs to the UNFCCC. South Africa's first NDC included a target range of between 398 and 614MtCO_2e in 2025 and 2030, as part of a "peak, plateau and decline" trajectory to 2050. In September 2021, South Africa submitted its updated NDC to the UNFCCC. The updated NDC target range is between 398 and 510MtCO_2e in 2025 and between 350 and 420MtCO_2e in 2030. This update conveys a significantly more ambitious mitigation target that allows South Africa to remain on a well below 2°C pathway and continue striving for a 1.5°C pathway.

To shift the country onto a low-carbon pathway, the National Treasury implemented a carbon tax in 2019 that will send an economy-wide price signal. The national government further intends to implement mandatory carbon budgets with formal mitigation plans once the Climate Change Bill is enacted. In the interim, companies are required to develop and implement Pollution Prevention Plans that cover five years (currently 2021 to 2026) and to report on their progress annually. Eskom previously participated in the DFFE's voluntary carbon budget process and has applied for an extension of this until the mandatory budgets come into effect.

Our climate change management roles and responsibilities

The GCE is the highest management-level position responsible for relaying the main climate change decisions and guidelines set by the board to the rest of the organisation. The Exco R&S Committee informs the GCE and Exco of the progress made in addressing the climate-related issues. The R&S Division comprises various departments, including the Climate Change and Sustainable Development (CCSD) Department. CCSD is mandated to provide strategic direction and safeguard evolving climate change compliance and sustainable development best practices for Eskom to maintain an appropriate external profile and its social licence to operate.

CCSD is responsible for developing and ensuring the implementation of Eskom's climate change-related strategies and policies. CCSD has developed the Climate Change Policy and the Eskom Integrated R&R Management Procedure for Adaptation to Climate Change. The R&R Governance Committee reports key risks to the Exco R&S Committee. The R&S Committee is responsible for supporting and monitoring priority climate change risks and recommending them to Exco.

Additional governance structures to manage climate change risks include the Sustainable Development Advisory Committee, the Environmental Steering Committee and the Research, Testing and Development Department's Research Steering Committees. There are also divisional governance structures to identify, assess and manage risks, including climate change-related risks.

Eskom climate-related risks and opportunities

Climate-related risks and opportunities with high levels of uncertainty regarding their nature, timing, development and deployment were identified for different time horizons. We have prioritised three key climate-related risks and four opportunities, with the highest likelihood of impacting Eskom's business, strategy and financial planning. These climate-related risks and opportunities are crucial to our sustainability and receive consideration at Exco and board level. We have defined the risks according to the short term (1–3 years) from 2021 to 2023; medium term (3–7 years) to 2030; and long term (7–30 years) to 2050.

Risks	Opportunities
All time horizons: 1–30 years (2021–2050) 1. Inability to safeguard Eskom's assets and operations against climate change **Medium term: 3–7 years (2023–2030)** 2. Failure to meet the 2030 JET targets 3. Evolving climate change legislation	**Short term: 1–3 years (2021–2023)** 1. Pursuit of partnerships and funding solutions 2. Large-scale rollout of cleaner and greener energy **Medium term: 3–7 years (2023–2030)** 3. Repowering and repurposing existing coal sites 4. Re-energising the manufacturing sector

Table 1: Eskom's climate-related risks

Timeframe	Short to long (1–30 years)	Medium (3–7 years)	Medium (3–7 years)
Risk	Inability to safeguard Eskom assets and operations against climate change	Failure to meet the 2030 JET targets	Evolving climate change legislation
IRM priority rating	Priority II	Priority I	Priority II
Risk description	This risk refers to the inability of divisions/subsidiaries to implement divisional adaptation plans to ensure the resilience of Eskom assets and operations to extreme weather events and/or long-term climate change.	Eskom's failure to transform and transition from its coal-based power system to a lower-carbon and climate-resilient company at an adequate rate while complying with various policies and regulations. This risk refers to Eskom's failure to meet the JET strategy 2030 goal.	This risk refers to the change and evolution of existing national legislation concerning energy transition and resilience, which may affect Eskom activities, including the Climate Change Bill, Carbon Tax Act, carbon budget regulations, GHG reporting regulations, etc.
Risk types considered	Physical risk – Acute **Primary risk driver:** Increased severity and frequency of extreme weather events such as cyclones and floods.	Transition risk – Technology and market **Primary risk driver:** Transitioning to lower emissions technology/Changing investor behaviour.	Transition risk – Emerging regulation **Primary risk driver:** Enhanced emissions-reporting obligations.
Financial impact	1. **Increased direct costs:** Increase the associated costs to manage and monitor adverse climatic events, such as floods and heatwaves, appropriately. Such events may result in damage to infrastructure and supply interruptions, all leading to an increase in costs unless adequately addressed. Over the longer term, failure to address climate change will increase exposure and vulnerability.	1. **Decreased access to capital:** Access to funding and export of goods and services by our customers are becoming increasingly restricted as investors call for a faster transition away from fossil fuels. Several institutional investors have already withdrawn from financing new coal projects. A faster transition to low-carbon energy sources is required to reinstate and retain the eroding investor base. 2. **Increase debt:** Combating climate change requires funding. Our current financial position and the affordability of electricity to customers could pose a risk to the country's ability to advance the transition to the extent and pace of change required. Eskom will require financial capital through either debt funding or equity. Eskom initiatives will be achieved by borrowing from the market, forming partnerships with the private sector and/or by green financing available to support the roll-out of cleaner and greener electricity on a concessional basis. Access to funding from concessional financiers with specific mandates to drive climate change, which would substitute the existing debt, can provide finance at lower rates over longer tenures to assist us in managing the debt burden and keep the lights on while we embark on our transition to cleaner sources of power. 3. **Decreased revenues because of reduced demand for products and services:** There will be a partial defection of customers because of emerging technologies, including embedded generation, smart systems and competition, as customers will be allowed to procure directly from IPPs.	1. **Increase direct costs:** The existing, predominantly coal-based generation fleet will increasingly be subject to various cost pressures driven by changes in climate change legislation, which will become more costly over time. Several costs within the existing fleet have steadily escalated, including coal costs, environmental abatement capex and various taxes on fossil-based generation, before factoring in externality costs. A continued rise in these costs will threaten the long-term viability of coal generation as renewables become cheaper.
Strategic response	Facilitate the development of adaptation plans for the Eskom divisions (Distribution, Transmission and Generation) and subsidiaries (Eskom Rotek Industries (ERI)), guided by Eskom's Integrated R&R Management Procedure for Adaptation to Climate Change Planning. It includes tracking the implementation of the adaptation plans into the business.	Eskom has established a JET Office and a JET Strategy to provide a consolidated view of the approach that Eskom will take to transition from coal-fired power to more sustainable, lower-emitting energy sources. The JET Governance Structures, that is, JET Steering Committee, Exco and board is to govern and support the management of the JET initiatives.	Continued national engagements on policy development. Engagements with the South African government through the Presidential Commission on Climate Change allows Eskom to engage in Climate Change Policy. Compliance-related engagement with DFFE enables Eskom to engage in national pollution prevention plans and carbon dioxide emissions-reporting compliance. Annual reporting of GHG emissions to DFFE and annual internal CO_2 reviews.

OUR CLIMATE CHANGE PERFORMANCE continued

Table 2: Eskom's climate-related opportunities

Timeframe	Short (<1–3 years)	Short (<1–3 years)	Medium (3–7 years)	Medium (3–7 years)
Opportunities	Pursuit of partnerships and funding solutions	The large-scale roll-out of cleaner and greener technologies	Repowering and repurposing existing coal sites	Re-energise the manufacturing sector
Opportunity description	Opportunity to grow Eskom's renewables presence through the pursuit of public-private partnerships (PPP) and the opportunity to harness technical and funding solutions that have become available in the context of the global climate crisis. The South African Just Transition deal struck at COP26 is a testament to this. The Eskom JET Plan is at the heart of this deal.	Accelerated investment in new generation, especially clean and renewable energy technologies, e.g., solar PV, energy storage and microgrids. This is premised on the fact that our country is endowed with abundant renewable resources, providing an opportunity to create the conditions under which a credible, green, reindustrialised electricity sector can help power our economic recovery.	Repowering and repurposing of power stations that will be shut down. To accelerate the closure of less efficient and higher-emitting stations and through the use of existing land to support green energy generation, ancillary services and related community-orientated projects.	The established Special Economic Development Zones (SEDZ) and REDZ are key to re-igniting industrialisation and the local manufacture of renewable components.
Opportunity classification	Markets	Energy source	Resilience	Markets
Financial impact	1. **Increased access to capital:** Forming partnerships and harnessing available funding solutions (concessional or grant) to enable the transition.	1. **Increased access to capital:** The availability of green financing to support the roll-out of cleaner and greener technologies is indicative of global support for decarbonisation and enables us to add significant capacity to address our generation shortfall at affordable costs. 2. **Increased revenue resulting from increased demand for products and services:** Increase in customers demanding electricity generated from cleaner and greener sources.	1. **Increased access to capital:** To fund the repowering and repurposing of the existing Eskom fleet, Eskom will require financial capital through either debt funding or equity. Eskom will need to borrow from the markets or leverage green financing and/or PPP.	1. **Decrease in direct costs:** Eskom will need to leverage PPP for skills development (upskilling, reskilling), job creation and local manufacturing.
Strategic response	Partnerships will entail a meaningful contribution in an unincorporated joint venture or the procurement of a plant via a financing arrangement that involves private participant funding and executing the build, backed by a power purchase and transfer agreement with Eskom. Collaboration and integration with the various government ministries and the Presidential Climate Commission will be driven on all matters involving the transition, including funding mechanisms.	Eskom is exploring opportunities to leverage Eskom's Renewable Business Unit (RBU) capabilities at power stations where environmental approvals are already in place. In parallel, RBU will explore options to expand the Sere Wind Farm site to help address the dire need for additional generating capacity. Also under consideration is the next phase of renewable energy installations at other Eskom sites. Research for innovations such as new storage options and the hydrogen economy is currently under way, together with our continued focus on microgrids for greater access to electricity.	The repowering and repurposing of power stations at the end of their operational life including the accelerated construction of the renewable plant and cleaner-fuel technologies, will enable the leveraging of existing transmission infrastructure, networks and connections, to continue extending economic opportunities to communities.	Implement smart industrial policies that can take advantage of the scale of construction required. This will create new job opportunities for manufacturing the components needed for renewable power generation equipment.

Climate-related scenarios

In the 2019 integrated report, two scenarios were considered, the "soft decarbonisation" scenario and the "ambitious decarbonisation" scenario, based on domestic policy considerations such as South Africa's NDC under the Paris Agreement, the Department of Mineral Resources and Energy's 2019 Integrated Resource Plan (IRP) and what was envisaged beyond the 2019 IRP to 2050.

Subsequently, in 2021, Eskom's Energy Planning and Market Development Department modelled an energy pathway up to 2050 within a set of technical constraints. This pathway is considered the optimal coal shutdown plan as part of the emission reduction efforts for GHG and local air pollutants. The Eskom 2035 plan and preferred pathway have been presented to the board for consideration.

The pathways and scenarios will be benchmarked against the following four World Energy Outlook (WEO) 2021 modelled scenarios developed by the International Energy Agency (IEA):

- *Announced Pledges Scenario (APS):* This scenario defines a set of starting conditions, such as policies and targets (including NDCs) and then sees where they lead based on energy system modelling, including market dynamics and technological progress
- *Stated Policies Scenario (STEPS):* This scenario is like the APS and reflects current policies. The goal of this scenario is to assess what the world may look like in the future based on policies that have been announced
- *Sustainable Development Scenario (SDS):* This scenario maps out a pathway consistent with the "well below 2°C" goal of the Paris Agreement and aims to meet stricter SDGs related to universal energy access (SDG 7), cleaner air (SDG 3 and 9) and effective climate change action (SDG 13)
- *Net zero Emissions by 2050 Scenario (NTZ):* This scenario extends the SDS to target net zero emissions. This scenario responds to the increasing number of countries and companies that have committed to reaching net zero emissions, with the aim of limiting the rise in global temperatures to 1.5°C by 2050 (with a 50% probability)

Our climate-related metrics and targets

Metrics

Eskom's performance metrics include GHG emissions data and compliance with legislation. Additional metrics include Eskom Factor 1 (total energy sold) and Eskom Factor 2 (total energy generated).

GHG emissions

Eskom submits a GHG report to the DFFE following the DFFE Technical Guidelines (for Scope 1 emissions) annually by 31 March. These are based on the 2006 Intergovernmental Panel on Climate Change (IPCC) GHG Guidelines and 2019 IPCC Refinements, a regulated reporting method in South Africa.

Annual internal carbon dioxide reviews

Eskom conducts annual carbon dioxide (CO_2) reviews (ACRs) at the power stations in the Generation business. Because of COVID-19 lockdown restrictions on the movement of persons, the last two ACRs have been conducted on 30% of the coal-fired fleet. These ACRs aim to improve the data integrity within Eskom's power generation fleet, which is used to calculate annual emissions. These reviews prepare our power stations for external audits, especially on the CO_2 KPI. The externally audited emissions figures are reported in Eskom's integrated report and used for annual GHG reporting to the DFFE. This ACR involves assessing the processes, systems and documentation (i.e. work instructions, policies and procedures) put in place and the ISO self-assessment compliance to ensure the value chain of data flow has high integrity to yield calculations of higher accuracy.

Climate disclosures

TCFD

We have committed to disclose climate-related information in the 2019 integrated report. In 2020 and 2021, we disclosed climate-related information aligned with the TCFD recommendations. These voluntary disclosures focused on the qualitative aspects of governance, strategy and climate-related risk management. We will, over time, incorporate more granular, quantitative aspects of the TCFD into the reporting. We intend to expand and refine reporting and disclosure of relevant climate-related information continuously to build an improved understanding with stakeholders of its climate-related risks, opportunities and potential financial impacts. Our goal is to embed climate change into overall business operations and activities.

CDP

Since 2009, Eskom has voluntarily disclosed its climate change performance on the global platform called the CDP. The CDP is a "not-for-profit" charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

CDP provides the global financial sector with the most complete source of self-reported corporate environmental data in a uniform and comparable manner that is fully aligned with the TCFD. CDP requests over 7 000 of the world's largest companies to disclose their impact on and management of climate change, water security and deforestation-related issues annually. CDP takes this information in its annual reporting process and scores companies and cities based on their journey through disclosure and towards environmental leadership. The information is scrutinised by investors, corporations and regulators in making informed decisions on investing in particular industries, sectors and countries.

South Africa has traditionally used a sample of the top 100 companies by market capitalisation on the JSE 100 listed shares, but heavy emitting companies not listed in the top 100 of the JSE have been included to assist in tracking performance against the Paris Agreement. As the biggest state-owned electricity utility in Africa, Eskom plays an important role in stimulating South Africa's economy. Eskom's most recent submission was in 2021. However, Eskom was not scored because the CDP questionnaire was submitted after the scoring due date.

OUR CLIMATE CHANGE PERFORMANCE continued

Carbon footprint

Eskom conducted a carbon footprint study to calculate its annual carbon footprint for 2021. A carbon footprint estimates the total GHG emissions caused by an organisation expressed in tons of carbon dioxide equivalent (tCO_2e). This provides insights into the sources and magnitude of our GHG emissions and allows us to manage our GHG emissions better.

The footprint was calculated in line with the globally recognised GHG Protocol: A Corporate Accounting and Reporting Standard. Calculating our carbon footprint covers a different scope and may utilise different assumptions to the regulatory reporting requirements. Hence, these results are not directly comparable.

The carbon footprint study mainly relies on default emission factors (EFs) and net calorific values (NCVs) from the 2006 IPCC Guidelines for National GHG Inventories and global warming potentials (GWP) from the Third Assessment Report (AR3) of the IPCC. For coal, an Eskom-specific annual weighted average NCV of 0.01901 TJ/T fuel was used based on actual measured NVC for 2021.

The results of the 2021 carbon footprint study, compared to the 2020 and 2019 results, are presented in the table below:

Source	2021 GHG emissions (tCO_2e)	2020 GHG emissions (tCO_2e)	2019 GHG emissions (tCO_2e)
	Scope 1		
Stationary combustion	207 230 321	201 260 329	212 192 077
Eskom fleet	78 138	37 810	81 797
Fugitive emissions	52 841	73 904	36 212
Waste disposal	3 366	3 820	3 468
Non-combustion product use	3	12	9
	Scope 2		
Electricity and heat purchased	Not applicable	Not applicable	Not applicable
	Scope 3		
Coal delivery to site	252 743	238 338	269 963
Official mileage	6 003	6 669	12 627
Air travel	937	1 008	3 368
Vehicle rental	1 216	2 225	1 903
Total	**207 625 568**	201 624 115	212 601 425

The total GHG emissions for 2021 were 207 625 568 tCO_2e. This is higher than the 2020 emissions of 201 624 115 tCO_2e. This indicates an increase in Eskom's overall carbon footprint attributable to the relaxation of various lockdown measures implemented in response to the COVID-19 pandemic. Most of these emissions were caused by burning fossil fuels at power stations to generate electricity. Coal, diesel and kerosene consumption contributed to over 99.8% of our GHG emissions.

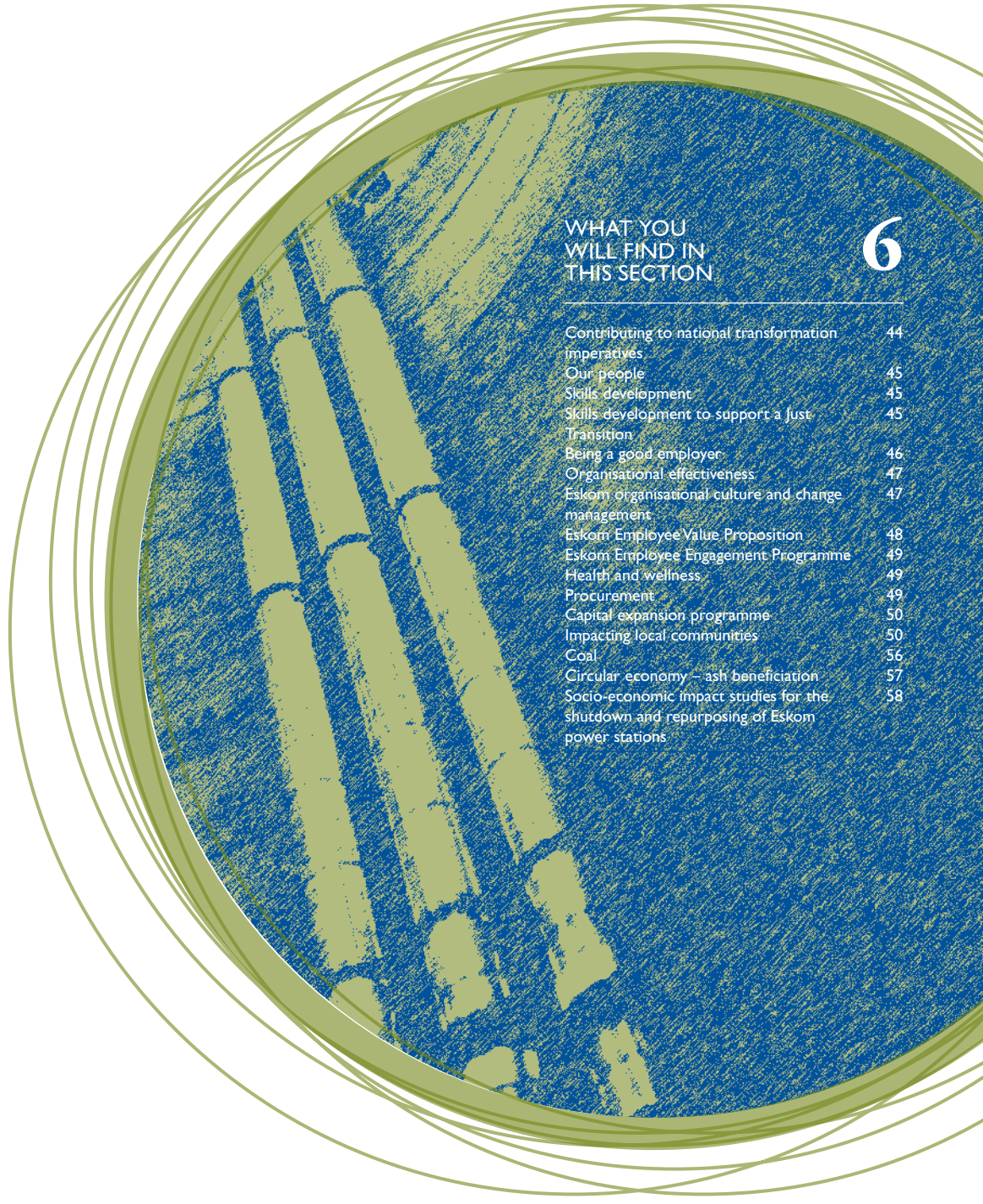
A second significant source of GHG emissions was coal delivery to the site (252 743 tCO_2e). These emissions mainly relate to the transportation of coal to power stations by third-party trucks. This exceeded the reported "delivery to site" GHG emissions from 2020. The third highest source of GHG emissions was the Eskom fleet (78 138 tCO_2e). This relates to the fuel consumed by the corporate fleet and heavy trucks owned by Eskom as well as Eskom helicopters used for power line maintenance and inspections. There was an increase in Eskom travel because of the lifting of the COVID-19 national travel restrictions. However, there was a decrease in SF6 emissions from Transmission and Distribution operations compared to 2020.

The CCSD Department is in the process of updating the existing carbon footprint calculating tool, according to last year's recommendations, to calculate a separate carbon footprint for each of the line divisions (Generation, Transmission, Distribution) as well as to include data sources from rail transportation of coal (Scope 3).

Climate change adaptation

In 2021, the CCSD Department revised the Climate Change Policy. The policy rules include the development and implementation of adaptation plans by the electricity value chain and the incorporation of Eskom's vulnerability to the negative impacts of climate change (including extreme events, climate variability and long-term climate change) in the divisional adaptation plans and the integrated R&R management processes. The ERI and Generation Division have developed adaptation plans and are currently implementing these plans. Transmission has incorporated climate change risks into its business operations and is reviewing its adaptation plan. The Distribution Adaptation Plan is currently under development. We also provide quarterly feedback to DPE on our climate change adaptation progress and participate in the Climate Change Adaptation Technical Working Group.

OUR SOCIAL PERFORMANCE



WHAT YOU WILL FIND IN THIS SECTION 6

OUR SOCIAL PERFORMANCE continued

Contributing to national transformation imperatives

Our approach to transformation is entrenched into how we operate our business across the entire value chain, from workforce diversification to our suppliers.

We continue to make significant contributions to national transformation imperatives, although there are areas for improvement. In terms of socio-economic development, our positive contributions related to employment creation, employment equity, training and skills development, investment in local communities, enterprise and supplier development and being a good employer.

Our current B-BBEE recognition level is 100%, resulting in the B-BBEE Level 4 status. The new certificate is valid from 29 October 2021 to 28 October 2022. The process is under way to appoint an advisory consultant to assist us in improving our B-BBEE status level to an even higher recognition status.

Summary

Spend 2022 highlights

Skills development	R0.86 billion
Wages and benefits:	R33.0 billion
Placed 1 971 procurement contracts worth	R77.6 billion
Procurement spend to B-BBEE compliant suppliers amounted to	R134.2 billion
Local content contracted amounted to	R67.4 billion
Number of employees	40 421
COVID-responsive online employee assistance programmes (psychosocial services, awareness and education programmes and sports, recreation and culture (SRC) activities)	7 217

Employees

Employment	We aim to attract and retain skilled, high-performing employees and provide market-related remuneration, benefits and conditions of service within the guidelines set by the Shareholder. • We contribute to job creation and reduce unemployment – our group headcount (including fixed-term contractors) was 40 421 on 31 March 2022 (2021: 42 749)
Salaries	• Eskom's salaries are competitive • Managerial employees receive a guaranteed package, including benefits such as medical aid, pension, dread disease cover and group life and death benefits • Bargaining unit employees receive a basic salary, which includes a 13th cheque (referred to as an annual bonus) and other benefits, such as pension, medical aid, death benefits, as well as housing, cell phone and car allowances, subject to qualifying criteria • Invested in our employee value proposition to promote retention of workers
Skills development Quality education	• Invested R0.86 billion in skills development (2021: R0.82 billion) • CSI initiatives on education through the Eskom Foundation, Generation and Transmission operational divisions and Group Capital Division (GCD)
Gender quality	• We are committed to achieving gender representation and inclusivity across the business at senior and middle management levels • The Eskom Women Advancement Programme has developed Women Mentoring Circles and furthered Women in Operations Programmes
Reduce inequalities	• The Employee Relations Department ensures sound relations in the workplace by facilitating discussions between our leadership, our employees and organised labour • Our relationship with organised labour is well regulated, with agreements and formalised processes in place • Our leaders are integral to supporting meaningful engagement through the Eskom Employee Engagement Programme
CSI and SED	• Total CSI investment of R75.1 million benefitting 785 085 people (2021: R67.4 million benefitting 802 635 people) • Provided basic services to communities near some of our power stations

Our people

We are one of the largest employers in the country.

We employed

40 421

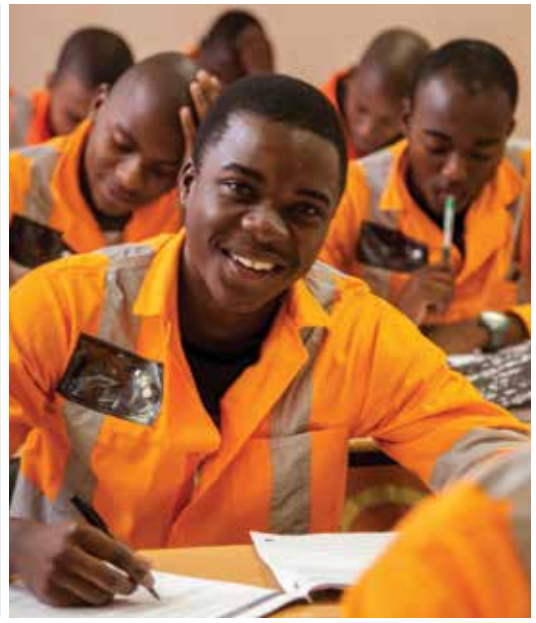
people at 31 March 2022 (2021: 42 749)

We have achieved a notable reduction in our headcount over recent years, mainly through natural attrition and, to a lesser extent, voluntary separation packages, while prioritising the retention of critical workforce segments. Contributing most to the decline in the past year is a net reduction of 1 103 fixed-term contractors in ERI because of contracts ending.

The employee benefit cost has remained stable at

R33.0 billion

(2021: R32.9 billion), constituting about 15% of operating costs. This is the second largest component of operating costs after primary energy (coal and IPP expenditure).



Skills development

We are an active participant and major partner in skills development. We have been at the forefront of skills development since the advent of democracy to satisfy the needs for the national future pipeline. Our programmes increase access to high-quality and relevant education, training and development opportunities in the form of technical and non-technical bursaries, apprenticeships, learnerships and workplace integration learning (WIL) to enable effective participation in the economy by all South Africans and to reduce inequalities.

We have become a host employer to provide WIL to learner artisans, technicians and engineers, benefitting young people across all demographics, with a particular focus on the previously disadvantaged sectors of our society. In partnership with the Energy and Water Sector Education and Training Authority (EWSETA), we have implemented a successful artisan programme that has changed the lives of many young people.

Retention and development of skills through a targeted employee value proposition are essential to ensure that we have the required skills to meet the organisation's needs, especially considering operational challenges and financial constraints. We invest extensively in developing our employees through various skills programmes comprising internal and external training interventions, further studies and on-the-job training for our people.

Regrettably, external training opportunities remain limited because of our financial challenges. In response to the COVID-19 pandemic, many training interventions have transitioned to online platforms, leading to cost savings. There has been increased uptake in further study programmes, with employees obtaining qualifications related to their line of work, thereby building skills and expanding the leadership potential within our workforce.

Eskom invested R0.86 billion in training and skills development (2021: R0.82 billion). This represents an increase of 4%. There are 843 employees enrolled for further studies (2021: 303), of which 57% are women. We support a healthy and leaner pipeline of technical disciplines. In total, 1 238 learners (2021: 1 465) were in our pipeline, comprising 1 219 in technical disciplines (of whom 32% are artisans) and 29 in non-technical disciplines (representing 3.6% of our headcount).

Skills development to support a Just Transition

The changing world of work, JET and evolving energy industry require the reskilling and upskilling of our workforce. In July 2021, we commenced with a skills audit to determine skills requirements, assess our current skills base and identify training and development needs. The skills audit covers all technical roles across Generation, Transmission and Distribution. Unfortunately, progress has been slow because of low participation by employees. Therefore, the audit has been extended into the coming year. The results of the skills audit will aid the development of a fit-for-purpose skills strategy that drives the development of future-fit career paths, redeployment strategies and training interventions.

OUR SOCIAL PERFORMANCE continued

Being a good employer

Over the years, we have made a strong contribution to employment equity in South Africa from an overall employment perspective and representation at various management levels. We promote inclusivity and diversity in terms of race, gender, culture and disability through our employment equity plan, supporting the NDP goal of transforming society and uniting the country. We have tailor-made programmes focused on improving our diversity status. One of these interventions is the Eskom Women Advancement Programme (EWAP), which promotes the participation of women in technical and management positions.

Eskom is a signatory to the United Nations Women Empowerment Principles in South Africa and continues to have engagements with UN Women to address Women Empowerment Principle (WEP) analysis outcomes. Racial equity at senior management improved from 73.7% to 76.6% and at middle management/professionally qualified levels 80.1% from 81.7% over 2021/2022 as both targets were achieved. Gender equity at senior and middle management/professionally qualified levels have improved since this year. Both targets of 43.9% senior management and 40.3% middle management were also not achieved.

At the end of March 2022, 87% of all Eskom employees were black, 34% (group) of the total were female and 32% black females. In total, 2.94% (group) were employees with disabilities, which is above the Eskom target of 2.5% and the market average of less than 1%. There continues to be a decline in persons with disabilities because of retirements during the stipulated period. However, Eskom has implemented strategies to increase the entry of persons with disabilities into the business. Our Employment Equity Plan 2020–2023 demonstrates Eskom's commitment to comply with legislative requirements, including developing persons from designated groups and driving equitable representation across all occupational levels.

EWAP case study

In 2020 the EWAP won the WEP award under the UN as one of the best programmes for gender equality.

Programme detail

In August 2014, Eskom launched EWAP, with the aim to develop and advance women in the workplace. This is in line with section 9 of the South African Constitution, which strives to eliminate gender and racial inequality. The Gender Empowerment and Equality Bill gives effect to section 9 of the Constitution to advance the empowerment of women and set expectations on the appointment and representation of women in decision-making positions.

The EWAP is a cutting-edge initiative, which denounces the perceptions of and about women that perpetuates the misrepresentation of women in leadership and technical roles. The programme is committed to influencing and changing the gender landscape through goal-driven interventions. The programme further endeavours to increase the representivity and influence of women at all leadership levels. It further seeks to increase the number of women in technical roles and in nuclear and ensure that the working conditions are conducive.

The intervention and commitments are supported by the senior leaders in the organisation, including the board. To ensure success, a budget was allocated for the various initiatives led by women, for example, support for child home care centres.

EWAP has five focus areas, as follows:

- Implement a Fact-Based Gender Diversity Strategy: equalising 50% gender representation at all occupational levels by 2020
- Confront limiting attitudes towards women in the workplace: A gender equality framework was designed and addressed nine areas, including the eradication of barriers, targeting women for development and advancement, target setting at Exco level and correcting income differentials
- Address male privilege in the workplace and organisation sexism: Eskom is committed to zero tolerance to gender-based violence and has adopted a multipronged approach and sustained engagement with stakeholders to deal with social norms about gender roles and the acceptance of violence
- Create visible opportunities for the advancement of women and exposure
- The young women are given exposure through the Rising Stars Programme with full support from the programme
- Culture change for manager: Created awareness of sexual harassment and workplace bullying and reviewed policies and procedures to eradicate barriers to the advancement of women

Since the inception of EWAP, Eskom has made significant strides in advancing gender equality. Between 2018 and 2020, 251 women were trained and mentored, while 686 were trained as coaches to support other women. There were 351 females who participated in the middle management programme, representing 54% of participants. This is an enormous improvement looking at where the organisation comes from.

In 2018, Eskom only had 36% representation of women on an executive level, but in 2020 the number was more than 50%. In pursuance of equality at work, the organisation further addressed gender pay disparities and the salary of 7 042 women were adjusted to match their counterparts'.

Programme deliverables are monitored and reported quarterly and annually to various stakeholders, for example, Exco, the board and the Department of Employment and Labour. Progress is shared with all employees through internal and external communication platforms.

Organisational effectiveness

The Organisational Effectiveness Effectiveness (OE) Mandate supports and enables the HR strategy and Eskom People Plan by rebuilding/reinforcing relationships with Eskom Guardians, driving pride, passion, sense of belonging and connectedness to the business, while developing agility and resilience to cope with ongoing ambiguity, instability and change. The OE strategic framework focuses on three multi-dimensional and integrated areas, namely employee value proposition, employee engagement and organisational culture and change management, to embed this high-performance ethical culture in our business.

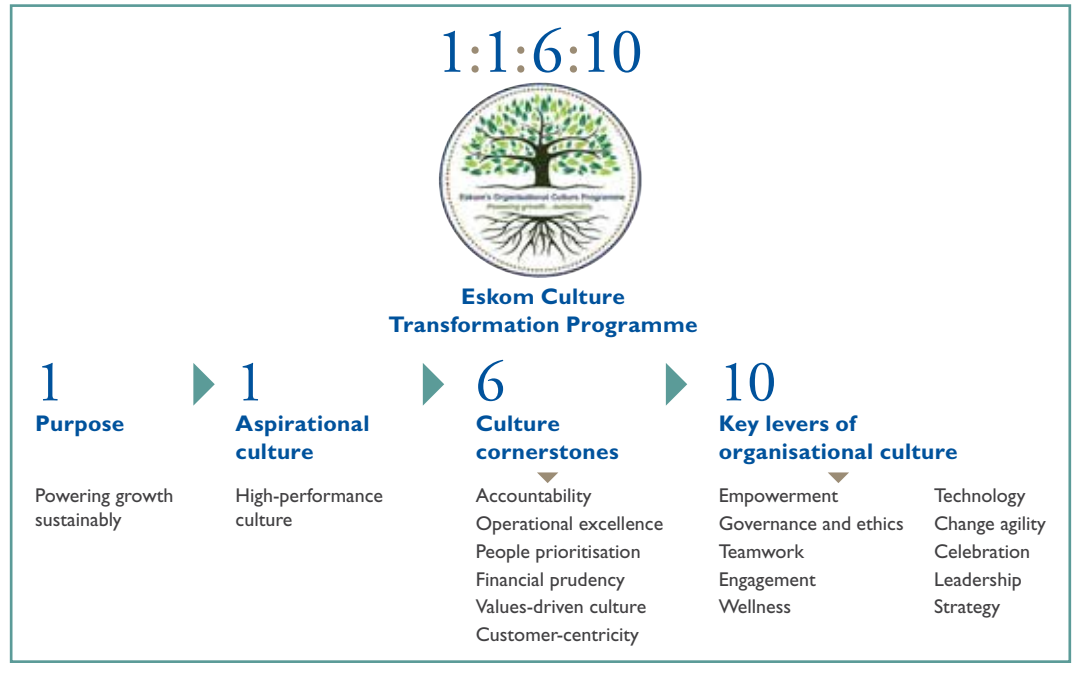
With the COVID-19 pandemic, the importance of OE CoE employee engagement and change management support during a period of adaptation, as well as business changes with many employees working from home, has been pivotal and conducted through regular COVID-19-related messages from the GCE, updates to the COVID-19 Leadership Engagement Toolkit, greater awareness of the Eskom EVP Lockdown Programme and a Toolkit for the Reintegration and Return to Work. There were 356 engagements with visually impaired Eskom Guardians on the COVID-19 content and GCE Updates conducted in FY2021/22 by the OE CoE to ensure inclusivity and provide support.

The OE CoE annual Eskom Human Capital Organisational Effectiveness Survey is a diagnostic tool that assesses employee views on the three areas of organisational effectiveness that assist in shaping Eskom's people management strategies. The FY2021/22 Eskom Human Capital OE Survey achieved a 15.1% response rate, with more than 6 000 Guardians participating across Eskom. The index score for the FY2021/22 Eskom Human Capital OE Survey is 3.57 (2021). The quantitative and qualitative reports per division are provided to all Exco members to enable the development of specific action plans to close the gaps.

Eskom organisational culture and change management

Organisational culture is a system of shared assumptions, values and beliefs, which governs how people behave in organisations. These shared values strongly influence the people in the organisation and dictate how they behave, speak and perform their duties. Research also shows that organisations that focus on nurturing their organisational culture tend to have better overall performance, thus giving them a competitive advantage.

We recognise the ethical culture challenges we have faced in pockets of the business culminating in fraud, theft, sabotage and shoddy workmanship. In February 2022, we launched Eskom's Culture Transformation Programme as we embark on one of our most ambitious and challenging transformation journeys.



OUR SOCIAL PERFORMANCE continued

The Eskom Culture Transformation Programme 1:1:6:10 consists of our culture cornerstones (as accountability, operational excellence, people prioritisation, financial prudency, a values-driven culture and customer-centricity). Eskom's (one purpose, one aspirational culture, six culture cornerstone and 10 culture levers) is a key enabler for driving the Eskom turnaround plan and long-term culture transformation enable a high-performance ethical culture and power growth sustainably over the next three to five years. The 1:1:6:10 Eskom Culture Transformation Programme key initiatives and milestones are also being tracked as part of the Eskom turnaround plan and are currently being used by line divisions as they build their optimal "future-fit" culture, improve productivity and drive business efficiencies.

Divisions are implementing their divisional culture dashboards, culture KPIs and action plans to address the HC OE survey divisional gaps. Divisional leadership teams are also expected to actively engage, establish commitment, drive performance and obtain buy-in from their employees as we thrive in an ever-changing energy landscape.

Human Resources OE CoE has developed an Eskom Change Management Strategy with three main objectives, that is, alignment, engagement and buy-in and behaviour modification among key stakeholder groups, supported by five distinct focus areas (change pillars) around which the relevant change management initiatives are built as we drive successful completion of numerous strategic projects.

Achievements

- The Eskom Change Management Programme has been developed on the Eskom SharePoint technology platform to enable and empower Eskom Guardians with the required change management skills to build agility and resilience. There have been over 14 430 Eskom employee "hits" on the programme's SharePoint site and many employees are actively using the 938 resources available on this site
- Over 43 virtual and face-to-face change management workshops have been conducted across the country and more than 762 HR Business Partners have been fully capacitated to support their line divisions
- There are seven Eskom-wide strategic projects that have clear change management and communication strategy and plans within which various initiatives are being implemented

In FY2021/22, we established an Eskom Change Agent Network (CAN), which serves as a strong community of practice across the business that aims to drive awareness, understanding and engagement among Eskom employees and key stakeholders. Eskom CAN is critical to supporting various culture transformation initiatives and Eskom-wide strategic projects, such as the Eskom turnaround plan, Operational Excellence, JET and Future World of Work.

The Eskom CAN currently consists of more than 200 fully appointed Change Champions and Change Agents from different line divisions and this network is growing rapidly. There have been over six CAN engagements and over 12 Change Champion engagements. The Eskom Change Champions have been instrumental in supporting and guiding their line divisions when developing their culture dashboards and KPIs.

Eskom Employee Value Proposition

Business consists of employees, investors and customers, all of whom are people. Part of understanding people, specifically our employees, is understanding their current values and what they want from their organisation in return for their skills and experience. This can be defined as Eskom's "EVP". The Eskom EVP Programme (EVP) has implemented a number of key enablers and initiatives across the business according to the Gartner Framework, which focuses on work, rewards, organisation, opportunities and people. Our programmes include:

- The Eskom Business Appreciation and Induction (BAI) Programme, developed in-house, consists of 38 comprehensive virtual modules providing a multifaceted yet interesting overview of our business. The programme is well received by Eskom Guardians, as confirmed by the number of registered employees and the positive feedback received from participants' parents published in the Eskom Guardian
- The Eskom Nkanyezi Programme focuses on helping employees to save money, as well as enhancing employee experience through the implementation of value-added services, discounts on products and services, marketing exhibitions promoting the 42 active partners on the programme, through our SharePoint and mobile platforms, as well as free partner webinars upskilling employees on key topics such as finance, investment, etc
- The Attitude of Gratitude (AoG) Initiative has been designed to create awareness and appreciation among Eskom Guardians of the desired benefits, opportunities and rewards to which those employees currently have access. Close to 30 benefits have been promoted across the business and a new AoG website has developed housing articles and podcasts relating to gratitude/appreciation, ultimately assisting Eskom in embedding a culture of performance and accountability
- Our HR Care Kit on the intranet continues to be updated with the latest developments affecting employees on the HR front
- The Eskom EVP Lockdown Programme has maintained the quality standard of ensuring that the site continues to house more than 1 000 resources/tips, which offer employees and their families psychosocial support across eight key holistic categories
- Eskom provides employees with employment and hybrid work practices are now available to employees allowing for further flexibility and work-life balance
- Eskom's health, retirement and leave benefits are still considered above average with regard to market comparisons. Employees continue to receive monetary rewards in the form of benefits such as their 13th cheque, production bonus and Eskom Managers Awards

Eskom Employee Engagement Programme

Employee engagement initiatives are in place to create a harmonious workplace, increase employee engagement levels and help employees feel a sense of connection and alignment with the business and one another, thereby rebuilding employee morale and creating a common vision as enablers towards driving a high-performance ethical culture. The Eskom Employee Engagement Programme has 10 multi-dimensional and integrated platforms, including leadership site visits, live events, interviews with executives, strategic forums, digital publications and surveys.

We launched the Eskom Rising campaign, a series of webinars where executives share details and progress on Eskom's turnaround plan to improve employee understanding and awareness.

The Group Chief Executive Engagement (GCEE) platform demonstrates leadership involvement and commitment to people. GCE Employee Engagement country-wide sessions, including executive engagements, have seen over 13 000 Eskom Guardians engaged from January 2020 to date.

Executive engagements ensure that Eskom's executive leaders can engage directly with the GCE, fostering alignment and a sense of connection and inclusivity in the organisational strategic direction.

The Advice for André engagement platform and mobile application, which was designed and developed in-house, has received an overwhelmingly positive response from employees to engage with the GCE via this platform and share their innovative ideas on how to improve Eskom.

Internal communication and engagement initiatives keep Guardians informed and help them to feel more connected to the business and one another.

The internal digital GCE publication, *The Guardian*, features key strategic business updates and inspiring stories from across the business, celebrates and recognises employees who have achieved excellence and promotes leadership visibility. Over 400 Guardians have been profiled through these publications to date. GCE Short Pictorial Communiques and Pop-ups are released to the business in the spirit of employing a variety of communication and engagement mechanisms. Over 170 GCE communiques have been released to the business from January 2020. Eskom GCE Ambassador profiles highlight the great work of Guardians in the business and elevate the importance of acknowledgement and recognition. In light of the importance of acknowledgement, the *Honouring Organisational Loyalty Journal* recognises Guardians with 45 years and above in Eskom's service.

Days of national importance are commemorated through various employee engagement initiatives, including the *Mandela Month* journals, the annual *Eskom Heritage Recipe Book* and the *South African Splendour* photo book.

Health and wellness

The health and wellness of our people are important to us. We seek to improve work attendance and productivity as well as the health and wellbeing of every employee through the prevention of occupational diseases and injuries, early detection of occupational and lifestyle diseases (such as hypertension, diabetes and HIV), medical surveillance and fitness-for-duty assessments, as well as other wellness programmes. We also run an employee assistance programme (EAP) of psychosocial services, including counselling, financial wellness and trauma assistance. The SRC activities are a programme available to employees across the business and it promotes team cohesion and is used as an EVP. SRC teams also compete with neighbouring companies, thus promoting partnerships.

The COVID-19 pandemic has impacted our normal method of service delivery and therefore our wellness services have been conducted virtually rather than face to face, protecting our wellness resources and our employees. The online programmes included psychosocial services, awareness and education programmes and SRC activities. A total of 7 217 employees and dependents were reached through external EAP services. Of the 7 217 participants who utilised the service, 2 986 were individual cases and 4 231 were participants reached through group interventions, such as trauma interventions, family counselling, couples counselling and child counselling. Mental health and stress-related problems, which increased during the COVID-19 pandemic, are receiving attention through awareness and education programmes.

From the start of the COVID-19 pandemic to 21 June 2022, Eskom has recorded 11 626 positive cases, comprising 9 535 employees and 2 091 contractors, with 11 435 recoveries. Sadly, 161 employees and 24 contractors have succumbed to the disease. All affected employees and their families are offered psychosocial support.

Procurement

We support economic development and supplier transformation to foster the creation of a sustainable economy advancing the NDP goals. We also support the government's commitment to local development programmes, including developing local industries, thereby enhancing local production and manufacturing as prescribed in the Preferential Procurement Policy Regulations (PPPR) of 2017. We leverage our relatively large procurement spend to stimulate black economic empowerment, support localisation and promote local content by emphasising local supply sectors important to our industry.

The ramping down of the capital expansion projects within the new build programme has significantly reduced opportunities to contribute toward industrial development. Consequently, the Shareholder granted Eskom permission to implement the National Industrial Participation Programme (NIPP) from August 2020 going forward.

OUR SOCIAL PERFORMANCE continued

Total measured procurement spend (TMPS) for the group on all active contracts amounted to R176.8 billion for the year, of which 75.89% was spent with B-BBEE compliant suppliers (2021: R155.6 billion and 64.51%). Procurement spend with black-owned and black youth-owned suppliers improved to 47.08% (2021: 34.60%) and 5.40% (2021: 3.46%) of TMPS respectively, exceeding their targets of 40% and 2%.

Regrettably, procurement spend targets in the remaining categories were not met due to previously compliant suppliers not renewing their B-BBEE certificates, as well as IPP contracts negotiated by DMRE. If IPP expenditure were excluded from TMPS, preferential procurement would have improved to approximately 92%, against a target of 75%. We are seeking to resolve the classification of IPP expenditure with DMRE and the Department of Trade, Industry and Competition given the planned growth of the RE-IPP Programme.

Eskom's latest B-BBEE certificate was issued in October 2021, improving our B-BBEE recognition level to 100% and our B-BBEE status from level 8 to level 4.

We aim to support sustainable supplier development, localisation and industrialisation by leveraging our procurement spend to deliver on the government's policies and transformation objectives.

Our contribution to nation-building includes supplier development programmes agreed upon with the Shareholder. Targets for enterprise and supplier development and the NIPP were achieved for the year.

Capital expansion programme

Our capital expansion programme comprises the Medupi and Kusile new build sites and large Transmission projects is one of our greatest contributors to SED. These projects support the NDP goals through procurement, job creation, skills development and CSI.

NEW BUILD

In 2022, we awarded 129 contracts worth R7.6 billion

Local content of R4.4 billion

In 2021, we awarded 83 contracts worth R6.9 billion

Local content of R3.9 billion

Demobilisation has a negative impact on the economy, the life and people in the area. Demobilised contractors are offered life skills training to assist them with getting new opportunities. We mitigate the impact of job losses by collaborating with local and provincial government structures to address some of the challenges faced by local communities surrounding our new build projects.

Impacting local communities

We engage in CSI and SED projects with our contractors for social upliftment and community development to empower local communities and foster relationships with our stakeholders. We also invest in providing basic services within these communities, such as electricity, potable water and waste removal services around some of the power stations, which support livelihoods in these communities.

Our contractors make CSI contributions in the areas where they support the capital expansion programme and other projects. The CSI programmes focused on education and social upliftment, with health interventions as the priority needs in the country.

The Eskom Foundation implements CSI programmes to address developmental needs across the country. The flagship and national CSI programmes contribute towards uplifting communities and creating jobs through enterprise development initiatives. The Eskom Foundation focuses on improving quality of life of communities, enhancing Eskom's reputation and brand, creating an enabling environment for fulfilling Eskom business imperatives and maximising the impact of Eskom's socio-economic contribution.

The Foundation is a non-profit company and is a wholly-owned subsidiary of and receives its mandate from, Eskom. A CSI investment of R75.1 million was made by the Eskom Foundation, affecting 785 085 beneficiaries (2021: R67.4 million and 802 635 beneficiaries). The decrease in the investment is because of limitations posed by COVID-19 restrictions.

New Eskom Corporate Social Responsibility Strategy and Policy

Eskom is revising its CSI Policy to a more focused and integrated Corporate Social Responsibility (CSR). The CSR Strategy aims to encapsulate the understanding of the needs of communities within the South African context unrelated to the six CSR focus areas, that is:

1. Skills and capability building
2. Enterprise and supplier development
3. Localisation
4. Legacy and community outreach projects
5. Manufacturing
6. Industrialisation

Repurposing and repowering of old power stations, JET

The Eskom Development Foundation has, in line with the CSR Strategy, made a budget provision of R2.1 million to SED to enable the Eskom repurposing and repowering of old power stations, JET. The above will be ringfenced for the incubation of agricultural enterprises and activities considered as crucial contributors to empowering rural communities and alleviating social ills, employment creation and improved food security.

Our flagship projects are discussed below:

Eskom Business Investment Competition

The Eskom Business Investment Competition (BIC) rewards outstanding work in entrepreneurship and encourages SMEs from previously disadvantaged backgrounds to thrive and lead the country's economic development. The competition is open to South African, black-owned and registered SMEs that have been operating for more than two years in several sectors, such as agriculture and Agri processing, engineering and construction, manufacturing and trade and services. Total spent on prizes was R1.3 million for FY2021/22, the competition supports enterprises in taking their operations to the next level. Over and above the financial rewards, business skills and training are provided to contribute towards the sustainability of these small businesses.

Infrastructure projects

Developing infrastructure, empowering communities through sustainable livelihoods and improving quality of life for communities is one of Eskom Foundation key priorities. Thus, by upgrading of Rural Schools, based on needs assessments and could include the addition/ refurbishment of classrooms, administration blocks, ablution facilities, etc. An amount of R4.6 million has been spent in FY2021/22 towards the completion of Mokasa Primary School in Taung, North West province benefiting 491 learners and educators. Construction commenced in February 2021 and completed in March 2022. The scope of work included construction of an administration block, two classrooms, a septic tank and repairs to old classrooms.

Completed septic tank

Repairs to old classrooms

OUR SOCIAL PERFORMANCE continued

New Administration block and two new classrooms

Department of Education Free State Maths Competition (by Kagiso Trust)

The Maths and Science programme is one of our key priorities to support the country's developmental agendas, where Eskom aims to find long-term sustainable solutions to South Africa's many challenges by supporting government's focus on skills development, training and education in order to provide young people with the skills to help South Africa prosper.

The Free State Maths and Science high school competition is one of the Eskom's Maths and Science programmes. It focuses on promoting the Maths and Science to the youth to cultivate the scarce skills in South Africa.

An impressive 3 250 learners from Grade 8 to 11 participated in the competition, with 18 learners ultimately making it to the finals. Winners received coveted prizes, including textbooks for their schools, electronic tablets, vouchers, power banks, USB flash drives, cash vouchers, a trip to Cape Town and a laptop for the overall winner.

Total project cost for FY2021/22 was

R1.5 million

The main objectives of the competition, among others, are to:

- Generate an interest in Mathematics
- Promote problem-solving skills in Mathematics
- Emphasise the importance of reading in Maths activities
- Provide a diagnostic tool to enable teachers to identify learners' misconceptions
- Increase learner participation and performance
- Elevate Free State Mathematics standards in schools to be in line with international standards

Eskom EXPO FOR YOUNG SCIENTISTS — DISCOVER YOUR FUTURE

2022

Expo for Young Scientists

The Expo for Young Scientists (EEYS) is Eskom's flagship sponsorship aligned to Eskom's strategic objective of supporting the government's NDP 2030 with an emphasis of developing previously disadvantaged individuals (PDI) and female learners in the scarce skills of Science, Technology, Engineering and Mathematics (STEM).

EEYS provides a unique platform and academic support to school learners with an interest in STEM from Grade 6 to Grade 12. Learners conduct scientific research and present their findings as a project in different internationally benchmarked categories.

The EEYS currently operates in 35 regions in all nine provinces of South Africa and has an international presence. Expenditure for FY2021/22 was R12.3 million.

COVID-19 response

The impact of COVID-19 on the economy and our lives will be felt for many years to come. The global response to COVID-19 – both economically and to the pandemic – has shown a multitude of different approaches. We have developed a COVID-responsive CSI programme that implements projects in communities with needs. Unfortunately, COVID-19 restrictions and financial constraints prevented us from executing all our planned initiatives. The Foundation is focusing its efforts on optimising the value, impact and sustainability of its programmes given prevailing funding constraints.

OUR SOCIAL PERFORMANCE continued

Thakhu Shoes Project in Medupi Power Station area case study

The Thakhu Trading School project is to assist schools in Lephalale Local Municipality by donating school shoes to learners from disadvantaged backgrounds. The Thakhu Project aims to support a local school in Lephalale. The project was conceived in December 2021 and school visits were conducted in January 2021 to request lists of learners in need. Learners who live in dire poverty were identified by their teachers and the information was sent to Thakhu Trading. On Thursday 10 March 2022, Thakhu Trading donated 103 pairs of shoes to seven schools, four of them in Marapong Village and the other three schools in Shongoane – Ditheku and Nelsonskop Primary School, Phegelelo and Tielelo Secondary Schools in Marapong Village, then Tshukhudu Primary School in Shogoane 3, Morakolo Secondary School and Ramojapudi School, both in Shogoane 2.

The deputy principal of Tshukudu Primary School, Mr Elias Moatshe, thanked the company and their generous efforts in shaping the lives of their learners. He said the school has around 925 learners and many struggle to afford uniforms, which affects their concentration in class.

"Everyone who finds himself/herself in an unfortunate situation will not feel well. A child struggling to keep up with the required uniform will not be at his/her best in class because their mind will be occupied by that. We are very thankful for this and hope this kind act does not stop with us."

Some of the learners who received the shoes thanked Thakhu Trading and said their generosity would make a positive difference in their lives.

One of the young learners at Tshukudu said he always wore small-size shoes that hurt his feet when he went to school and the donation of shoes means the end of days of painful feet. The student's message was that it was not by choice that they found themselves where they are.

Parents and guardians were also encouraged to take care of the donated shoes and further inspire their children to respect the shoes. It is noted that most of the learners in the villages live in abject poverty and need immediate attention.

Nelsonkop Primary School

Phegelelo Secondary School

Ramojapudi Primary School

CSI in ERI

ERI uses CSI as a stakeholder management tool to promote stability in hotspot areas and as a goodwill tool to contribute to SED within the areas where it is operational. In FY2021/22, ERI reconstituted the ERI Donations Committee by appointing new committee members and approving a new Committee Terms of Reference, which was finalised in September 2021.

Ariadne-Venus 400 kV food donations

A CSI handover of 600 food parcels took place in February 2022 following the unrest and looting in the province. The Ariadne-Venus 400 kV transmission line project has operations at Estcourt (Inkosi Langalibalele Local Municipality), Howick (Umgeni Local Municipality) and Inadi (Msunduzi Local Municipality) within KwaZulu-Natal. To assist with disaster relief after the unrest and looting in the province, as well as to aid site stability on the Ariadne-Venus project ERI donated food parcels to female-headed households and crafters identified as affected, at the request of the Msunduzi Tourism Council, supported by the National African Federated Chamber of Commerce and Industry (NAFCOC).

ERI senior management and executives, together with Eskom Power Delivery Projects senior management and executives, on behalf of the ERI Construction Services Ariadne-Venus 400 kV transmission line project, gathered in the Msunduzi City Hall, together with the Mayor and Deputy Mayor of Msunduzi and honourable COGTA delegates who were led by COGTA MEC, Sipho Hlomuka. The donation handover was led by the Msunduzi Deputy Mayor, the MEC of COGTA, Sipho Hlomuka, as well as Simphiwe Makhathini from ERI and Matome Makwela from Eskom.

Families were overcome tearfully expressed their gratitude to ERI and Eskom for the donation that will go a long way towards helping their families.


Offloading the food parcel content to distribute to the community


Everyone in attendance celebrating the donation

Everyone in attendance celebrating the donation

OUR SOCIAL PERFORMANCE continued

Coal

We play a major role in the coal industry because of our large offtake, accounting for ~50% of total national coal production. In the 2022 financial year, about 109 million tons of coal were purchased and transported to the power stations and 110Mt was transported for 2021. We purchased 31% of the coal from long-term cost-plus contracts, 28% from fixed-price contracts and the majority (41%) from short- and medium-term contracts.

About 40% of coal was delivered by means of road or rail or a combination of road and rail in the 2022 financial year. Our large coal purchases, which account for about 59% of our operational expenditure, offer opportunities to contribute to development and transformation across the value chain – sourcing, transport (haulage) and disposal, supporting NDP goals of inclusive economic growth and employment through a shareholding of suppliers, supplier development and localisation, transportation contracts with B-BBEE suppliers and CSI interventions.

We are transforming the mining industry by purchasing from companies with shareholdings above the mining charter requirement of 26%. Approximately 1 419 jobs have been created from supplier development and localisation (SD&L) obligations in these contracts. Furthermore, these companies run various CSI initiatives in areas where they operate, such as building schools and houses for the indigent, offering bursaries, etc.

A negative impact is the damage to the road infrastructure in Mpumalanga because of the high number of trucks delivering coal to the power stations. To reduce and manage this impact, we are implementing our coal haulage and road-to-rail migration plan.

Implementing coal haulage and the road-to-rail migration plan

Our rail delivery of coal is through Transnet Freight Rail, utilising B-BBEE-compliant loading sidings and offloading sidings. Three power stations are partially supplied with coal on rail, namely Grootvlei, Majuba and Tutuka. Rail operations to Arnot Power Station are planned to start in the first quarter of the coming financial year. Less coal was transported by rail mainly because of the continued unavailability of the rail offloading facility at Majuba Power Station following a fire incident in December 2019. Rail operations at Majuba resumed in October 2021 but remain limited. Furthermore, rail operations are negatively affected by cable theft, vandalism of rail infrastructure and availability of operational resources, including locomotives. Eskom Security Services are engaging with Transnet Freight Rail on opportunities to co-operate to reduce the instances of cable theft.

Under our long-term coal procurement strategy, Eskom will require about 650Mt of coal for selected power stations. This will lead to economic opportunities in the area and stimulate the regional economy. We issued requests for proposal (RFPs) to the market for supply to Arnot, Camden, Kriel, Matla and Tutuka and in some cases, contracts were awarded.

In FY2022, we purchased about 165kt of limestone from Idwala Lime in Danielskuil from the Northern Cape. Idwala must subcontract/procure goods and services from entities that are black-owned within its immediate location to transform its value chain and stimulate economic activity in the Northern Cape. It also undertakes skills development for its employees.

Circular Economy – Ash beneficiation

Our 15 coal-fired power stations generate about 33 million tons of ash per year, of which 8.8 tons are available for beneficiation. We beneficiate the bottom, fly and clinker ash from the power stations, though a large volume of the ash is utilised for effluent treatment as part of the station's water use licences. The ash is used in bricks, cement, soil amelioration, road construction and mine backfilling. In FY2022, 4 million tons of ash were recycled.

Challenges

We are facing ashing capacity challenges at most of our plants, which put the security of electricity production and supply at risk. Many of our power stations are fast running out of coal ash storage space and the costly expansion of the ash disposal facilities is required unless drastic action is taken. The prioritising of ash recycling for Eskom has become more relevant now than ever as recycling of waste remains a good alternative to disposal as it helps in the conservation of natural resources, protection of nature and reduction of pollution.

Policy

In March 2020, the Minister of the DFFE approved our application to exclude ash and gypsum at our sites from the definition of waste when extracted for beneficial use. The exclusion by DFFE of ash and gypsum from waste requiring a waste management licence when extracted for beneficial use at our sites provides additional opportunities for ash beneficiation – such as the use of ash in bricks, cement, soil amelioration, road construction and mine backfilling. In 2020, an ash off-takers' forum was established between Eskom, industry and academia to promote the sales of ash and find solutions to the barriers to entry to new participants in ash beneficiation in terms of infrastructure, huge capital investment and national policy position. Our ash sales play a key role in business development, job creation and localisation in the brickmaking and construction industries. This supports the national development goal of an inclusive economy and employment.

Successes

Over the past 10 years, ash sales by volume have increased steadily but plateaued since the advent of the COVID-19 pandemic and the slump in the country's economy. In FY2021/22, ash was sold from seven of our 15 coal-fired power stations (2021: five stations), with Kusile and Matimba coming on board. Three new extraction plants were constructed at Kusile, Matla and Matimba. ERI awarded 10-year contracts to 12 new fly ash and seven new mixed ash off-takers at various power stations, bringing the number of ash offtake contracts to 32 for fly ash and 10 for mixed/bottom ash contracts.

At Camden Power Station, a total of 241kt of ash was diverted to a nearby mine as backfill material. The ash dump extension project at Majuba Power Station utilised 202kt of the waste ash.

Our off-takers/contractors are contracted on SD&L to ensure that the communities around their contracted power station are positively impacted. A total of 247 are employed (34% women and 22% youth). The off-takers at Kendal, Matla and Kriel Power Stations have also undertaken a CSI project to the value of R7 million to support the surrounding communities. The CSI projects focus on education infrastructure, materials and bursaries.

- Three new extraction plants were constructed at Kusile, Matla and Matimba
- A Quarterly Ash Users Forum was held with full participation by stakeholders, including DFFE and DPE
- Several webinars were hosted by Eskom RT&D to introduce ash end users to new ash use research
- Mine ash backfilling viability studies were conducted for Kriel Power Station ash and earmarked for Matimba Power Station ash
- Discussions were held with Mpumalanga farmers to determine the viability of constructing high ash content rural roads
- An Eskom senior manager was assigned as the sponsor for the ash beneficiation project. This will also create an enabling environment for collaboration within Eskom and other state-owned enterprises and institutions

Ash beneficiation research

Several beneficiation technologies are being researched by Eskom to support off-takers with technical direction on the various applications that can be commercialised.

Eskom RT&D has research projects that initially investigated the use of ash in road construction. The ash is used in the base and subbase construction, acting as a filler and structural support in the environment. This project will also result in developing a guideline on using coal ash in road construction. It is envisaged that this document will be used by SANRAL and civil engineers for road construction.

The use of ash in mine backfilling and acid mine drainage (AMD) treatment is also under investigation. This research is aimed to develop a model which can be utilised by mines to determine the environmental impacts of ash mine backfilling. In addition, a small pilot scale trial will be conducted on an active AMD decant point in an abandoned mine.

The use of ash in soil amelioration has been well proven and can be used as a treatment technique in agricultural or mine-impacted soils. Both soil types benefit from the pH stabilisation and nutrient availability offered by the coal ash. The use of geopolymer (alkali-activated coal ash) concrete has been investigated and it has been shown that geopolymer concrete/mortars can be used to produce any cement-based concrete products. In addition, geopolymer concrete is more environmentally friendly to produce and offers better insulative, fire resistance, acid resistance, alkali resistance and marine water resistance properties than conventional cement-based concrete. Several applications are being developed for corrosion protection and concrete structure development for the transmission environment.

OUR SOCIAL PERFORMANCE continued

Socio-economic impact studies for the shutdown and repurposing of Eskom power stations

We are committed to transitioning from coal to lower-carbon technologies such as renewables and ensuring that the transition occurs in a "just" manner, which does not impede SED, but results in an increase in sustainable jobs. Grid strengthening in the Northern and Eastern Cape is a key enabler for the roll-out of new renewable capacity in these areas. In addition, repurposing and repowering will allow for the optimisation of grid capacity in Mpumalanga. The JET will support workers, communities and the region while scaling South Africa's renewable energy and alternative green industries. Our primary focus is to ensure reskilling of workers and minimise job losses in communities surrounding these projects.

To support a JET, Eskom is undertaking various repowering, repurposing and impact assessment studies to determine the impacts of shutting down coal-fired power stations that have been identified in Eskom's Road Map to 2035.

Eskom Generation's repurposing and repowering programme is aligned with a JET. The plan is to implement cleaner energy technologies to replace the coal plant, although the replacement (MW) is not 1:1. The energy technologies considered include renewable energy (solar PV, wind, battery energy storage system), gas and the conversion of existing generators to synchronous condensers. Decommissioning is also incorporated as part of the repurposing and repowering programme.

We are conducting socio-economic impact assessment studies at 10 power stations. The aim is to identify impacts, risks and opportunities to mitigate the economic and societal impacts of the station shutdown and create a basis for continued, sustainable livelihoods for the affected communities and local and district municipalities through a JET.

The socio-economic impact assessment studies for the shutdown of Komati, Grootvlei and Hendrina power stations have been completed. The key findings and recommendations of these studies have been evaluated and incorporated into socio-economic impact mitigation implementation plans for each of the three power stations. Studies for seven more power stations have commenced namely, Camden, Arnot, Matla, Kriel, Duvha, Tutuka and Kendal. It is anticipated that the studies will take about two years to complete. Through the JET Office and DFFE, we secured a grant of $2.1 million for these seven studies from the National Determined Contribution Partnership (NCD-P), supporting national priorities identified by DFFE.

In 2021, the World Bank commissioned technical studies on retiring and repurposing four power stations, namely, Komati, Hendrina, Grootvlei and Camden. The studies will inform the types of repowering technologies deployed at sites. Selected technologies will be taken through multicriteria evaluation to indicate the preferred technology options. This will support Eskom's mitigation plan by identifying jobs, economic opportunities and localisation potential from the repowering and repurposing programme, in line with Eskom's JET Strategy.

Pilot at Komati Power Station

Komati Power Station, located in Middelburg, Mpumalanga, was initially commissioned between November 1961 and March 1966. The station was mothballed by 1990 and subsequently returned to service in October 2013. Komati has a nominal capacity of 114MW, with the decommissioning of the last coal-fired unit planned for this financial year. The station will serve as the flagship site to demonstrate Eskom's JET commitment to shift from coal dependency to producing power through renewable energy on existing Eskom land using existing infrastructure.

The Komati mitigation plan outlines potential projects that can be undertaken regionally, locally and at the power station to mitigate against direct, indirect and induced effects of the shutdown. The focus is on job creation, economic development, diversifying the local economic base and strengthening human and social capital, manufactured capital as well as political capital in the local area.

We have begun the installation of a 500kWp agrivoltaic (aquaponics and raised bed agricultural solutions) demonstration plant. An environmental impact assessment for a solar PV plant supported by 244MWh battery storage is in progress.

A microgrid assembly and fabrication factory is being set up in the disused Komati workshops. The targeted production capacity is 45 containerised microgrids per year. Skills requirements are being established for each intervention, with skills mapping in progress to facilitate internal and external training of local labour to participate actively.

The Komati Training Facility is being established in partnership with the South African Renewable Energy Technology Centre (SARATEC) to facilitate the skilling of Eskom workers and the local community in the Komati area. It is also envisaged to provide upstream skilling of workers at other power stations.

Eskom HR has developed a draft 15-year Eskom JET skills plan to address the internal "just" element by ensuring that employees have the required skills to support and implement various technologies. The final skills plan will incorporate inputs from all divisions. Various initiatives will be explored, such as partnerships with external experts, funders and training service providers in preparation for upskilling and training. Preparations are under way to engage organised labour on this plan.

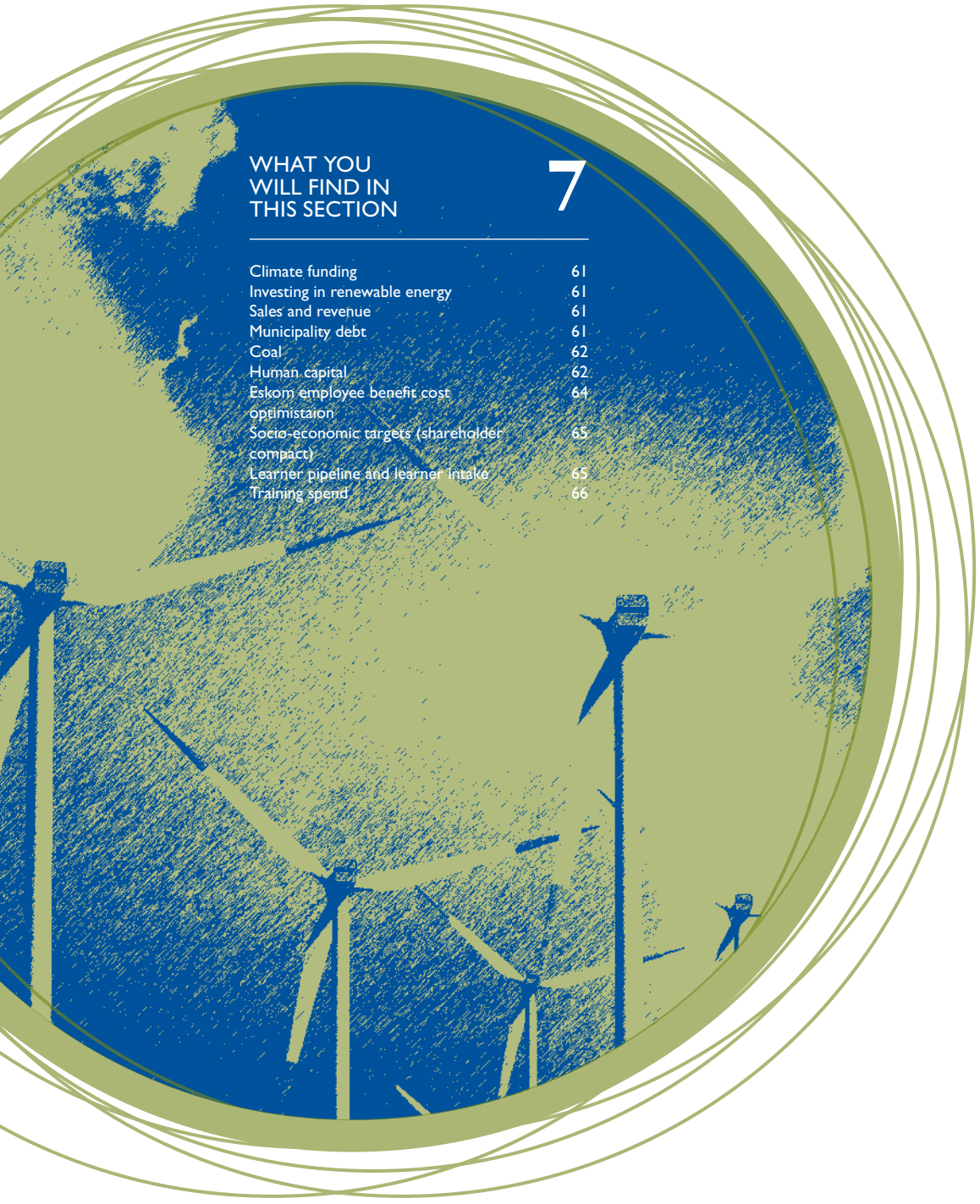
To mitigate the impact of the power station shutdown on Komati's workforce, Eskom has approved four principles:

1. Transfers to other power stations
2. Reskilling and upskilling for deployment to repowered or repurposed units
3. Secondments to other critical projects or operations
4. Other levers such as voluntary separation packages

Komati and repurposing

The 4kWp Agrivoltaics small-scale demonstration unit at Komati PS. The vacant land around the unit is earmarked to the commercial scale 500kWp Agrivoltaics installation

ECONOMIC PERFORMANCE



WHAT YOU WILL FIND IN THIS SECTION 7

Climate funding

Over the last year, an Eskom team, led by the GCE, has actively engaged with foreign governments such as the United Kingdom, the United States, Germany and France, as well as their lending institutions and multilateral banks who are keen on funding Eskom's JET plans. Consequently, we developed the concept of a financing facility, referred to as the Eskom JET Financing Facility. The GCE presented the Eskom facility to the Presidential Climate Commission and received support.

The concept is to enable and accelerate the JET from coal to other forms of electricity generation through a multi-tranche, multi-year facility, funded by a multi-lender syndicate, which would provide concessional funding to JET projects in South Africa on a "pay for performance" basis. The funds would be advanced as progress payments for different stages of various projects. Should project objectives not be achieved as agreed, or should agreed-upon milestones not be met, future releases of funding tranches may be withheld and/or concessional interest rates may be increased.

Our efforts to source financing for climate projects culminated in the South African Just Transition financing facility of R131 billion ($8.5 billion) which was approved at COP26, coordinated by the Climate Investment Funds. This unprecedented partnership between the SA government and the UK, US, EU, French and German governments has at its heart the Eskom JET plan. The financing will be used to fund new clean energy generation projects as well as transmission and distribution infrastructure, together with green hydrogen and electric vehicle projects. Other lenders are also showing interest in funding various Eskom JET projects, supporting our net zero emission aspirations.

A technical team, under the auspices of the Presidency, has been set up to coordinate the South African funding deal. We are participating in the task team, which will work on the conditions of the loan, tenure, payback, and interest rates, among other factors. A key enabler is the "Just" element as the socio-economic commitments are key to the deal being successful. To enable government's goals for the JET transaction, we have developed a prioritised list of projects and will advocate for the timeous release of COP26 funding, based on our readiness to execute JET projects across Generation, Transmission and Distribution.

In the meantime, we are proceeding with bilateral engagements with various lenders for the funding of Eskom JET projects, which began prior to the COP26 announcement and continue to cultivate projects that will qualify for funding under these agreements.

Investing in renewable energy

Eskom's Sere Wind Farm contributed 253GWh to the national grid during the year (2021: 305GWh), with an average load factor of 27.54% and an average availability factor of 77.84% (2021: 33.25% and 94.48% respectively).

We continue to purchase renewable energy from IPPs – sources include wind, solar power, biomass, landfill gas and small hydro technologies.

Sales and revenue

Over the past decade, Eskom has been experiencing a declining sales trajectory, averaging around a 1% reduction in sales volumes per year. The onset of the COVID-19 pandemic during FY2021 resulted in a further unprecedented decline in sales volumes of more than 6% due to the slowdown of economic activity.

In FY2022, sales volumes have partially recovered, increasing by 3.4% to 198.3TWh (2021: 191.9TWh), with the phased easing of COVID-19 lockdown restrictions and higher commodity prices leading to higher electricity demand.

Growth in sales volumes was achieved across almost every customer category, with the industrial and mining sectors in particular benefiting from the recovery of global commodity markets.

Eskom's revenue improved by 20.7% due to the favourable tariff increase and recovery in sales volumes. The regulatory tariff increase received during FY22 was 15.06% for customers supplied directly by Eskom and an increase of 17.80% for municipal and metropolitan distributors.

Due to the long-lasting impact of the economic recession, coupled with the challenges around the Generation supply, demand is not expected to recover to pre-COVID-19 levels in the short to medium term, with our Corporate Plan reflecting a slow decline in sales volumes over the next five years.

Municipality debt

Municipal overdue debt has steadily worsened over the recent years despite unremitting focus from the Division. The actual growth for FY22 was R9.5 billion, taking the cumulative outstanding debt to R44.8 billion. Payment levels for municipalities and metros averaged at 91.7% for FY22.

Eskom continues with its debt resolution via the prescribed processes of the Intergovernmental Relations Framework Act (IRFA) process, litigation, signed payment arrangements and ongoing negotiations. A 96% compliance to the IRFA process was achieved for the year under review.

The Supreme Court of Appeal affirmed Eskom's legal right to payment for services rendered to municipalities. Despite this positive step towards arrear debt collection efforts; many of the top defaulters continue not to honour the full payment of current accounts.

In support of municipalities, Eskom has remarketed the Active Partnering programme whereby Eskom offers its technical and administrative services to municipalities to assist with electricity reticulation, distribution and revenue collection services to sustainably improve the electricity value chain and secure payments towards the Eskom bill.

Government and National Treasury interventions are required to resolve challenges with municipalities and stabilise payment levels. The National Treasury has subsequently initiated discussions to stabilise payments on the current account for 43 selected municipalities. The discussion and proposals are still at a conceptual stage therefore no benefit has been realised to date.

ECONOMIC PERFORMANCE continued

Coal

The increase in the average coal purchase price was contained below the target and inflation, due to the continued move away from supply under short- and medium-term contracts, coupled with our cost savings initiatives. The reduced coal purchase costs also had a favourable impact on the coal usage (income statement) cost where the favourable price variance off-set the higher quantity variance when compared to budget.

Human capital

Human Resources Division measures and monitors critical factors relating to the sustainability of Eskom's human capital. These are articulated in an index comprising of key aspects relating to staff complement, headcount optimisation, employee benefit costs, skills development and the Shareholder Compact, which includes transformation targets related to employment equity, learner pipelining, training spend, grant recoveries, health and wellness and lastly People Relations (Industrial Relations).

Human Resources contributes towards the Eskom financial sustainability pillar of the Eskom strategy through two key objectives, that is, headcount and employee benefits cost optimisation. Headcount reduction driven through voluntary separations, limited replacement of attrition and the efficient management of overtime are three of the initiatives implemented to reduce human capital costs.

The key challenges noted in the last financial year, as well as key strategic changes that had informed these focus areas, were the overtime costs that were consistently trending upwards, the legacy of headcount growth for when Eskom was in an expansion phase, which were not in alignment with benchmarked productivity ratio norms.

Headcount optimisation

The Eskom group implemented the headcount optimisation strategy in 2018. The aim of the strategy was to reduce employee benefit costs. To avoid regrettable attrition and maintain a healthy contingent of talent in the core and critical segments of our workforce, Eskom implemented targeted replacement of attrition in Operations with limited replacement of attrition in support functions. Overall Eskom targeted to reduce headcount by 11 833 by the end of FY23. To date, since the inception of the plan, Eskom has reduced headcount by 8 208 through natural attrition, voluntary separations and limited replacement of attrition.

The Eskom group, inclusive of Eskom Rotek Industries (ERI) closed FY22 with a staff complement of 40 421, a reduction of 2 328 from 42 749 in FY2021 resulting in an attrition rate of 5.4%. Although higher than the norm of 4%, the attrition rate was factored into the headcount optimisation plan where overutilisation of Fixed-term Contractors (FTC) in ERI was reduced. Contributing most to the decline in the past year is a net reduction of 1 103 FTC in ERI due to contracts coming to an end.

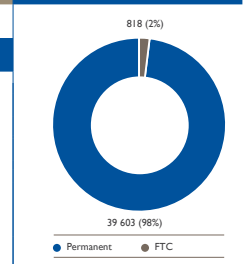
To replace staff losses in targeted areas, Eskom hired 1 064 staff from external sources and 1 747 through internal appointments and promotions.

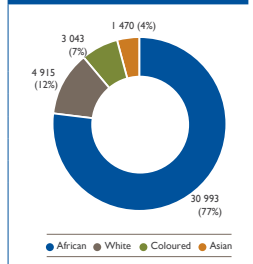
The graph below provides a detailed breakdown of staff movements for the period ending March 2022.

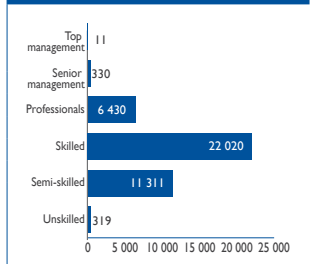
Eskom employee complement and movements

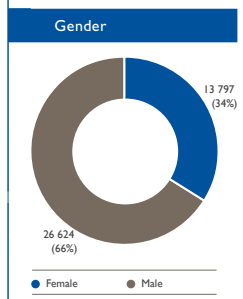
Eskom	ERI	Group
34 690	5 731	40 421

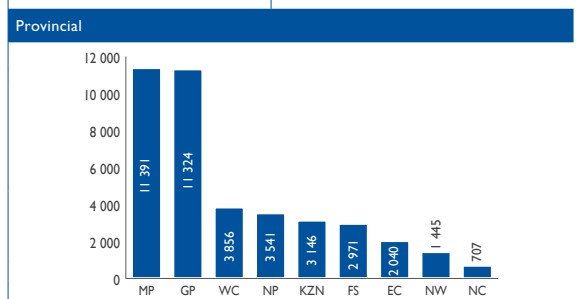
Business area	Count
Eskom office of the COO	38 289
Distribution	16 297
Generation	12 049
Transmission	2 928
Eskom Rotek Industries	5 731
Group Capital	987
Research, testing and development	227
Risk and sustainability	64
Eskom Enterprises	2
Office of the COO	4
Finance and services	959
Information technology	599
Human resources	282
Assurance and forensic	110
Government and regulatory affairs	62
Legal and compliance	56
Strategy and planning	40
Company secretary	15
Executive payroll	5
Sustainability development and just energy	1
Transformation management office	1
Eskom office of the CE	2
Eskom group	40 421



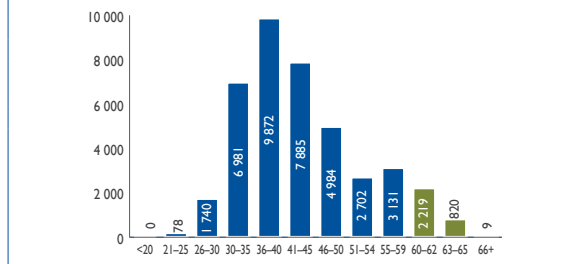








YR start	GWTH/ reduce
42 749	(2 328)
VSPs	Net attrition
–	(3 392)
Gross exits	Attributable %
(3 392)	7.9
Net hires	Promotion
1 064	1 747



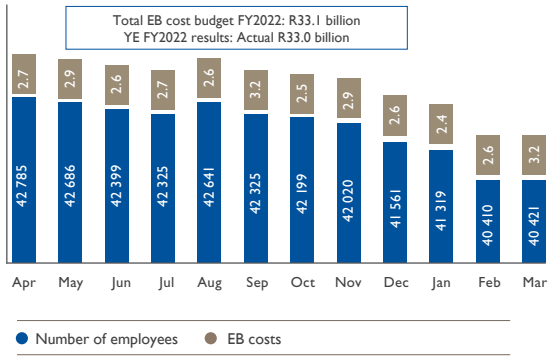
Annualised attrition of 7.9% based on April 2021 to March 2022 exits. Note hires only account for employees that were not part of permanent and FTC in March 2021. Higher reduction in February due to terminations of FTCs at ERI

ECONOMIC PERFORMANCE continued

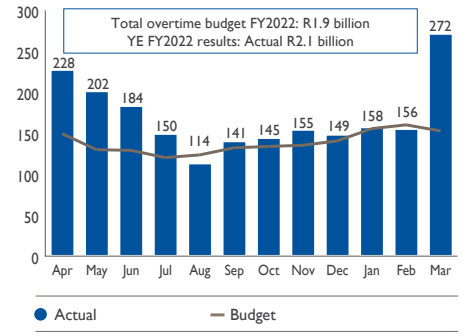
Eskom Employee Benefits Cost Optimisation

The Eskom Group Employee Benefits Expenditure budget for FY2022, was R33.1 billion. The period ending March 2022, depicts an under-expenditure of 0.3% (R0.10 billion) with an actual expenditure of R33.0 billion.

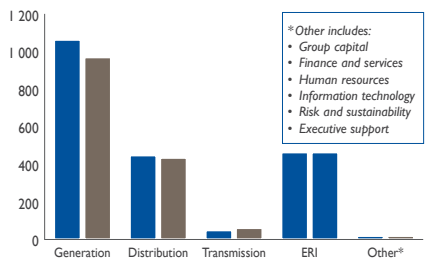
12-month view – Eskom employee workforce vs employee benefits costs (Rbn)



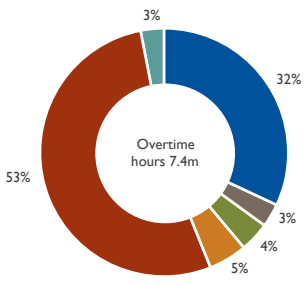
12-month view – Overtime cost vs budget (Rm)



FY22 overtime cost vs budget per group (Rm)



FY22 overtime hours



Key insights

- The results indicate that emergency overtime hours represent 53% of the total overtime hours for FY2022
- Planned and outage overtime represent 35% of the total overtime hours
- The representation of make-up hours gradually reduces due to the changes in conditions of service implemented in July 2021. The practice is now only applicable in ERI.
- Total overtime hours worked in FY2022 equate to 7.4m

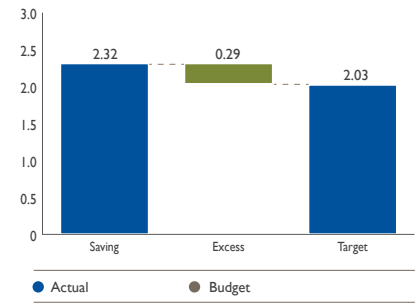
Source: SAP FI/SAP HR/Team Analysis.
Notes: 1) EB results exclude Eskom International; 2) Overtime hours exclude shift work hours on a Public Holiday; 3) Results may be affected by rounding.

The Eskom group overtime cost for FY2022 amounts to R2.1 billion, compared to the budget of R1.9 billion, exceeding the budget by R0.2 billion. The excess expenditure was mainly due to an increase in maintenance and emergency work on our plants.

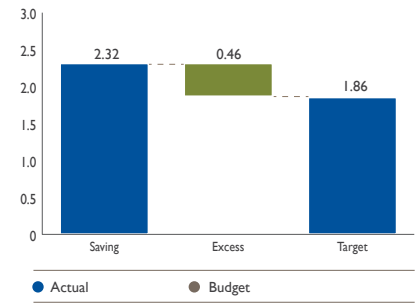
The year end results at the end of March 2022 reflect a saving of R2.320 billion, R0.289 billion above the target of R2.031 billion (note that this measurement is against the internal target set by HR for savings to be derived from the identified initiatives).

Overtime costs at year end reflect a saving of R0.628 billion, R0.232 billion above the year end saving target of R0.396 billion while attrition reflects a saving of R0.141 billion less than target.

Year end actual FY2022 (Rbn) vs identified initiatives savings target



Year end actual FY2022 (Rbn) vs RMO target



Initiative	Year end Actual FY2022	Year end Target FY2022	Year end Variance
Overtime	R0.628 billion	R0.396 billion	R0.232 billion
Attrition	R1.464 billion	R1.605 billion	(R0.141 billion)
Voluntary separations – Wave I *(Implemented FY2020)*	R0.239 billion	R0.238 billion	R0.001 billion
Voluntary separations – Wave II *(Implemented FY2021)*	R0.096 billion	R0.096 billion	R0.000 billion
Voluntary separations – BU Wave I *(Implemented FY2022)*	(R0.107 billion)	(R0.304 billion)	R0.197 billion
Total	**R2.320 billion**	**R2.031 billion**	**R0.289 billion**

Eskom employee benefits cost

Eskom is reviewing the headcount and cost optimisation plans to ensure alignment to the future needs of Eskom amid the implementation of legal separation strategy and the overarching revised transformation strategy.

Socio-economic targets (shareholder compact)

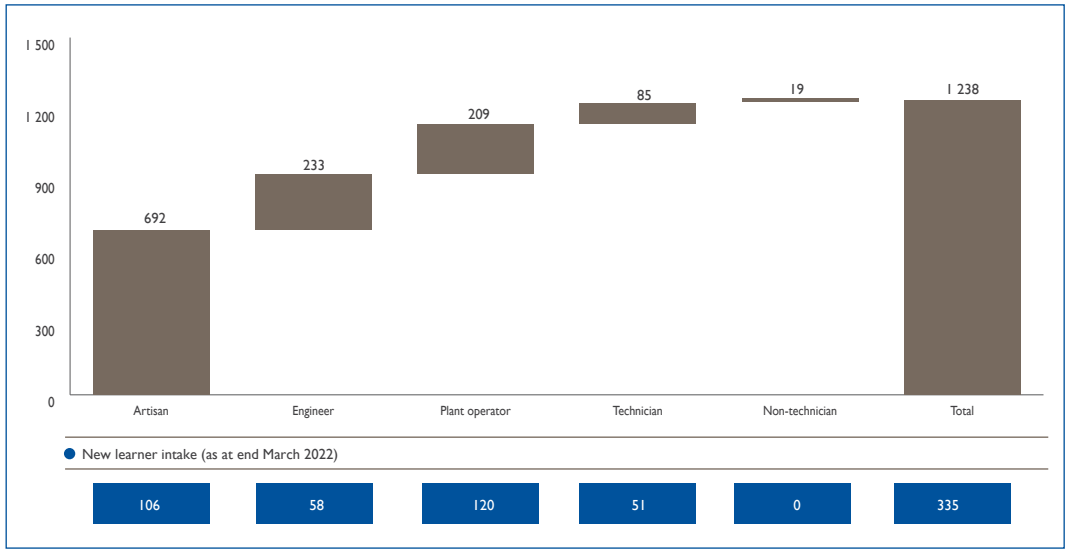
This section provides an update on the two composite people measures included in the Shareholder Compact, along with key activities which support the delivery of our scorecard targets. The Shareholder Compact measures are currently at Eskom company level only, thus this section will exclude ERI.

Learner pipeline and learner intake

Eskom's learner pipeline programme supports the National Growth Plan 2030, which aims to eliminate poverty and reduce inequality by 2030. Historically, Eskom capacitated South African youth in different learning categories, namely artisans, plant operators, engineers, technicians and a cross section of non-technical learners. Eskom's pipeline is informed by the 2030 Workforce Skills Plan while the implementation of the Learner Pipeline programmes is guided by the "Eskom Learner Pipeline Management Strategy".

On 31 March 2022, the Eskom total learner pipeline was 1 238 learners, representing 3.6% of the total permanent workforce against a target of 2.5% with learner artisans making up 55.8% of the total pipeline.

ECONOMIC PERFORMANCE continued



Learner pipeline

Training spend

Eskom's training costs are made up of Opex and Capex. Included in this bucket are various cost elements e.g., conferences, further studies, bursaries (pipeline), trainees' stipends, trainer's employee benefits, training centre operating costs at various sites including EAL, depreciation, skills levy, etc. By end of March 2022, our training spend was sitting at R855 million, which equates to 2.70% of the Eskom company budgeted employee benefits cost. Overall, our ability to achieve our set targets were largely impacted by the effects of COVID on our operations which meant putting our normal training activities on hold during the lockdown period and transitioning to virtual or online training methods.

NOTES

NOTES

CONTACT DETAILS

Telephone numbers		Websites and email addresses	
Eskom head office	+27 11 800 8111	Eskom website	www.eskom.co.za Contact@eskom.co.za
Eskom Media Desk	+27 11 800 3343 +27 11 800 3378 +27 11 800 6103	Eskom Media Desk	MediaDesk@eskom.co.za
Investor Relations	+27 11 800 2775	Investor Relations	InvestorRelations@eskom.co.za
Eskom whistle-blowing hotline	0800 112 722	Forensic investigations	forensic@eskom.co.za
DPE whistle-blowing hotline	0801 212 136	DPE whistle-blowing website	www.behonest.co.za dpe@behonest.co.za
Eskom Development Foundation	+27 11 800 8111	Eskom Development Foundation	www.eskom.co.za/about-eskom/corporate-social-investment/
National call centre	08600 ESKOM or 08600 37566	Promotion of Access to Information Act requests	PAIA@eskom.co.za
Customer SMS line	35328	Customer Service	CustomerServices@eskom.co.za
Facebook	EskomSouthAfrica	YouTube	EskomOfficialSite
Twitter	Eskom_SA	MyEskom Customer app	

Physical address	Postal address
Eskom Megawatt Park 2 Maxwell Drive Sunninghill Sandton 2157	PO Box 1091 Johannesburg 2000
Group Company Secretary	**Company registration number**
Office of the Company Secretary PO Box 1091 Johannesburg 2000	Eskom Holdings SOC Ltd 2002/015527/30

Our suite of reports covering our integrated results for 2022 is available at www.eskom.co.za/investors/integrated-results

HKLM EXCHANGE | Hlapa MEDIA RESOURCES
JOINT VENTURE [0007]