

# Navigating our report



# Leadership reports

Executive Management Committee

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# SIX CAPITALS

# The following navigation icons are used to depict the six capitals (refer to page 3 to 4 for definitions):

- Our finances (financial capital)
- Our infrastructure (manufactured capital)
- Our interaction with the environment (natural capital)
- Our people (human capital)
- (맨) Our role in communities (social and relationship capital)
- (Ð Our know-how (intellectual capital)
- PERFORMANCE **INDICATORS** Throughout this integrated report, performance against target is indica as follows: Actual performance met or exceeded target Actual performance almost met target (within a 5% threshold) Actual performance did not

16

19

22

26

- meet target
  - Indicates that a key performance indicator is included in the shareholder compact with DPE

	Objectives
, ated	Operations recovery
	Financial recovery

ODIFOTIVES

TURNAROUND

Governance, leadership

Performance review

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and ethics

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Condensed annual financial statements

Our interaction with the environment

Our governance framework

Board and its committees King IV<sup>™</sup> application

Executive management

Our finances

Our people

Our infrastructure

Our role in communities

 $\left( \widehat{\Delta} \right)$ People, culture and ethics

 $\langle 2 \rangle$ Legal separation 46 Supplementary information

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We are a proud supporter member of the following bodies

A PROVID MEMBER

TEGRATED REPORTIN

COMMITTEE OF

SOUTH AFRICA

Eskom

OUR SUITE OF REPORTS

As part of our comprehensive integrated and financial reporting, this 2023 integrated report is supplemented by our other reports which make up our reporting suite for 2023





AFS Annual financial statements



(SR)Sustainability report

A list of abbreviations and glossary of terms are available on page 147 to 151

> To complete a short survey on our report, please click here



IFRS Sustainability

Alliance

# ADDITIONAL CONTENT



Information available online

# **DIGITAL NAVIGATION**

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 $(\leftarrow)$  Return to previous view

# Year in review

EAF worsened further to 56.03% (2022: 62.02%)

Poor Transmission network reliability performance

Lost-time injury rate

declined to

0 26

(2022: 0.24)

280 days (2022: 65 days), despite extensive OCGT usage

Loadshedding

Significant deterioration in emissions performance

New build Kusile Unit 4 commissioned

Headcount reduced by

820 (2022: 2328)

Net loss before tax worsened to R31.6 bn (2022: RI5.2 bn)

9.61% (2022: 15.06%)

Arrear municipal debt escalated to R58.5 bn (2022: R44.8 bn)

Tariff increase of

R254/bn Government debt relief announced

employee and contractor fatalities (2022:6)

523 youth employment services learners

appointed

Committed funding raised R59.9 bn (2022: R35.8 bn)

Significant leadership changes, including a new Board

# About this report

# BOARD RESPONSIBILITY AND APPROVAL

Eskom's Board is accountable for the integrity and completeness of Eskom's reports to stakeholders, which includes the integrated report and any supplementary information. It is supported in this regard by the Audit and Risk Committee and the Social, Ethics and Sustainability Committee.

The Board has considered the integrated report and is satisfied that it has been prepared in accordance with the Integrated Reporting Framework. Considering the reliability of information presented and the completeness of material items discussed, and based on the combined assurance process followed, the Board approved the 2023 integrated report and supplementary information on 30 October 2023.



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Chairman of the Board

Fathima Gany-Ahmed Chair: Audit and Risk Committee Bheki Ntshalintshali Chair: Social, Ethics and Sustainability Committee

Eskom is South Africa's national electricity utility. Our mandate is to ensure a stable electricity supply in an efficient manner, to contribute to lowering the cost of doing business and enable economic growth. Given our mandate, Eskom has a considerable impact on the economy and the everyday lives of all South Africans, combined with our poor operational performance that resulted in unprecedented levels of loadshedding during the past year, at huge cost to the economy, as well as our reliance on the fiscus for financial support. The latter has an impact on the Sovereign credit rating and therefore the cost of our country's borrowings, which ultimately affects the funds available for other Government programmes. A cost-reflective tariff will support our financial sustainability and limit our reliance on Government support.

We interact with a diverse range of stakeholders, such as our shareholder, represented by the Department of Public Enterprises (DPE), lenders, employees, customers, suppliers, regulators, civil society and Government.

We create value through the generation, transmission, distribution, purchase and sale of electricity. Our value creation model depicts how we transform inputs into electricity supplied to customers, and considers the impact of our business on the six capitals. We believe that our integrated report provides a transparent and balanced account of how we create, preserve or erode value.

(IR) Our business model is set out on pages 10 and 11

# HOW WE DEFINE THE SIX CAPITALS

We use resources representing all six capitals set out in the Integrated Reporting Framework as inputs in our business. Very often, the creation of value in one area leads to the erosion of value in another, given the inevitable trade-offs. We must ensure that our business remains sustainable across all the capitals, and we are experiencing varying degrees of constraints across all the capitals.

Our interpretation of the capitals is set out below, with detail provided in the individual sections dealing with each of the capitals.

Financial capital is fundamental to our sustainability as a business. It consists of retained earnings, equity from our shareholder through National Treasury, and debt funding provided by lenders, a large portion of which is Government guaranteed.

Lenders and bondholders earn a return in the form of interest. Given our financial constraints, our shareholder does not receive any dividends at this time.

Manufactured capital comprises our base-load and peaking power stations, and transmission and distribution networks. Capacity supplied by independent power producers (IPPs) and imports supplements our own generation capacity.

Our manufactured capital base is enhanced by the commissioning of new units at power stations and extending power lines, as well as through maintenance and refurbishment of existing plant. The process of generating, transmitting and distributing electricity erodes that base.

 $(\overline{A})$ Natural capital in the form of non-renewable or otherwise scarce primary energy sources, such as coal, water, fuel oil, diesel and nuclear fuel, is consumed to generate electricity.

> Waste is produced in the form of ash, particulate and gaseous emissions, contaminated water and nuclear waste, which also erodes natural capital. We aim to transition to a cleaner energy mix to reduce our impact on the environment through the increased use of renewable energy, while acknowledging the impact

Our strategic context

Governance, leadership and ethics

Performance review

# About this report *continued*

on the environment of pursuing certain technologies, such as lithium. Our transmission and distribution networks also have a negative impact on bird life in some cases, despite our aim to mitigate our impact on the natural environment.

Human capital covers our employees and contractors, and their competencies, capabilities and experience. We continue to focus on transforming our workforce in terms of racial, gender and disability equity, and instilling a high-performance ethical culture in our employees.

As employee benefit costs is a significant cost driver, we have been pursuing a reduction in our headcount, mainly through natural attrition, although this has to be balanced with preserving our skills and knowledge base. Human capital is enhanced through training and skills development, but these efforts remain constrained by our financial situation. Furthermore, the loss of competent staff, whether through resignation, retirement or other factors, negatively impacts that knowledge base.

Social and relationship capital focuses on interactions with customers, suppliers, communities and the public in general. We believe that strong stakeholder relationships are critical to our ability to create value.

# (IR) Selected inputs and outputs to the value creation process are highlighted in the business model from page 10

### APPROACH TO PRESENTATION

This integrated report reviews our financial, operational, environmental, social and governance performance for the financial year from 1 April 2022 to 31 March 2023, and considers the outlook for the future. Unless otherwise stated, both financial and non-financial performance data in this report relates to the 2023 financial year. Significant events up to the date of approval have been referenced.

The report covers the group performance of Eskom Holdings SOC Ltd (Eskom) and its major operating subsidiaries, and information presented is comparable to that of prior years, both unless otherwise stated. Although the integrated report contains a set of condensed annual financial statements, it should be read in conjunction with the group annual financial statements, for a complete overview of the group's financial performance.

(AFS) Eskom's group annual financial statements are available at www.eskom.co.za/investors/integrated-results/. Restatements due to the adoption of an accounting standard that required retrospective application are dealt with in note 48

Our integrated report is based on the guiding principles and content elements contained in the revised Integrated Reporting Framework, issued in January 2021. The content is further guided We contribute to society by enabling economic growth through the supply of electricity to all customers, whether directly or indirectly; electrifying new – mainly disadvantaged – households in our licensed areas of supply; supporting Government's priorities of job creation, skills development, supplier transformation and broad-based black economic empowerment (B-BBEE); as well as improving the lives of many South Africans through our corporate social investment (CSI) and socio-economic development activities. We regret that our power stations and to some extent, our networks, have a negative impact on the health of the communities in which we operate. We have several projects under way to reduce emissions, and a pilot project is under way to consider how to mitigate the impact on air quality.

Intellectual capital includes technology, which comprises information, telecommunications and operational technology; organisational knowledge, systems, policies and procedures; as well as research and innovation to industrialise future technologies and improve current operations. Our world-class System Operator plays a critical role in managing the supply/ demand balance of the power system by maintaining the frequency at 50Hz.

by legal and regulatory requirements, such as the Companies Act, 2008 and the King IV Report on Corporate Governance for South Africa, 2016, (King IV<sup>TM</sup>) as well as global best practice, such as recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). We have not yet begun assessing the impact of the sustainability standards SI and S2, released by the International Sustainability Standards Board in June 2023, and which are due for implementation by the 2025 financial year.

This is our primary report to stakeholders aimed predominantly at providers of financial capital, although the report aims to provide information to a wide range of stakeholders. We believe in providing a balanced, transparent and complete account of our performance, by focusing on matters material to our ability to create, preserve or erode value. We also consider qualitative and quantitative matters material to our operations and strategic objectives, as well as strategic risks and opportunities.

Through our short-term turnaround and longer-term strategic objectives, our use of and impact on the six capitals are connected to our strategy, material matters, organisational and strategic risks, key performance indicators (KPIs) and performance. In our context, short term means within one year after year end, medium term within one to five years, and long term more than five years. Accordingly, we indicate the short-term targets for the 2024 financial year when reporting on KPIs in this report, as well as the medium-term targets for the 2026 financial year. Where a KPI is contained in the shareholder compact with DPE, the shareholder compact target is shown in this report.

# PREPARATION PROCESS

A team from the Group Finance Division produces the integrated report and supplementary information, under the supervision of our acting Group Chief Financial Officer, Mr Martin Buys CA(SA). The team collaborates with representatives from all areas of the business to source the information presented in the report.

Eskom submits a quarterly report to our shareholder, based on DPE's reporting guidelines and National Treasury regulations. It reports on performance against the shareholder compact agreed with DPE, and also covers financial, operational, governance and restructuring matters in terms of section 1(2)(b) of the Special Appropriation Act, 2019, as well as the requirements of DPE's Risk and Integrity Management Framework. The quarterly shareholder report forms a key input into the integrated report, together with our strategic Corporate Plan that we submit to DPE on an annual basis, all of which are approved by Eskom's Board prior to submission to DPE.

The content is further guided by the material matters determined during the preparation process. Content is reviewed by subject matter experts from the business, as well as executives and Board members, with the Audit and Risk Committee and the Social, Ethics and Sustainability Committee formally recommending approval of the report to Board. In approving the integrated report, the Board assumes ultimate accountability for the content, completeness and reliability of the report.

# (IR) The materiality determination process and resulting material matters are discussed from page 31

Financial information is presented in South African Rand, our functional and presentation currency. Figures are taken from Eskom's group annual financial statements, which are prepared in accordance with IFRS. KPIs are reported based on internally developed measure specification documents setting out measurement criteria; these are linked to process control manuals. Non-financial data is reported regularly to Exco and the Board, and included in the quarterly shareholder report.

# OUR SUITE OF REPORTS

Our 2023 suite of reports comprise:

### INTEGRATED REPORT

The integrated report is prepared in accordance with the Integrated Reporting Framework. It considers our value creation model, strategy, risks and opportunities, performance and outlook, as well as governance of these areas. Certain disclosures required under regulations issued by National Treasury relating to the disclosure of information under the Public Finance Management Act (PFMA), 1999, are also covered in this report. Supplementary information of interest to a variety of stakeholders is included at the back of the report.

Eskom's Internal Audit Department provided reasonable assurance limited to certain quantitative information, and to a lesser extent, qualitative aspects of the report. The group's external auditors, Deloitte & Touche, were engaged to provide reasonable assurance on selected KPIs disclosed in the integrated report; all but one of the 42 KPIs scoped for reasonable assurance received an unqualified opinion. (IR) The list of KPIs subject to reasonable assurance are set out from page 171. The independent sustainability assurance report is included from page 174

#### 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.

The consolidated annual financial statements have been audited by the group's independent auditors, Deloitte & Touche, who issued a qualified opinion relating to information disclosed in terms of the PFMA, 1999. Except for this qualification, the consolidated annual financial statements are fairly presented in terms of IFRS. Furthermore, the independent auditors have emphasised a number of matters in their report, including a material uncertainty relating to Eskom's ability to continue as a going concern. However, this does not affect their opinion.

# $(\ensuremath{\mathsf{AFS}})$ The independent auditor's report is incorporated in the annual financial statements

# SUSTAINABILITY REPORT

The sustainability report supplements and provides more detailed information on our sustainable development impact than that provided in the integrated report. The report is guided by the reporting principles of the Global Reporting Initiative (GRI) and also considers our contribution to the United Nations' Sustainable Development Goals (SDGs).

The Internal Audit Department provided reasonable assurance limited to certain quantitative information, and to a lesser extent, qualitative aspects of the report.

### FORWARD-LOOKING STATEMENTS

Certain statements in this report regarding Eskom's business operations may constitute forward-looking statements. These include all statements other than statements of historical fact, including those regarding the financial position, business strategy, management plans and objectives for future operations.

Forward-looking statements constitute current expectations based on reasonable assumptions, data or methods that may be imprecise and/or incorrect and that may be incapable of being realised. As such, they are not intended to be a guarantee of future results. Actual results could differ materially from those projected in any forward-looking statements due to various events, risks, uncertainties and other factors. Eskom neither intends nor assumes any obligation to update or revise any forwardlooking statements contained in this report, whether as a result of new information, future events or otherwise.

Future performance plans and/or strategies referred to in the integrated report have not been reviewed or reported on by the group's independent auditors.

Our strategic context

Governance, leadership and ethics



# Who we are

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# Understanding our business

# MANDATE, VISION AND MISSION

Our mandate, set out by DPE, is to assist in lowering the cost of doing business in South Africa; enabling economic growth; and providing stability of electricity supply by providing electricity in an efficient and sustainable manner. Furthermore, Eskom is also expected to support Government's policy objectives.

Our vision is "Sustainable power for a better future", by promoting sustainability in the electricity supply industry.

Our mission is threefold:



### **ESKOM'S BUSINESS**

Eskom was established on I March 1923, known then as the Electricity Supply Commission, or ESCOM. It was responsible for establishing and maintaining electricity supply undertakings for the whole of South Africa, but on a regional basis. Electricity was to be supplied efficiently, cheaply and abundantly to government departments, railways and harbours, municipalities and industry. Even before that, independent power producers (IPPs) were responsible for the early development of the electricity supply industry in South Africa, with Kimberley switching on electric streetlights in September 1882. The first small power stations were built in the late 1890s to supply electricity to the gold mining industry; by 1915 four thermal power stations had been built to meet the increasing demand from mines and new mining towns.

When ESCOM was established in 1923, one of its tasks was to take over and consolidate many of the existing electricity supply undertakings. Another was to foresee future requirements, to plan accordingly and to build new power stations, as well as expand existing ones, to meet the growing demand for this vital commodity, electricity.

Over the years, Eskom has been a keystone of the country's economic and democratic transitions. We have been instrumental in South Africa's expansion of energy and electrification to the majority of the citizens of South Africa. Through the successful implementation of Government's Integrated National Electrification Programme (INEP), we have electrified approximately 5.9 million households within Eskom's licensed areas of supply since early 1991. This has contributed to around 86% of electricity coverage in South Africa, as we

remain on course to achieve universal access through new decentralised innovations such as microgrids for hard-to-reach communities.

We have provided the power to drive economic growth and development in South Africa and the Southern African Development Community (SADC) region. We have been led by top South African leaders and executives, and have trained many of South Africa's top engineers. Furthermore, we have provided jobs for thousands of Eskom Guardians and those employed by contractors and suppliers. Eskom has contributed to the upliftment of communities by touching the lives of millions of South African beneficiaries through the Eskom Development Foundation. And finally, we have powered value chains and businesses at all scales and reflective of all South African demographics through the procurement of goods and services.

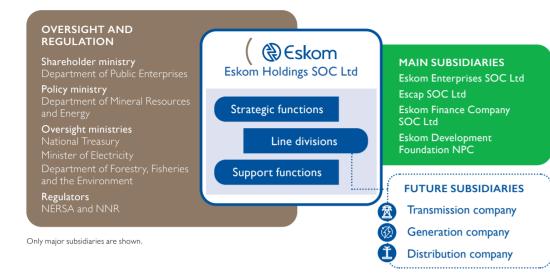
A century later, the generation, transmission, distribution and sale of electricity still form the bedrock of our business. This is supplemented by the construction of new power stations such as Medupi and Kusile, which are due for completion by the 2028 financial year, and network infrastructure. Generation, Transmission and Distribution Divisions are the core functions, supported by strategic and support functions. We have a number of subsidiaries that support Eskom's business in various ways.

 $(\mathsf{IR})$  An overview of the functions of subsidiaries is set out under "Group overview" on page 12

Performance review

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# Understanding our business continued



Eskom is one of the last remaining vertically integrated utilities in the world. DPE released its *Roadmap for Eskom in a Reformed Electricity Supply Industry* (DPE's Roadmap) in October 2019. In response, we are transforming the vertically integrated structure, by restructuring towards the creation of three independent subsidiaries through the legal separation process we have embarked on.

The Southern African Power Pool forms an interconnected grid, which supports grid stability. This relies on sufficient and reliable transmission grids in neighbouring countries to facilitate the transmission of electricity throughout southern Africa.

We generate close to 90% of the energy supplied to a wide range of customers in South Africa and the region, by transforming inputs from the natural environment, such as coal, nuclear fuel, fuel oil and diesel, as well as water and wind, into energy. The supply and demand of electricity has to be balanced in real time, which our System Operator does by maintaining the frequency of the power system at 50Hz.

We also play a developmental role. As required by Government, we support the National Development Plan 2030 (NDP) through job creation, economic and skills development, broad-based black economic empowerment (B-BBEE), and other national initiatives. Our activities also support several of the United Nations' Sustainable Development Goals (SDGs).

Our new build programme commenced in 2005, to build new power stations and strengthening our transmission grid to cater for the increasing energy demand. To date, the new build programme has delivered four units at Ingula Pumped Storage Power Station, six units at Medupi Power Station and four units at Kusile Power station, as well as 14 open-cycle gas turbine (OCGT) units and refurbishment of previously mothballed stations. However, three units at Kusile were out of service for almost a year due to a collapsed flue stack, although two have returned to service; Unit 4 is being managed through planned maintenance interventions to prevent a similar incident. Medupi Unit 4 is also offline due to a generator explosion in August 2021. Several defects identified on the new build units are being rectified, in order to improve the availability and reliability of the new build units.

 $$(\mbox{IR})$$  Detailed information on our power stations, power lines and substation capacities is available on pages 166 to 168

As we have been pointing out for a number of years, to address the demand shortfall, additional base-load generation capacity of 4 000MW–6 000MW is required urgently, coupled with improving the performance of our existing power stations.

### HOW WE ARE REGULATED

Eskom Holdings SOC Ltd is a state-owned company (SOC) as defined in the Companies Act, 2008 and is wholly owned by the South African Government. The Department of Public Enterprises is our shareholder ministry and sets our mandate and oversees our performance. Energy policy is set by the Department of Mineral Resources and Energy (DMRE), while National Treasury and the Department of Forestry, Fisheries and the Environment (DFFE) oversee aspects of our activities and ensure compliance with various regulations.

In March 2023, President Cyril Ramaphosa appointed Dr Kgosientsho Ramakgopa as Minister of Electricity and transferred to him certain powers and functions contained in the Electricity Regulation Act, 2006 that were previously under the Minister of Mineral Resources and Energy. His focus is on solving the power crisis at Eskom, with his primary task being oversight of the electricity crisis response to reduce the severity and frequency of loadshedding.

We are also subject to oversight or regulation by several other Government departments, Parliamentary committees and regulators.



30 Power stations

Base-load stations

39 099MW

Coal-fired stations

I 854MW Nuclear power

Self-dispatching energy IOOMVV Sere wind farm

> Eskom is subject to numerous laws and regulations, including conditions relating to tariffs, environmental compliance, procurement and human resources. Our licensing conditions place strict limits on plant emissions to limit our environmental impact. Relevant laws and regulations include, among others:

- Electricity Regulation Act, 2006
- Companies Act, 2008
- PFMA, 1999
- Special Appropriation Act, 2019
- National Treasury regulations
- National Energy Regulator Act, 2004
- National Nuclear Regulator Act, 1999
- National Environmental Management Act, 1998
- Occupational Health and Safety Act, 1993
- Basic Conditions of Employment Act, 1997
- Labour Relations Act, 1995
- Broad-Based Black Economic Empowerment Act, 2003
- Preferential Procurement Policy Framework Act, 2000
- Promotion of Access to Information Act, 2000

# 46 788MW

Total nominal capacity

Mid-merit and peaking stations

2 724MW Pumped storage

602MW

Hydro stations

2 409MW

NETWORK CAPACITY

# 405 173km

of high-, medium- and low-voltage lines and underground cables

# 301 893MVA

of transformer capacity

The PFMA, 1999 requires us to submit a strategic Corporate Plan on an annual basis, which sets out our strategic objectives, with plans and targets to achieve those. The latest plan covers the five-year period to 2028.

On an annual basis, we agree on a shareholder compact with DPE, to track the KPIs that support our mandate and the strategic objectives under DPE's Strategic Intent Statement for Eskom.

(R) The directors' report in the consolidated annual financial statements covers performance against the 2023 shareholder compact. Throughout tables in this report, shareholder compact KPIs are denoted using <sup>SC</sup>. Where relevant, these KPIs are also included in the statistical tables, available at the back of this report, from page 158

# GROUP OVERVIEW

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Eskom Holdings SOC Ltd is the group holding company. It is the current vehicle for the electricity business and holds investments in subsidiaries. Our head office is based in Johannesburg, with administrative offices in most major centres. Our operations span the length and breadth of South Africa. Leadership reports Our strategic context

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Governance, leadership and ethics

Performance review

# Understanding our business continued

# **BUSINESS MODEL**

# INPUTS

FINANCE

**R59.9 billion** Funding secured **R21.9 billion** Government support

# INFRASTRUCTURE

46 788MW Nominal power station capacity
7 110MW IPP capacity
405 173km Power lines and cables

# ENVIRONMENT

102.4Mt Coal burnt256 430Ml Net raw water used

# PEOPLE

**40 421** Employees (at 31 March 2022) **R1.1 billion** Training spend

# ) SOCIETY AND RELATIONSHIPS

**R63 million** CSI committed spend **R2.4 billion** DMRE electrification funding

# **TURNAROUND OBJECTIVES**

- (C) Operations recovery
- 🗐) Financial recovery
- $\left( \begin{array}{c} \\ \\ \\ \end{array} \right)$  People, culture and ethics
- 노) Legal separation

Our value creation and preservation is underpinned (IR) by our turnaround objectives over the short to medium term. Read more from page 39

# PROCESS DESCRIPTIONS

# PRIMARY ENERGY

Identify, source, procure and deliver primary energy (coal, water and limestone) of the right quality, at the right time and at optimal cost to our power stations

# FOSSIL FUEL-BASED GENERATION

Generate electricity from coal, optimally manage asset performance and leverage core competencies to expand the revenue base. Utilise gas-fired stations owned by Eskom and independent power producers (IPPs) as peaking capacity

# NUCLEAR GENERATION

We operate Koeberg Nuclear Power Station, Africa's first and only nuclear power station

# RENEWABLE GENERATION

Renewable energy is supplied by IPPs, primarily in the form of solar photovoltaic (PV) and wind energy, and by Eskom, using hydroelectric and wind energy

# MI Liquidity and going concern in the short to medium term, and ultimately, financial sustainability over the long term

- M2 Government support and debt structure
- M3 Improving operational stability to lessen the electricity crisis
- M4 Environmental performance and compliance

 $\bigcap R$  Our material matters influence our ability to create and preserve value. Refer to page 31 for further information

# SYSTEM OPERATOR

Maintain the frequency of the power system at 50Hz, to balance electricity supply and demand in real time



# TRANSMISSION

Provide a reliable and efficient transmission network and energy market services in South Africa and neighbouring markets



DISTRIBUTION Provide reliable energy and re

Provide reliable energy and related services to our customers, enhance the customer experience and collect revenue

V

# OUTPUTS PRODUCTS

188 401 GWh Electricity sales to distributors and industrial, commercial, international, residential and other customers

# WASTE AND BY-PRODUCTS 30,20Mt Ash produced

129.32kt Particulate emissions 187.5Mt CO<sub>2</sub> emitted

- M5 Climate change and Eskom's Just Energy Transition
- M6 Leadership stability
- **M7** Adequate skills in a high-performance ethical culture
- M8 Fight against fraud, corruption and crime
- M9 Governance, compliance and ethics
- MIO Progress on legal separation

# OUTCOMES

- FINANCE
- ▼ R72.2 billion Debt and interest repaid
- ▲ R259.5 billion Revenue
- R29.7 billion Spent on Eskom and IPP OCGTs
- ▲ R38 billion EBITDA
- **R58.5 billion** Arrear municipal debt

# INFRASTRUCTURE

- ▲ **799MW** New capacity from Kusile Unit 4
- ▲ 326.1km Transmission lines installed
- ▲ R33.9 billion Capital expenditure
- **56.03%** Energy availability factor
- Delays in the RMIPPPP and RE-IPP bid window 5

# ENVIRONMENT

>

- **105** Environmental legal contraventions
- 0.70kg/MWhSO Relative particulate emissions
- ▼ 1.39ℓ/kWhSO Specific water consumption

# PEOPLE

- ▲ **39 601** Employees at year end
- ▼ 0.26 Lost-time injury rate
- **4** Employee and contractor fatalities
- **R32.3 billion** Employee benefit expense

# SOCIETY AND RELATIONSHIPS

- ▲ 438 094 CSI beneficiaries
- ▲ **102 590** Electrification connections
- ▼ 280 days Loadshedding

V

▲ Positive outcome ▼ Negative outcome

We aim to align our value creation with a selection of UN SDGs



# (SR) Refer to the sustainability report

Our strategic context Governance, leadership and ethics

Performance review

Imports from

Namibia

Botswana

The number of customers, electricity sales volumes and

revenue by customer segment are set out on page 169

South Africa

Lesotho

Exports to

. Mozambique

# Understanding our business continued

Under our legal separation process, new subsidiaries have been established to house the transmission and distribution businesses. The operationalisation of the National Transmission Company South Africa SOC Ltd (NTCSA) has been delayed due to several key policy and regulatory dependencies, but is expected during the 2024 financial year. The National Electricity Distribution Company South Africa SOC Ltd (NEDCSA) has been registered to house the distribution business, but the process has also suffered delays due to key external dependencies, and is also dependent, to some extent, on progress in the NTCSA process. Operationalisation of NEDCSA is anticipated by the 2026 financial year. Options are being considered for the future of the generation business.

The Eskom group comprises the operating company with its subsidiaries and joint ventures. Our local subsidiaries provide strategic services to Eskom and our employees. We had a subsidiary based in Uganda, but it is to be wound down following the conclusion in March 2023 of the 20-year concession arrangement to operate and maintain Nalubaale and Kiira hydroelectric power stations in Uganda.

For an overview of electricity generation in Uganda and the activities of Eskom Uganda, refer to https://www.youtube.com/watch?v=QQMIDin9Y0k

Significant subsidiaries are discussed below.

#### SUBSIDIARIES OF ESKOM

Escap SOC Ltd is a wholly owned insurance captive company. It manages and insures the business risk of Eskom and its subsidiaries.

Eskom Finance Company SOC Ltd (EFC) provides housing and other loans to employees. The disposal of EFC, mandated by the shareholder, has resumed. However, the offer received was not approved due to it not meeting requirements.

The Eskom Development Foundation NPC (the Foundation) is a non-profit company under section 21 of the Companies Act, 2008. It implements Eskom's CSI programmes, thereby improving the quality of life of communities where we operate.

Eskom Enterprises SOC Ltd (EE) is an investment holding company. An overview of its subsidiaries is provided below.

(AFS) Full details of Eskom's equity-accounted investees and subsidiaries at 31 March 2023 are set out in notes 11 and 12 of the consolidated annual financial statements

#### SUBSIDIARIES OF ESKOM ENTERPRISES

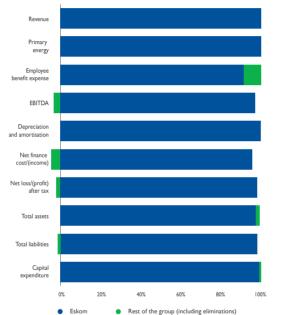
Eskom Rotek Industries SOC Ltd (ERI) provides technical support to the electricity business, including lifecycle and plant maintenance services.

Pebble Bed Modular Reactor SOC Ltd (PBMR), which is wholly owned by EE, is in a state of care and maintenance to preserve the intellectual property created during operation. The EE Board is considering the way forward on PBMR.

EE continues to hold an effective interest of 69% in South Dunes Coal Terminal Company SOC Ltd (SDCT), both directly and indirectly through Golang Coal SOC Ltd. Through its participation in the Phase V expansion of the Richards Bay Coal Terminal (RBCT), SDCT owns rights to export coal.

Other dormant subsidiaries of EE are in the process of being wound up or liquidated.

**CONTRIBUTION TO FINANCIAL PERFORMANCE** The contribution from Eskom and the other group companies to group performance and financial position is shown below. It is clear that the Eskom business remains by far the most significant.



Profits/income in subsidiaries are shown as negative figures in the graphs above.

(AFS) Segment disclosure for Generation, Transmission, Distribution and other segments is provided in note 7 of the consolidated annual financial statements

#### THE ELECTRICITY SUPPLY INDUSTRY

The electricity supply industry in South Africa consists of the generation, transmission, distribution and sale of electricity. It includes the import and export of electricity to and from neighbouring countries.

Eskom owns and operates most of the base-load and peaking capacity, while IPPs supplement generation capacity, mainly in the form of wind and solar PV power. In theory, gas turbines – both Eskom- and IPP-owned – supply peaking capacity, although in reality, these units are run at load factors far in excess of design expectations due to the supply constraints we have seen over the past few years.

(IR) Capacity added and energy supplied by IPPs are discussed from page 107

The industry is regulated by the National Energy Regulator of South Africa (NERSA) under the National Energy Regulatory Act, 2004 and the Electricity Regulation Act, 2006, by providing licences, regulatory rules, codes and guidelines. Importantly, NERSA determines our allowed revenue in accordance with the Electricity Pricing Policy (EPP).

Our nuclear power station, Koeberg, is overseen by the National Nuclear Regulator (NNR), to ensure that Koeberg complies with nuclear safety standards to protect individuals, society and the environment against radiological hazards linked to the use of nuclear technology.

### SUPPLY AND DEMAND OF ELECTRICITY

Electricity is supplied through our transmission and distribution networks to local and export customers by Eskom's power stations, supplemented by IPPs and cross-border suppliers.

We export power to several countries in the Southern African Power Pool, however, the extent of exports is diminishing as a result of our power supply constraints. We also import power from several countries in the region. Mozambique is by far our most significant trading partner for both imports and exports.

The supply and demand of electricity is depicted below.

Source, GWh	2023	2022	2021
Coal-fired stations	171-131	184 568	183 553
Nuclear power	9 803	12 355	9 903
Pumped storage stations	4 081	4 743	4 795
Hydro stations	3 060	1 943	I 387
Open-cycle gas turbines (OCGTs)	3 018	I 826	I 457
Wind	214	253	305
Eskom generation	191 307	205 688	201 400
Pumping by pumped storage stations	(5 504)	(6 434)	(6 625)
Net sent out by Eskom	185 803	199 254	194 775
Independent power producers (IPPs)	17 957	15 973	13 526
Imports	8 654	8 500	8 812
Wheeling	2 904	2 499	2 310
Energy available for distribution	215 318	226 226	219 423
Technical and other losses <sup>2</sup>	(23 879)	(24 811)	(25 078)
Internal use	(345)	(516)	(804)
Wheeling	(2 904)	(2 499)	(2 310)
Unaccounted <sup>3</sup>	211	(119)	621
Local and international sales	188 401	198 281	191 852
Additional information			
Loadshedding and load curtailment <sup>4</sup>	13 476	I 605	I 034
Percentage of demand not met <sup>4</sup>	5.91%	0.71%	0.47%

1. Wheeling refers to the movement of electricity between international customers through Eskom's network, without the power being available to customers on the South African grid.

2. Technical and other losses include energy losses incurred during the transmission and distribution process, together with losses due to electricity theft and errors.

3. The unaccounted figure, which is in essence a balancing figure, arises due to different cut-off dates for recording information relating to sales and production.

4. This is an estimate by the System Operator of the sales lost and demand not met due to loadshedding and load curtailment, based on forecast versus actual demand at a given time. It does not take account of load shifting due to loadshedding patterns.

4 Dr Rod Crompton (70)

Independent non-executive

Appointed in January 2018

chemicals, economic regulation

Ph D Humanities (University

8 Ms Ayanda Mafuleka (43)

Independent non-executive

Experience in energy,

and industrial policy

of KwaZulu-Natal)

of KwaZulu-Natal)

BA (Hons) (University

director

ABS



# Board of Directors AT 31 MARCH 2023



#### Mr Mpho Makwana (52) Chairman

# G

Appointed in October 2022 Previously served as nonexecutive director of Eskom from 2002 to 2011, including acting as Chairman and CEO

B Admin (Hons) (University of Pretoria) Postgraduate Diploma in Retail Management (University of Stirling)

### 2 Mr Calib Cassim (51) Acting Group Chief Executive

Appointed in July 2017 Served as Group Chief Financial Officer since July 2017. Appointed as acting Group Chief Executive from February 2023 Chartered Accountant (SA) Master of Business Leadership (Unisa)

### 3 Mr Martin Buys (65) Acting Group Chief Financial Officer

Appointed in March 2023 Previously served as General Manager: Financial and Management Reporting. Appointed as acting Group Chief Financial Officer from

March 2023 Chartered Accountant (SA) Master of Business Leadership (Unisa) M Com Taxation (University of Pretoria)

# 5 Ms Fathima Gany-Ahmed (47) 6 Mr Lwazi Gogwana (47)

Independent non-executive Independent non-executive director director BO

Appointed in October 2022 Finance professional, registered as a Chartered Accountant (SA)

B Accounting Sciences (Unisa) B Compt (Hons) (Unisa)

Gender diversity

67%

33%

Female

Engineer with experience in manufacturing, construction, financial services, logistics, energy and government services MBA (Milpark Business School) Pr Eng (Engineering Council

of South Africa)

7 Mr Clive Le Roux (71) Independent non-executive director 

# Appointed in October 2022 Engineer; served as Chief

Nuclear Officer and power station manager at Matimba and Koeberg

(cum laude) (University of Witwatersrand) Advanced Executive Diploma in Leadership (Unisa)

# B Compt (Hons) (Unisa) Certificate in Advanced Financial Management 6% Age diversity 30-39

# Membership of Board committees

- Denotes chair of a committee
- Audit and Risk Committee
- Business Operations Performance Committee
- G Governance and Strategy Committee
- Human Capital and Remuneration Committee
- Investment and Finance Committee
- Social, Ethics and Sustainability Committee

# Dr Tsakani Mthombeni (43) Independent non-executive

director BOG

### Appointed in October 2022

Engineer with experience in sustainable development, energy management and climate change strategy M Sc Electrical Engineering

(Clarkson University) Ph D Electrical Engineering (Clarkson University)

#### Dr Busisiwe Vilakazi (39)

Independent non-executive director

# ABS

Appointed in October 2022 Engineer with experience in ICT research and innovation, data science and analytics, strategy and digital transformation

(University of Oxford)

# Mr Bheki Ntshalintshali (69) Independent non-executive

Independent non-executive director director GHS

### Appointed in October 2022

12 Dr Mteto Nyati (58)

Management (University of

(ohannesburg)

Appointed in October 2022 Former trade unionist; served Engineer with experience as general secretary of the in information and Congress of South African communication technology Trade Unions (COSATU) (ICT); served as CEO of MTN SA and Altron

Comparative Industrial Relations B Sc Mechanical Engineering (Ruskin College) (University of KwaZulu-Natal) Diploma in Industrial Relations (Allenby College) Ph D (Honoris Causa) Information Technology

# **I** Dr Claudelle von Eck (52) Independent non-executive

director

# Appointed in October 2022

Organisational development and change management professional; former CEO of the Institute of Internal

Master of Business Leadership D Phil Leadership (Change

Management) (University of [ohannesburg]

> (IR) Qualifications listed are not exhaustive. Refer to pages 152 to 154 for full details of directors' qualifications and active directorships, as well as meeting attendance for the

Ages are shown at 31 March 2023.

year ended 31 March 2023

**Racial diversity** 

80%

ACI

Appointed in October 2022

B Sc Electrical Engineering

20%

White

AB Appointed in October 2022 Finance professional, registered as a Chartered Accountant (SA)

director

27%

60-

40%

50-59

(University of Johannesburg)

27%

40\_49

law, and dispute resolution B Juris (University of Limpopo) LLB (University of Limpopo)

9 Mr Leslie Mkhabela (50)

Independent non-executive

Appointed in October 2022

experience in restructuring

commercial and administrative

Legal professional with

of state-owned assets,

director

AHS

13 Ms Tryphosa Ramano (51)

Independent non-executive director

BGO Appointed in October 2022

# Finance professional, registered as a Chartered Accountant (SA) B Com (University of

Cape Town) Postgraduate Diploma in Accounting (University of Cape Town)

MBA (University of Ph D Engineering Science

Witwatersrand)

# (Unisa)



Mr Mpho Makwana will step down as Chairman

Mr Martin Buys was appointed as an executive

director, in the position of acting Group Chief

of the Board at the end of October 2023,

Thereafter, Dr Mteto Nyati will take over.

having served one year in the position.

Financial Officer, on 21 March 2023.



# **Executive Management Committee** AT 31 MARCH 2023



Mr Calib Cassim (51) Acting Group Chief Executive

Appointed to Exco in July 2017 21 years in Eskom

Chartered Accountant (SA) Master of Business Leadership (Unisa)

# 5 Ms Mel Govender (41)

Group Executive: Legal and Compliance

Appointed to Exco in October 2021 l year in Eskom

LLB (University of KwaZulu-Natal)

2 Mr Martin Buys (65) Acting Group Chief Financial Officer

Appointed to Exco

36 years in Eskom

Master of Business

Leadership (Unisa)

of Pretoria)

in March 2023

Appointed to Exco in July 2018 30 years in Eskom (including

from 1983 to 2008) Chartered Accountant (SA) B Sc Electrical Engineering (University of Pretoria) Master of Business M Com Taxation (University Leadership (Unisa) Executive Program

Officer

3 Mr Jan Oberholzer (64)

Group Chief Operating

(University of Michigan)

4 Ms Faith Burn (54) **Chief Information Officer** 

> Appointed to Exco in May 2020 2 years in Eskom M Sc Mathematics (University of Johannesburg) Master of Business Leadership (Unisa)



6 Ms Nthato Minyuku (44) Group Executive: Government and Regulatory Affairs

Appointed to Exco in October 2020

thereafter.

2 years in Eskom B Architectural Studies (University of Witwatersrand) Master of City Planning and Urban Design (University of Cape Town)

Ages are shown at 31 March 2023.

7 Ms Elsie Pule (55) **Group Executive: Human** 

Appointed to Exco in November 2014 25 years in Eskom

Resources

BA (Hons) Psychology (University of Pretoria) M Sc Business Engineering (Warwick University)

# 8 Ms Jainthree Sankar (51) **Chief Procurement Officer**

29 years in Eskom

(Unisa)

Queensland)

Master of Project

B Com (Hons) Business

MBA Sustainable Business

(University of Southern

**Group Executive:** Transformation Management Appointed to Exco Office in March 2021

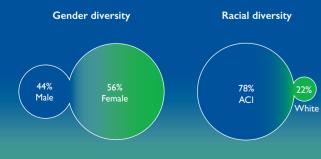
Appointed to Exco in July 2020 2 years in Eskom

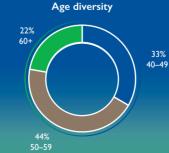
B Sc Electrical Engineering (University of Cape Town) MBA (University of Witwatersrand)

9 Mr Vuyolwethu Tuku (47)

Management (University of Southern Queensland) Ms Nthato Minyuku and Ms Mel Govender resigned in April 2023, with exit dates of 30 April and 30 June 2023 respectively. Ms Natasha Sithole and Ms Winile Madonsela are acting in the

Qualifications listed are not exhaustive. (IR) Refer to pages 154 to 155 for full details of Exco members' qualifications and active directorships, as well as meeting attendance for the year ended 31 March 2023







respective positions while the recruitment processes are under way.

Mr Jan Oberholzer's term came to an end on 30 April 2023 when he reached retirement age.

The Group Chief Operating Officer position was removed from the organisational structure

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# Message from the Chairman

South Africa is a gateway to more than 250 million people in the southern African region. As such, a stable Eskom and a stable electricity grid is not only important to the people of South Africa, but to southern Africa as a whole. As we know, almost everything we do today requires electricity at some point or another, making it indispensable for progress in today's world.

I referred last year to the state of permacrisis that pervaded Eskom when the new Board took over in October 2022. At the time, the Board's top priorities were to put an end to the unprecedented levels of loadshedding to reduce the strain on the economy, and to reduce Eskom's drain on the fiscus. In doing so, we strived to be an engaged board that seeks to build a high-performance ethical culture based on sound corporate governance.

The new Board took office during an exceptionally difficult time in Eskom's 100-year history. Consequently, we've had to get operationally closer to certain key issues, for instance, we constituted the Business Operations Performance Committee to provide oversight of Eskom's operations, specifically, monitoring performance against energy availability factor (EAF) targets. As satisfactory improvement is demonstrated, the Board will step back from "governance unusual" to more classical governance granting more space for responsive managerial performance.

# TOWARDS A MORE RESILIENT AND **RESPONSIVE ESKOM**

Eskom, like many other utilities, must navigate the competing demands associated with the energy trilemma, that is, energy security, energy equity both through access and affordability, and energy sustainability. Eskom's 2035 strategy aims to find the optimal balance between prioritising operational, financial and structural recovery from the challenges that are threatening the entity's sustainability, and to respond effectively to the global and local transformation shaping the electricity sector.

Eskom's turnaround plan focuses on recovering operations, improving income statement performance, strengthening the balance sheet, driving legal separation of the three licensed businesses, and transforming our people and culture to succeed in a rapidly evolving electricity supply industry. The industry is being shaped by deregulation, rapidly maturing low-carbon technology options, increasing levels of non-traditional competition, digitalisation and the need for leveraging infrastructure as a basis for transitioning sustainably to net zero emissions by 2050.

Eskom also needs to prepare for the inevitable transition in the medium to long term by making investments along the value chain, in line with government policy. To this end, we need to remember that Eskom is not a policymaker, but a utility and a state-owned company that must implement government policy and priorities.



In the transition from ageing coal-fired stations, there are opportunities to preserve jobs and optimise existing grid capacity. Eskom is pursuing these opportunities through repurposing and repowering plans, and is aiming to facilitate more capacity coming onto the grid through its land lease initiative. This transition must always balance the best interests of the nation's Just Energy aspirations with the realities of the economy and the electricity supply chain. The independent transmission company which is soon to be operationalised will also facilitate trade and investment into a transformed electricity market and value chain. The National Energy Crisis Committee (NECOM) is working through its structures to deliver additional capacity of 21GW to the grid by 2026; the grid connection rules have been updated to ensure that additional generating capacity is connected as quickly as possible.

In the short term, the focus is on improving operations so that Eskom finds a way out of being a drain on the fiscus and on the economy, both through its need for Government support and the impact of unprecedented levels of loadshedding on the economy and the livelihood of all South Africans. We must remember that we are not alone – energy crises are a growing global phenomenon. Emerging successfully out of our crisis must also leverage valuable lessons learnt elsewhere in the world. While loadshedding has become commonplace in some regions, countries worldwide are struggling with electricity supply, and South Africa is not the only country that has to implement loadshedding to protect the grid.

The new Board has actively engaged the management team for alignment on a set of priorities that will not only contribute to the efforts of NECOM to resolve the electricity crisis, but also ensure that it puts Eskom on a path towards a sustainable and transitioned utility. With the support of the relevant government departments and agencies to unlock bottlenecks, Eskom is expending every effort to improve plant performance and facilitate additional generation capacity. Through several programmes and initiatives, Eskom, in collaboration with Government, is facilitating the increased participation by the private sector in the provision of new capacity.

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# Message from the Chairman continued

The Generation recovery plan was refocused with a stronger emphasis on EAF recovery, with the aim of improving performance at six priority stations that would provide the biggest benefit to the system as they contribute more than 50% of the unplanned load losses, together with sustaining performance at well-performing stations. Planned work includes capacity recovery projects and critical projects to sustain performance.

To influence the electricity demand profiles of customers for the benefit of local, regional and national power system needs, the energy efficiency demand-side management programme has been reactivated and the demand response programme is being expanded to include mid-segment customers and residential smart metering. The biggest contribution that customers can make is to use electricity wisely, especially during the constrained morning and evening peak times.

Eskom will work with the Minister of Electricity, leveraging the NECOM structures, to ensure that the Energy Action Plan is implemented expeditiously in collaboration with all key stakeholders.

Considering the situation one year after the new Board was appointed, the Eskom ship is slightly more stable than we found it. The lights are on more than before, with some days entirely without loadshedding. That said, our recovery efforts have not fully yielded the desired outcomes, owing to the extensive work that needs to be done against the backdrop of a vulnerable and unreliable power system. We are heartened that the Generation recovery plan is showing green shoots, and I believe there is hope.

# FINANCIAL CONSIDERATIONS

As our acting CFO points out, operating challenges during the 2023 financial year continued to hamper Eskom's financial performance, with the most significant contributor to the worsening net loss coming from the effects of generation supply constraints, both through increased costs and revenue lost through loadshedding.

On the other hand, the debt relief announced by Government towards the end of the financial year will go some way towards improving Eskom's financial sustainability, with Government pledging to provide relief of R254 billion towards Eskom's debt servicing costs over the debt relief period, although this comes with strict conditions.

Credit ratings remain at sub-investment grade level, with investors raising concerns around Eskom's high debt burden and arrear municipal debt, operational challenges and loadshedding, as well as lack of long-term certainty around electricity tariffs. Successful implementation of the turnaround plan and maintaining a positive outlook for the South African economy remain critical to improve credit ratings. The announcement of the debt relief has had a significant positive impact on Eskom's ratings.

# BUILDING A HIGH-PERFORMANCE ETHICAL CULTURE

Culture eats corporate strategy for breakfast – the success of Eskom's turnaround plan rests on the ability to mobilise and rally Eskom Guardians behind the recovery of operational performance. This involves looking after our people and implementing a high-performance ethical culture to improve employee morale, through deploying appropriate reward and retention strategies to ensure that pockets of excellence are retained, and that underperformance can be dealt with. In short, we need accountable leadership driving the entrenchment of Eskom's values for the ultimate betterment of the organisation.

It is important to acknowledge that Eskom's poor performance has created a trust deficit within the country. To overcome this deficit, the Board, through the Social, Ethics and Sustainability Committee, is redoubling efforts to restore the integrity of Eskom, both internally and externally. Adherence to Eskom's Code of Ethics, known as the "The Way", is defined by Eskom's six core values – Zero Harm, integrity, innovation, sinobuntu, customer satisfaction and excellence. In building a valuesdriven, high-performance culture, "The Way" ensures that Guardians not only do things right, but also do the right things.

Furthermore, to turn around the organisation successfully, we must deal proactively and effectively with fraud, corruption and the criminal elements that have infected the organisation. There must be zero tolerance for fraud and corruption, and the legacy of state capture must be dealt with, to rebuild trust and confidence in Eskom.

### LOOKING AHEAD

Eskom's challenges require systemic solutions. The shareholder has created an environment that will enable the effective execution of the President's Energy Action Plan. To do this, we also require a passionate and engaged workforce. The Board has identified a number of challenges, such as low staff morale; lack of skills in some critical areas; leadership quality and instability; lack of trust; operating in a climate of fear; crisis fatigue and burnout; and are working on initiatives to address these.

Ensuring leadership stability is critical to Eskom's ongoing recovery and success. Key to this is the appointment of a permanent Group Chief Executive and filling other executive vacancies. Regarding the recruitment of the GCE, we are working in constant partnership with the shareholder. We have resubmitted a list of candidates for the shareholder's consideration, in line with the requirements of the company's MOI. We are confident that the process can be concluded by the end of the year. The intention is that Mr Calib Cassim returns to his role as CFO once a permanent GCE is appointed, and we are in discussions to renew his contract which comes to an end in December 2023. This will be done in consultation with the shareholder. Besides focusing on the immediate priorities of turning around Generation's performance, Eskom is moving ahead with the separation into three legal entities in a transformed energy market. Beyond that, the focus has to be on future-proofing Eskom and responding to the very real threat of climate change, through the Just Energy Transition. Potential opportunities for public-private partnerships are being explored to fund JET initiatives, subject to the conditions of the debt relief and with the support of National Treasury. The Komati repurposing and repowering project is but the first step in this plan.

#### CONCLUSION

Given Eskom's importance to the country and the region, we must turn Eskom around to restore South Africa as a "good country" that successfully contributes to the good of humanity. With South Africa ranking only 44<sup>th</sup> out of 169 countries in the latest Good Country Index – doing particularly poorly in our contribution to planet and climate – we certainly have our work cut out for us. In order to do better, we require the collaboration of all our stakeholders. As Simon Anholt says, "Working together makes for better policy than working alone."

I am privileged to have served as Chairman of Eskom for a second time, especially at this challenging time for our country. My sense of duty has always propelled me to make a positive contribution, no matter how small. I thank the Honourable Minister Gordhan for the positive, amicable manner in which we concluded my tenure, thereby ensuring a seamless transition to my successor, Dr Mteto Nyati. As a Board, we are also grateful to the Minister and to the broader government leadership for their faith in us. We are further grateful for the Minister's guidance in holding us accountable, to ensure good governance and ethical leadership, and judicious execution of Eskom's mandate. I have run my leg of the race as best as was possible, and I hand over the baton to Dr Nyati, to run his fair share of this complex race. I am confident that he, together with the collective leadership of the Board, will ensure continuous stability and improvement in the public trust in Eskom; the gains made so far provide fertile ground for sustaining improvement and enduring on the journey to success. I have confidence in the Eskom Guardians to continue working together as a winning team – just like our indomitable Springboks – to stabilise the entity and turn the tide towards 70% plant availability by March 2025, for the ultimate good of the country and its citizens.

The ultimate asset and building block lie in the motto of our country as inscribed in our national coat of arms: *!ke e: /xarra /lke –* our power lies in harnessing all the diversity of thought, capability and leadership of our nation. Working together we shall overcome! Onwards, forward – Eskom, South Africa!



Mpho Makwana Chairman



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# Chief Executive's review

# What stood out about the past year?

Without a doubt, 2023 was one of the toughest years we've ever experienced. It's a great pity that Eskom's centenary year has been totally overshadowed by the poor performance of our generation fleet, with all the challenges – both operational and financial – that this brings.

Our generation plant performance dropped to even lower levels than the previous year, and loadshedding intensified even further, with 34 days of stage 6 loadshedding, almost unheard of before this, except for one day in December 2019 when stage 6 was implemented for the first time. However, we have to remember that loadshedding is required to protect the power system given the constrained generating environment. Higher stages of loadshedding also don't mean that we're approaching a blackout – that is exactly what loadshedding is intended to avoid.

The unprotected and unlawful strike action we saw in June and July 2022 after wage negotiations deadlocked had a devastating impact on the system, with widespread disruption of our operations due to high levels of staff absenteeism, leading to unheard-of levels of unplanned losses, caused by either deliberate sabotage or just neglect of plant due to employees staying away, exacerbated by disruption of coal handling operations. Some areas of plant still have not fully recovered from the effects of the strike action. On the positive side, a great many of our Eskom Guardians chose not to participate in the strike action, but worked tirelessly to keep the lights on – we owe them a debt of gratitude for their unfailing commitment to this country.

The poor plant performance continues to have a significant impact on financial performance – both in the form of diesel burnt to sustain supply, and also sales lost through loadshedding. Other factors which negatively impact financial performance are the lack of cost-reflective tariffs – although we have seen some progress in that regard – as well as the escalating arrear municipal debt and unsustainable debt levels. We are grateful to National Treasury for the progress in dealing with our debt burden and municipal debt. The acting CFO covers all matters related to financial performance in his report.

As we've said before, we have to balance sufficient levels of liquidity and spend to improve generation plant performance, and also the use of diesel turbines to limit the level of loadshedding given the poor generation plant performance. Furthermore, we must invest in our plant to ensure environmental compliance.

Despite all the negatives, many areas of the business continued to perform well. We delivered Kusile Unit 4 in May 2022, although that achievement was overshadowed by the collapse of the flue stack in October 2022, which took Kusile Units I, 2 and 3 out of service for almost a year. Together with Medupi Unit 4, which remains out of service until the second quarter of the 2025 financial year due to a generator explosion, the combined unavailability contributes around three stages of loadshedding. Kusile Unit 5 also experienced a gas air heater



fire in September 2022, which has delayed the delivery of that unit to the system by about a year. If you add the Koeberg Unit I extended planned outage, it means that over 4 500MW has been offline for an extended period, further adding to the constrained system and resulting in either higher levels of loadshedding being required or significantly higher spend on OCGTs.

Our turnaround plan continues to focus on operations recovery; financial recovery, which covers improving the income statement and strengthening the balance sheet; people, culture and ethics; and driving legal separation. The aim is to position Eskom to deliver value within the broader national efforts to drive reform in the electricity supply industry.

# Can you expand on the operational performance over the past year?

As I've said, one of the stand-out features of the 2023 financial year was the dismal performance of the generation fleet. Plant unavailability in excess of 30%, coupled with a shortfall in supply by IPPs, resulted in severe capacity constraints, leading to 280 days of loadshedding during the year – that amounts to about five days per week for the entire year. The capacity constraints limited sales to local customers as well as exports to neighbouring countries, negatively impacting potential revenue growth. Cross-border imports, mainly from Cahora Bassa, assisted in supplementing capacity.

In the past year, we saw the lowest levels of plant availability, with EAF dropping to 56.03% for the entire year, and even below 50% during March 2023. We also had the highest unplanned unavailability, and the longest continuous loadshedding at the highest stages that the country has ever suffered.

To mitigate against higher levels of loadshedding, OCGTs had to be utilised frequently to support the power system, resulting in the highest OCGT usage we've ever experienced. We spent almost R30 billion on Eskom-owned and IPP OCGTs during the year, at load factors of 14.3% and 12.5% respectively, far in excess of our planning assumptions. We also experienced high coal demand from more expensive power stations due to generation performance challenges. This all comes at great financial cost, which simply is not sustainable. Towards the end of the year, the Generation recovery plan was refocused with a stronger focus on EAF recovery, with the focus on six priority stations that would provide the biggest benefit to the system by improving their EAF as they contribute more than 50% of the unplanned load losses: Duvha, Kendal, Kusile, Majuba, Matla and Tutuka. Work includes capacity recovery projects and critical projects to sustain performance.

Liquidity constraints continued to hamper the execution of capital projects and outages, with outage readiness impacted most. Funding constraints contributed to the full outage programme not being executed, with some outages deferred to the next financial year. However, funding has been made available in the 2024 financial year, and we should see this improving with the expected improvement in liquidity due to Government's debt relief.

At Koeberg Unit I, the steam generator replacement and scope to enable long-term operation is being executed, which is critical to allow Koeberg to operate for a further 20 years to 2044. However, the slip of almost five months on this outage is great cause for concern, especially as it has a knock-on effect on the planned outage of Unit 2, which is meant to commence almost immediately after Unit I returns to service. The outage on a single unit accounts for almost one stage of loadshedding, at a time that we can ill afford it.

Other than the delays to outages, our Koeberg plant continues to perform well, within all safety parameters.

Initially, relative particulate emissions performance improved since the prior year due to focused maintenance of generating plant. However, performance then declined drastically, to the worst levels since 1995. The biggest contributor to the poor performance is Kendal, with further damage suffered during the strike action last year. Furthermore, as system constraints increased – limiting our ability to do maintenance to address emissions challenges – performance has not shown a turnaround.

Nevertheless, Eskom's total  $CO_2$  emissions declined by 9.5% from 2022 in line with the decline in EAF, dipping to below 200Mt for the year for the first time since 2004, after peaking around 233Mt in 2014. This bodes well for the country's progress against the climate commitments made in terms of the Paris Agreement.

Although water performance met the target for the year, poor water management practices across the fleet persist, negatively impacting overall water performance. We recognise that in a water-scarce country, we need to do more to protect this precious resource. Regrettably, the poor performance of the system often prohibits taking plant out of service to attend to many of the challenges causing the poor performance.

Transmission system minutes performance declined significantly, with an abnormal number of interruptions due to various factors. The number of interruption of supply incidents increased, partly due to switchgear failures brought on by loadshedding. Distribution network performance remained stable and continued to perform better than target on all measures, although distribution infrastructure was also affected by consequential faults related to national loadshedding and overload trips. Despite the relatively good performance, we acknowledge the effect of the underinvestment in our networks, and the constraints that imposes on connecting new IPP capacity. Grid connection capacity in the Northern Cape, Eastern Cape and Western Cape has been depleted. Grid capacity constraints limited the capacity procured under bid window 6 of the RE-IPP Programme to I 000MW, much lower than the target of 2 600MW.

Transmission is increasing the asset renewal investment progressively over a five-year period to the required sustainability level to mitigate the risk of equipment failures. Significant investment in the distribution grid is required to sustain and improve network performance going forward.

The impact of theft and vandalism on both our transmission and distribution networks is also becoming more apparent. Responding to these incidents diverts resources from attending to normal faults, impacting service levels to customers. Additionally, energy losses due to a culture of non-payment, illegal connections, theft and vending fraud remain unacceptably high.

Kusile Unit 4 achieved commercial operation on 31 May 2022, although as expected – and similar to other new build units – it is not yet operating consistently at full capacity. Interventions, which include the new build defects correction process, is in place to optimise performance. Construction and commissioning activities on Kusile Units 5 and 6 continue, despite the setback suffered as a result of the gas air heater fire at Unit 5. At Medupi, the focus remains on completing the remaining scope on the balance of plant work, executing major plant defect repairs and resolving claims towards project close-out by December 2025.

The rollout of the major boiler plant defects solutions at Medupi and Kusile that require unit outages has been completed, leading to a significant increase in performance (until the failure of the Kusile flue gas duct).

We are making progress on our battery energy storage project, with construction on three of the packages expected to be completed during the coming year. However, phase 2 of the project has been put in abeyance due to the suspension of funding for new capital projects as part of Government's debt relief conditions.

# Tell us more about the people, culture and ethics area of the turnaround plan

Through this focus area, we aim to prepare the organisation for change, in support of the overarching goal of three legally separated subsidiaries under Eskom Holdings, in line with DPE's Roadmap.

In the previous year, we launched our culture transformation programme, refocused on our values, as a key enabler of the turnaround plan. We have made progress embedding the culture transformation in the business. Given our aspirations towards a high-performance ethical culture, the strike action we saw last year was truly disappointing. However, I am pleased by the peaceful way in which the recent round of wage negotiations was concluded. This is the first time in more than a decade that we have reached an agreement during the collective bargaining process, which is testament to the strengthening of partnerships with Eskom's trade unions. The fact that this was done without disruption to the system during the critical winter period, as it had been last year, is worth the

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# Chief Executive's review continued

slightly higher settlement than we had planned for. The threeyear agreement reached will also bring stability.

Our headcount has reduced by another 2% since the previous year, with a total of 7 064 employees exiting the group since 2019. Despite the 7% cost-of-living adjustment granted to employees during the 2023 financial year, employee benefit costs reduced slightly year-on-year, given the headcount reduction. We have optimised our workforce plan to accommodate an increase in headcount over the next five years, based on benchmarking and to capacitate Eskom towards a future-fit organisation in support of the legal separation, the implementation of clean energy technology and the Just Energy Transition.

We are deeply saddened by the loss of one employee and three contractors in service to Eskom over the past year. We cannot tolerate a single life lost, and we continue to reinforce a culture of Zero Harm to keep our employees, contractors and the public safe. Our lost-time injury rate has been deteriorating slightly over the past few years, and we remain focused on those areas with the biggest contribution to our safety performance.

#### Are you concerned about fraud and corruption?

To be honest, other than the performance of the system, it's the one thing giving me sleepless nights. In our bid towards a high-performance ethical culture, we simply must root out the ongoing scourge of fraud, crime and corruption, as well as poor performance and other unacceptable behaviour in general. We prioritise the protection of employees who participate in the fight against corruption.

Since our last integrated report was released, we have unfortunately not made much headway in dealing with fraud and corruption, largely due to the various operational challenges we've had to address, with the main focus on improving the performance of the generating plant and ensuring that we maintain an adequate supply of electricity to our customers. As the former GCE indicated last year, we must realise that it will take time for efforts to improve internal controls across the organisation. Our efforts are also somewhat fragmented, further hampering consequence management, although our plans to establish a single investigative unit to coordinate all investigative matters should go some way towards streamlining our efforts. We remain disappointed with the slow progress by law enforcement agencies in dealing with matters involving fraud and corruption, although we have seen some notable successes recently.

We are resolute in pursuing those who have enriched themselves at the expense of our organisation and South Africa. We are ensuring that we have a robust framework in place for zero tolerance to fraud and corruption, and we're strengthening the support for whistle-blowers. We continue to collaborate with law enforcement agencies to ensure that perpetrators are brought to account.

#### Is Eskom making progress on the legal separation?

We are still fully committed to DPE's Roadmap to transform the electricity supply industry, by implementing business separation and forming separate wholly-owned subsidiaries to house the Generation, Transmission and Distribution businesses. However, several external dependencies have hampered progress. On the Transmission side, the delays relate to obtaining lender consent, the appointment of independent non-executive directors for the National Transmission Company South Africa (NTCSA), the granting of trading licences by NERSA, and DMRE designating NTCSA as buyer of electricity. We have completed all lender engagements and submitted the required documentation; now we await approval from the various lenders, which is dependent on their internal processes. The Board has submitted a list of candidates for directors for DPE's consideration, and we await their response. Although not issued, the award of the three licences by NERSA is a step in the right direction, and we are hopeful that NTCSA will commence trade by April 2024.

The Distribution progress is being similarly delayed, as we also require lender consent. The granting of distribution licences by NERSA is also dependent on the issuance of the transmission licences. However, we have recently received PFMA approval by DPE of the operationalisation of the National Electricity Distribution Company South Africa (NEDCSA). The Electricity Regulation Act has to be amended to cater for the separation of the Distribution activities. We expect that NEDCSA will be able to commence trade by November 2025.

The separation of Generation will be the last to be achieved, and is expected in 2025.

#### Is an end to the electricity crisis in sight?

As we've been saying for quite some time, Eskom alone cannot solve the electricity crisis. To this end, we welcome the Energy Action Plan launched by President Cyril Ramaphosa in July 2022 to address the electricity crisis.

The plan centres on five key areas:

- Fixing Eskom and improving the availability of existing supply, with adequate capital being made available to execute required maintenance on generating plant
- Enabling and accelerating private investment in generation capacity, through initiatives such as our land lease programme as well as 5GW of supply from private sector projects which is expected to come online by 2025
- · Accelerating the delivery of new generation capacity
- Enabling business and household investment in rooftop solar, partly through tax incentives and guarantees for solar loans
- Fundamentally transforming the electricity sector

We will work with the Minister of Electricity and NECOM to ensure that the Electricity Action Plan is implemented expeditiously in collaboration with all key stakeholders.

We are painfully aware that the poor performance of the unpredictable and unreliable power system is inhibiting economic growth and employment opportunities, with a devastating effect on businesses and the lives of all South Africans. We want to deliver successfully on our mandate to provide a reliable supply of electricity to the country by effectively operating our infrastructure.

Our immediate focus is reducing the intensity and frequency of loadshedding. This will be achieved by improving the availability of the generation fleet through effective implementation of the EAF recovery programme, aimed at reaching an EAF level of 65% in March 2024. This will be delivered through an intensified focus on recovering performance at the six priority stations, while sustaining performance at stations that already deliver reliable performance.

Initiatives are also being implemented to recover and increase available capacity to meet demand. This includes the recovery of around 5 000MW of capacity, both from units that are on long-term outage – 2 100MW from Kusile Units 1, 2 and 3; 920MW from Koeberg; 720MW from Kusile Unit 5 once it is commissioned; 720MW from Medupi Unit 4 by the second quarter of the 2025 financial year – as well as 1 500MW by improving plant performance at designated coal-fired power stations.

We can already see the improvement in the system. At the start of the winter period, there was much talk of us having to implement stage 8 loadshedding during winter, but our generation teams did well to avoid that. Yes, we did see a significant amount of stage 6 loadshedding (more than the entire 2023 financial year), but we did not go beyond that. More recently, we have seen an improvement in unplanned unavailability, to levels more in line with our expectations, with EAF reaching around 60% late in July. Although diesel spend is still unacceptably high, it is in line with expectations, and still driven by the shortfall in supply by renewable and short-term IPPs, as much as by Eskom's own poor generating plant performance. Early in August, we reached a point where no loadshedding was implemented during the daytime, with loadshedding only required during the evening peak and overnight, to support building up emergency reserves. So there is definitely light at the end of the tunnel.

The procurement of additional capacity to enable the execution of outages by creating maintenance space in the constrained system will be a critical enabler. Approximately 2 900MW has been identified that can be connected in the next two years. The rooftop solar PV initiative has the potential to deliver IOGW by 2030. We will also be intensifying our demand-side management interventions to reduce demand.

The Standard Offer and Emergency Generation programmes to procure additional capacity from IPPs have been approved. The first contract for 100MW under the Standard Offer went into operation on I May 2023. Under the Emergency Generation programme, contracts have been awarded to five participants, with contract signing expected in the second quarter of the 2024 financial year.

On the transmission and distribution side of the business, we are investing in the necessary infrastructure to increase grid capacity and provide grid stability in the context of increased generation being added to the network. To achieve this, public-private partnerships will be explored to expedite the delivery of 14 000km of new transmission network and 8 000km of new distribution network by 2035.

The ultimate aim of our strategy is to ensure that we supply adequate electricity in a sustainable manner. This means that over and above our interventions to fix the business, we must also enable more private sector investment into the industry. This is needed to meet the growing demand, significantly reduce our financial dependence on Government, and make a positive contribution to South Africa's environmental and socio-economic objectives. In the short to medium term, a greater emphasis will be placed on operational performance improvement and the financial turnaround of the business, underpinned by an intensive people and culture transformation.

# What else does Eskom intend focusing on, both now and into the future?

Something which is sorely needed in the short term is the appointment of a permanent Group Chief Executive to bring leadership stability to the organisation. We need to fill a number of vacancies at executive level, as well as invest in depth of leadership, and look at building skills across the organisation.

As part of bringing back capacity, we returned Kusile Units 3 and I by October 2023 using temporary stacks, which have been approved by DFFE, with Unit 2 to follow in November 2023. Although the units' output may be lower while utilising the temporary stacks, it will alleviate pressure on the power system. Our Koeberg team is working tirelessly to return Unit I to service by November 2023, although we will not really see the impact on the system, as Unit 2 will go on outage shortly thereafter.

Good progress is being made on bringing Kusile Unit 5 online, with first synchronisation to the grid expected by November 2023, and full commercial operation targeted six months later. We also hope to see the synchronisation of Kusile Unit 6 by August 2024, at around the same time as the expected return of Medupi Unit 4 using a secondhand stator.

Even with these improvements, we still require about 4 000MW–6 000MW of base-load capacity on the grid, to ease supply constraints and stabilise the grid, creating the space for much-needed maintenance of Eskom's generating plant.

Despite the focus on improving performance in the short to medium term, we remain committed to our strategy of a Just Energy Transition in the long term to decrease greenhouse gas emissions, promote job creation through reskilling, and stimulate economic growth, thereby focusing on long-term growth and sustainability. However, given the conditions of Government's debt relief solution, we will not be able to execute all projects onbalance sheet and we will have to explore partnership options.

Nevertheless, Government's debt relief will go a long way towards improving financial sustainability and liquidity in the short to medium term, and we are tremendously grateful to National Treasury for finalising the terms so soon after the announcement in the National Budget Speech in February 2023, thereby providing some level of comfort to lenders. We are already working on ensuring compliance with the conditions, to ensure that the support, which will initially come in the form of a subordinated loan, is converted to equity, to realise the full benefit thereof.

### What do you want people to focus on?

I need our Guardians to remember that we each hold the future in our hands. Every one of us has the power to make a difference to this great nation. It's not always easy to see the light at the end of the tunnel, but if we keep working together, I know we are going to succeed. We cannot lose faith – we must hold onto HOPE!



Acting Group Chief Executive

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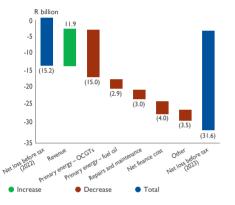
Performance review

# Chief Financial Officer's commentary

# How would you describe Eskom's financial performance over the past year?

We continue to navigate a very challenging operating environment, plagued by generation capacity shortages and depressed economic conditions. These factors have had a direct impact on Eskom's financial sustainability, requiring us to make difficult trade-offs between liquidity, the utilisation of OCGTs to minimise loadshedding for the benefit of the economy, as well as accommodating spend on our operational recovery and capital expenditure programmes.

Some of the key areas which contributed to the year-on-year worsening of the net loss are:



In fact, generation supply constraints, arising from both poor plant performance and delays in commissioning new IPP capacity, had the most significant impact on financial performance for the year. This impact was twofold: increasing reliance on expensive OCGTs to supplement supply as well as negatively affecting sales volumes through loadshedding and load curtailment.

Primary energy costs grew by 16.6%, with the growth in OCGT expenditure being by far the biggest contributor. This was driven by both an increase in production from Eskomowned and IPP OCGTs as well as significant fuel price pressure linked to the global macroeconomic environment. Unplanned breakdowns and load losses also resulted in much higher use of fuel oil for combustion support and the start-up of coal-fired units, along with a growth in repairs and maintenance costs to support the Generation recovery plan and address plant performance challenges.

On the positive side, we received a standard tariff increase of 9.61% for the year, directly improving revenue. However, this benefit was partially offset by a 5% reduction in sales volumes due to the supply constraints I mentioned earlier, together with lower electricity demand from customers operating in tough economic conditions. We experienced a decline in sales volumes across every customer segment, although the



industrial and mining sectors were less heavily impacted due to the recovery of global commodity markets, leading to higher electricity demand at times from these customers.

A 7% salary adjustment was implemented for the majority of employees during the year, with the exception of top management. This was necessary to support Eskom's operational stability following the protracted dispute with organised labour, which led to industrial action and widespread disruption of our operations during June and July 2022. Despite this, employee benefit costs have remained relatively stable as we were able to contain the salary adjustment to inflationary levels and absorb the increase through savings in other areas, coupled with a reduction in headcount from natural attrition.

Altogether, EBITDA declined to R38 billion (2022: R53 billion) and we recorded a net loss after tax of R23.9 billion for the year (2022: R11.9 billion). Despite the growth in revenue, the cost pressures arising from our poor operational performance and macroeconomic factors led to a weakening of the EBITDA margin to 14.66% (2022: 21.39%).

Liquidity remains one of our biggest short-term challenges, with cash and cash equivalents declining to R7.5 billion at year end (2022: R15.9 billion). Cash generated from operating activities amounted to R41.5 billion, largely in line with EBITDA performance. However, the reality is that operating cash flows are simply inadequate to support our highly leveraged capital structure, before even considering capital expenditure requirements. Total debt servicing requirements – both capital and interest – amounted to R72.2 billion for the year, leaving a significant shortfall which required equity support from Government.

With respect to our capital structure, our gross debt balance increased to R423.9 billion (2022: R396.3 billion), largely due to the weakening of the Rand affecting foreign borrowings. Net finance costs grew by 12% in part due to the growth in the debt balance. We also experienced a higher average cost of borrowings, linked to global inflation and interest rate pressures, coupled with lower capitalisation of interest to the asset base as the new build programme winds down. Liquidity has been further constrained by SARS disallowing the refund of levies relating to Eskom's diesel use over several years, with a cumulative amount of R7.1 billion due to Eskom at year end. We are pursuing the necessary legal processes to address this dispute. Furthermore, arrear municipal debt has continued to escalate to unsustainably high levels, amounting to R58.5 billion at year end (2022: R44.8 billion).

Altogether, most of our financial ratios deteriorated over the past year. Eskom's standalone long-term financial sustainability remains dependent on the migration towards cost-reflective tariffs, resolving our operating challenges and associated cost pressures, deleveraging the balance sheet and addressing nonpayment by certain customers. Positive strides have been made in putting interventions in place to resolve these challenges and strengthen Eskom's financial position over time, through our turnaround plan and with the support of Government.

# Tell us more about the turnaround plan and efforts to improve financial sustainability

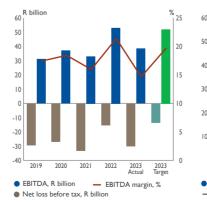
Our turnaround plan aims to place us on a more sustainable footing by focusing on Eskom's operational and financial recovery. It is important to acknowledge that financial and operational performance are intrinsically linked, as can be seen from our results over the past year. Calib discussed aspects of the operational recovery in his report; I will focus on the main initiatives of our financial recovery.

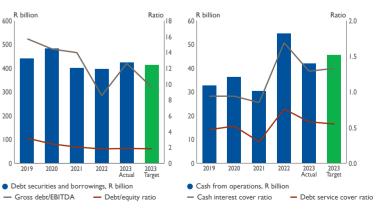
Addressing our debt burden is a key component of our turnaround plan, to ensure the long-term financial sustainability of Eskom. During the year, we received R21.9 billion in equity support from Government through the Special Appropriation Act, 2019, to aid Eskom in meeting its debt servicing obligations. Going forward, this support package has been replaced by the debt relief measures announced recently, which I'll cover in more detail later. Suffice it to say that Government is aware of the financial and operational challenges that we are facing and is committed to providing the necessary financial support to Eskom, subject to certain conditions, while also acknowledging the importance of a cost-reflective tariff path. We are also seeking to bridge the gap between our costs and the revenue allowed by NERSA through our turnaround plan.

To address costs, Eskom's turnaround savings programme aims to curtail cost growth, improve efficiencies and identify other income opportunities. We achieved combined savings and other income initiatives of R27.8 billion for the year, exceeding our target of R21.4 billion. The majority of these savings came from containing growth in primary energy costs, other than OCGTs, by optimising coal inventory and pricing. However, these initiatives relate mainly to working capital and do not lead to an immediate improvement in profitability. Unfortunately, our savings efforts were hindered in large part by the overspend in OCGTs and fuel oil, which is unlikely to be reined in until we have resolved the poor performance of our coal-fired fleet and South Africa's generation capacity constraints are addressed.

On the revenue side, we are pursuing a migration to costreflective tariffs by challenging NERSA's decisions in court. The lack of cost-reflective tariffs and resultant revenue shortfall over the past two decades has been a key contributor to Eskom's poor financial performance and reliance on debt.

As I mentioned earlier, NERSA awarded a standard tariff increase of 9.61% for 2023, being the first year of MYPD 5. We successfully challenged this decision in court, setting aside NERSA's decision on the valuation of the regulatory asset base. Although no retrospective adjustment was granted for 2023, NERSA was required to apply the court order for the remaining two years of MYPD 5. Consequently, NERSA announced its revenue decision for 2024 and 2025, equating to an average standard tariff increase of 18.65% and 12.74% respectively. Although not addressing the lack of cost-reflective tariffs, this decision will help in migrating the tariff path to more appropriate levels and will greatly support our financial sustainability going forward.





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# Chief Financial Officer's commentary continued

Unfortunately, arrear municipal debt has continued to worsen, increasing by 30.6% to R58.5 billion at year end. We have been pursuing various interventions, including negotiating payment arrangements with defaulting municipalities, implementing an active partnering programme to assist municipalities with their service delivery and revenue collection efforts, as well as pursuing Eskom's legal rights through the courts. Despite our best efforts, we have not been able to resolve this challenge on our own. Government has intensified its efforts to address this systemic problem through a municipal debt relief plan, which I will discuss in more detail later.

Finally, we are targeting the disposal of non-core assets through the sale of Eskom Finance Company SOC Ltd as well as various underutilised properties, in line with our real estate strategy. These disposal programmes are under way and remain an area of focus.

### What is the financial outlook for the coming year?

We have continued to experience the adverse effects of generation supply constraints on financial performance during the 2024 financial year, mostly due to the reliance on expensive OCGT production. As mentioned earlier, this situation will continue until South Africa's generation capacity shortages are alleviated.

We have set aside R19.7 billion for Eskom OCGTs and R8.8 billion for IPP OCGTs for the 2024 financial year. So far, we're projecting to stay within budget on Eskom OCGTs; whether we will be able to maintain this will depend on fuel prices remaining below budget assumptions as well as the performance of the coal-fired fleet going forward. In the case of IPP OCGTs, we expect to exceed the budget for the year as the Risk Mitigation IPP Procurement Programme (RMIPPPP) has experienced further delays and is not providing the additional capacity we had planned for. Any increase in spend will have to be funded through unutilised budget from the RMIPPPP as well as cost savings in other areas.

As I mentioned earlier, NERSA has awarded an average standard tariff increase of 18.65% for 2024, which will aid in recovering the costs associated with our current operating challenges. We are monitoring developments in the regulatory environment, including NERSA's proposal for the introduction of a new pricing methodology. In addition, the legal processes for a number of court review applications are still under way, which collectively relate to the recovery of around R50 billion in revenue. Regrettably, these legal processes do take time and, given the way that the regulatory process works, any amounts awarded in Eskom's favour can only be recovered through future revenue and RCA decisions from NERSA. This means that Eskom has to carry the shortfall for the time being, which does have adverse implications for our liquidity.

We are tremendously grateful for Government's continued financial support and assistance in deleveraging Eskom's balance sheet. The Eskom Debt Relief Act, 2023 was promulgated in July 2023 and will provide relief of R254 billion towards Eskom's debt servicing costs over the debt relief period. Of this, R78 billion has been committed for the 2024 financial year. The support will initially take the form of a subordinated loan, to be converted to equity once we have demonstrated compliance with the related conditions. The conditions place strict restrictions on Eskom's capital expenditure and prohibit any new borrowings during the debt relief period, unless written permission is granted by the Minister of Finance. Given the restriction on new borrowings, we faced additional liquidity risk during the first quarter of the 2024 financial year, while awaiting promulgation of the Act and receipt of the first tranche of Government support. To manage this risk, we raised an additional R16 billion in funding at the end of March 2023 with the support of National Treasury, and received the related disbursements in early April 2023.

Out of the R78 billion debt relief to be made available during the 2024 financial year, we received R16 billion in August 2023 and R20 billion in October 2023. A further R8 billion is anticipated to be received during the third quarter, followed by R34 billion in the fourth quarter.

Lenders may be concerned about the impact that these conditions have on existing debt and also on the Just Energy Transition. National Treasury has confirmed that Eskom may continue to draw down on existing facilities in place or committed prior to year end. Any Government guarantees remain in place until the related debt is fully settled. Furthermore, greenfield generation projects may be pursued with written approval from the Minister of Finance. Eskom remains committed to South Africa's Just Energy Transition and is exploring potential opportunities for public-private partnerships to fund JET initiatives, subject to the conditions of the debt relief and with the support of National Treasury.

With respect to arrear municipal debt, National Treasury has published two circulars which detail the application process and related conditions for municipal debt relief for defaulting municipalities. The plan will see a municipality's arrear debt balance at 31 March 2023 being written off over three financial years, subject to its compliance with the conditions. We are working closely with Government in implementing this plan and are finalising the related conditions to stop the growth in arrear debt and address the culture of non-payment. National Treasury has received applications from several defaulting municipalities, with 28 municipalities approved to participate in the municipal debt relief programme so far. Collectively, these municipalities account for R26.7 billion or around 46% of the arrear debt balance outstanding at 31 March 2023.

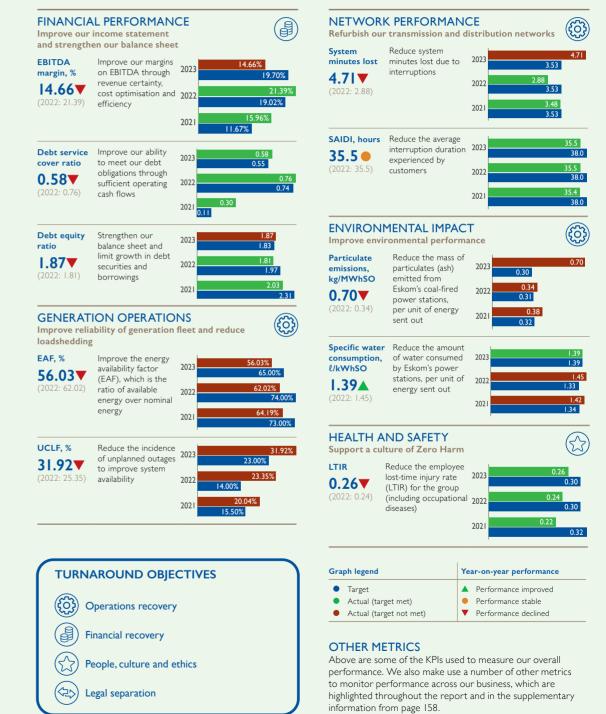
We are conducting bilateral engagements with lenders regarding the legal separation process and associated timelines. The transfer of the Transmission Division to the National Transmission Company South Africa SOC Ltd is subject to certain suspensive conditions being met, including obtaining applicable lender consents. We will continue to engage transparently with lenders as the legal separation process unfolds.

Despite the many difficulties over the past year, we remain set on our objective to place Eskom on a more sustainable footing going forward, through the turnaround plan and with the support of our stakeholders. Ultimately, this requires resolving Eskom's capital and tariff structures, delivering on our operational recovery and bringing much-needed structural reforms to the electricity industry.



# Our group performance

Our shareholder outlines the strategic objectives for Eskom in the Strategic Intent Statement. KPIs are aligned to DPE's strategic objectives and the key focus areas of our turnaround plan, with performance across our top 10 KPIs for 2023 set out below.



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# Considering material matters

Material matters encompass the high-likelihood, high-consequence factors that have a significant influence on our ability to create, preserve or erode enterprise value over the short, medium and long term. Our evaluation includes both positive and negative matters, considering their impact on the six capitals as well as alignment with our turnaround objectives. By focusing on these material matters, we ensure that our strategic decisions, resource allocation and efforts are directed towards addressing the most critical factors that contribute to our long-term sustainability and value creation.

The materiality determination process filters matters based on their relative importance. It starts with the previous year's material matters, and then considers:

- Changes in our operating environment
- Matters considered by the Board and its committees
- Issues raised by stakeholders
- Outcomes of our risk management process
- · Significant events over the past year

As a result of this process, we have identified the following material matters, which, if not managed properly, will negatively affect our ability to create and preserve value.

ltem	Material matter	Description	Related turnaround objective
MI	Liquidity and going concern in the short to medium term, and ultimately, financial sustainability over the long term Output the substance of t		
M2	Government support and debt structure	The extent of Government support and assistance to Eskom, including the management of our debt structure to ensure financial stability and sustainability, together with support to recover arrear municipal debt. It also covers funding raised, as well as debt servicing into the future	
МЗ	Improving operational stability to lessen the electricity crisis Efforts to enhance the stability and reliability of our operations to mitigate the electricity crisis, ensuring a consistent and secure supply of electricity to meet the needs of consumers and industries. It covers our generation plant and network performance, as well as ensuring sufficient generation capacity through the new build programme and IPPs, and also considers primary energy security. The increased supply of electricity would have a positive impact on financial performance, through additional revenue generated. Operational stability further relies on sufficient liquidity to plan and execute work effectively		
M4	Environmental performance and compliance	Adherence to environmental regulations coupled with efforts to minimise our environmental impact through sustainable practices, emission reduction and renewable energy initiatives	
M5	Climate change and Eskom's Just Energy Transition	Strategies and actions in response to climate change, including the transition to cleaner energy sources, reducing carbon emissions and promoting a sustainable and equitable energy transition aligned to the goals of the Just Energy Transition	
M6	Leadership quality and stability	Ensuring consistent and effective leadership within Eskom to provide strategic direction, decision-making, and stability, which is crucial for addressing challenges, implementing reforms, and driving organisational performance	

# Considering material matters continued

ltem	Material matter	Description	Related turnaround objective
M7	Adequate skills in a high-performance ethical culture	Fostering a work culture that promotes high performance, ethics, and integrity while ensuring that Eskom has the necessary skilled workforce to effectively manage operations, drive innovation, and address future challenges	
M8	Fight against fraud, corruption and crime	In order to turn around the organisation successfully, we have to deal proactively and effectively with fraud, corruption and the criminal elements that have infected the organisation	
M9	Governance, compliance and ethics	Upholding strong corporate governance practices and ensuring compliance with relevant laws, regulations and standards to promote transparency, accountability and ethical conduct within Eskom's operations	
MIO	Progress on legal separation	Advancement of the legal separation of Transmission, Distribution and Generation based on DPE's Roadmap, which involves the separation of our operations into separate subsidiaries to enhance operational efficiency, transparency and accountability	



# Operating context

# WHAT THE WORLD EXPECTS ...

Globally, there has been a move by stakeholders, most notably investors, towards assessing the sustainability and ethical impact of an organisation by assessing how it approaches environmental, social and governance (ESG) matters. This acceleration has been driven by heightened social, governmental and consumer attention to the broader impact of corporations, as well as by investors and executives who realise that a strong ESG proposition can safeguard the long-term success of a company. ESG investors seek to ensure that the companies they fund are responsible stewards of the environment, are good corporate citizens and are led by accountable managers. Eskom has embraced sustainable development and has been reporting related performance since the mid-1990s; in more recent times, we have been providing insight in respect of ESG-related initiatives through our integrated report and now, also through our sustainability report.

The benefits of using an ESG framework is that we can leverage this information to identify opportunities for continuous improvement to create a business that will be sustainable in all respects in the long term. More importantly, it serves as a navigation framework, guiding us to address our weaknesses and threats, to focus on our strengths, and to take advantage of emerging strategic trends in the electricity sector, specifically in terms of the financial, operational and structural challenges that must be overcome to ensure our ongoing business sustainability.

As a state-owned company, Eskom supports and enables Government's transformation objectives. The shareholder compact with DPE reiterates that, given the inherent dual mandate of SOCs, Eskom is required to pursue both commercial and socio-economic objectives. We give effect to DPE's Transformation Framework and Guidelines which seek to maximise the impact of developmental and transformation objectives as set out by Government.

In recent times, although we remain committed to supporting transformation of the economy, our contributions have been constrained by our challenged operating paradigm. Furthermore, we have not adequately leveraged the magnitude of our spending power and the broad spectrum of initiatives that we are pursuing due to a fragmented approach to transformation.

A significant opportunity to drive transformation arises as we gear up to drive the implementation of our 2035 strategy, which includes our Just Energy Transition. In view of the magnitude of capital spend that will underpin the required undertakings of the 2035 strategy, we have an opportunity to play a key role in facilitating investment to accelerate transformation and meaningfully support Government's objectives as articulated in the NDP's Vision for 2030.

# OUR IMPACT ON THE WORLD

South Africa's economic growth has been constrained, with the impact of loadshedding exacerbating the situation. This puts a strain on most customers' ability to pay for services, which manifests itself in lower payment levels and related growth in municipal debt, which stood at R58.5 billion at the end of the financial year. If the current trend continued unabated, given worsening payment levels being experienced, it is expected that municipal debt would reach R209 billion by the 2028 financial year, the end of the current planning horizon.

Poor generation plant performance and system-wide capacity constraints remain a significant risk for both Eskom and the country. Although this risk has become a reality, resulting in sustained high levels of loadshedding over the past year, uncertainty remains around the likelihood of further deterioration despite the implementation of treatment plans. The outlook for the coming year remains poor, unless the Generation recovery plan and plans by the National Energy Crisis Committee are successfully executed within the expected timeframes.

The frequent implementation of loadshedding and the current economic climate pose additional risks to the business sector, as some businesses close or downsize. South Africa is experiencing a growth in unemployment, topping the global charts for youth unemployment. These factors have a ripple effect on socio-economic conditions and are likely to lead to even worse poverty levels, household unaffordability and inequality, to highlight but a few of the risks associated with our inability to meet demand.

#### OUR ENVIRONMENTAL IMPACT

Eskom contributes about 47% of South Africa's greenhouse gas (GHG) emissions, which means that achieving net zero emissions will be dependent on our ability to reduce carbon emissions. At the same time, investment in the coal industry is declining, while investment in clean energy is on the increase. This will ultimately affect the availability of coal in the long term. While the Russia-Ukraine crisis has led to an immediate increase in coal demand and a significant impact on fuel prices due to limited supply of oil, trends indicate that global investment continues the shift towards clean energy.

Eskom has also become the world's biggest emitter of sulphur dioxide (SO<sub>2</sub>), with 97% of our SO<sub>2</sub> emissions associated with coal combustion for power generation. Increased ambient levels of sulphur dioxide pollution is linked to an increased frequency in ailments ranging from asthma to heart attacks. The requirement to comply with environmental legislation and the impact our operations have on the health and environment cannot be ignored. This, together with South Africa's commitments to the Paris Agreement, means that Eskom – as one of the most significant contributors to South Africa's emission challenges – has to lead in finding an optimal way of achieving compliance, while ensuring security of supply. This balancing act needs to consider technological practicalities and also factor in the knock-on effect on the cost of electricity

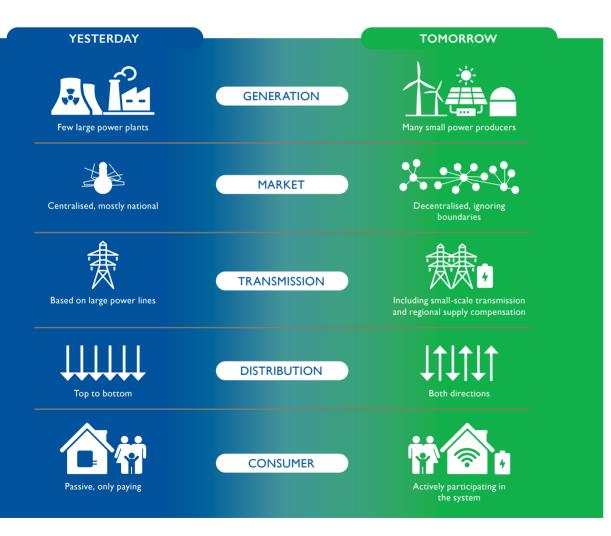
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# Operating context continued

supplied to customers. Nevertheless, it is a challenge to find the balance between the cost of stabilising existing plant, which seeks to improve the availability of generating capacity reliably, and the cost of retrofits required to ensure environmental compliance, which adds no capacity nor improves reliability.

The alignment with global environmental commitments is not limited to Eskom, but also driven by some of our largest customers, who are looking to find sources of clean energy to remain competitive in the export market. Current estimates indicate that 33% of South Africa's trade export is at risk; this number is likely to increase to over 50% of the country's exports being negatively affected by the introduction of carbon border tax adjustment mechanisms by the European Union.

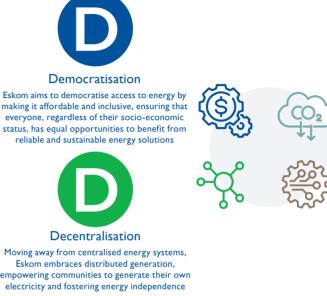


# ESKOM'S RESPONSE TO THE CHANGING ELECTRICITY SECTOR

Globally and locally, the energy sector is transforming, driven by fundamental shifts in policy, technology, economic and environmental demands. The industry is evolving from a predictive, vertically integrated model based on centralised generation flowing in a single direction towards a decentralised, modular model based on bidirectional flow of power enabled by smart metering. This 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 global and South Africa's commitments to the Paris Agreement.

# INDUSTRY TRENDS: THE ROLE OF THE FOUR Ds

The following major industry trends are shaping the future of the electricity sector, which can be summarised along four key themes, namely decarbonisation, decentralisation, digitisation and democratisation.



### OTHER CONSIDERATIONS

Eskom is the 106<sup>th</sup> global utility to implement unbundling, which is an important step to enable more private generation capacity to be added to the transmission grid. The establishment of an Independent Transmission System and Market Operator (ITSMO) is a key milestone to attract the estimated R1 trillion investment in generation that South Africa needs over the next decade to meet the growing electricity demand in the long term. This also implies that we will see a rise in competition, specifically in the generation and distribution sectors, and not only the retailing of electricity but also in network provision.

While the world around us continues to evolve, we have experienced significant operational, financial and structural challenges in the latter part of our 100-year journey. These have ranged from operational challenges in the ability of the Generation business to recover declining plant availability, evidenced by the all-time-low energy availability factor, to Decarbonisation The global shift towards reducing carbon emissions is prompting Eskom to transition from fossil fuels to cleaner energy sources, contributing to a sustainable and low-carbon future



Leveraging digital technologies and innovative solutions, Eskom enhances operational efficiency, grid management and customer experience, embracing the power of digital transformation in the energy sector

environmental challenges, which is further compounded by skills challenges. In addition, Eskom has had to contend with financial challenges driven by a weak balance sheet due to a high debt burden, below-cost-reflective tariffs, declining sales, above-inflationary cost increases and escalating arrear municipal debt. Due to historical underinvestment in the transmission and distribution infrastructure due to the need to allocate funds to address generation challenges, the network business finds itself with a significant backlog in the refurbishment and strengthening of the network, together with the geographical expansion and ultimately, the capacity of the network to connect customers to the grid.

These dynamics are all important considerations in our ability to deliver on our mandate, and have affected vital national priorities such as economic growth, job creation and efforts to combat poverty in South Africa, while further denting our poor reputation linked to loadshedding and corruption.

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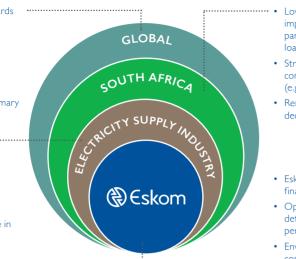
- Policy and funding shifts towards … cleaner and decentralised generation
- South Africa signed the Paris Agreement and pledged its support towards net zero emissions by 2050
- Coal shortages driving up primary energy cost
- Policy and regulatory considerations (NDP, IRP, DPE Roadmap, etc.)
- Removal of the licensing threshold for embedded generation in 2022 – increase in private power generation

We have long said that our challenges require systemic solutions. Eskom, like many other utilities, must navigate the competing demands associated with the energy trilemma, that is, energy security, energy equity (i.e. access and affordability) and energy sustainability, including the impact thereof on everyday lives. Our 2035 strategy aims to find the optimal balance between prioritising operational, financial and structural recovery from the challenges that are threatening our ongoing business sustainability, and also respond effectively to the global and local transformation shaping the electricity sector.

# THE ELECTRICITY CRISIS AND THE PRESIDENT'S ENERGY ACTION PLAN

We spoke at length in our 2022 integrated report about the origins of the electricity crisis gripping South Africa. If we do not respond adequately in the short term, the electricity crisis will severely constrain economic recovery over the next five to 10 years, affecting the trajectory of our recovery in the medium to long term. If we are to regain credibility as a sector and as an investor-friendly emerging economy, we must cater for a whole host of uncertainties. What is certain is that our current trajectory will continue to result in loadshedding, similar to, or even worse than, we have seen over the last few years. The choice we have to make is very clear, and premised on the need to transform and leverage the opportunities presented by the imminent energy transition.

On 25 July 2022, President Cyril Ramaphosa announced the establishment of the National Electricity Crisis Committee (NECOM). It provides an integrated political coordinating platform for the response to the energy crisis, to address loadshedding and enable the reforms necessary for the longterm sustainability of the electricity supply industry. NECOM,



Low GDP growth, further impacted by the COVID-19 pandemic and the impact of loadshedding

- Stringent environmental compliance requirements (e.g. MES and CO<sub>2</sub>)
- Renewable project costs
   decreased by 88% since 2011
- Eskom legal separation and financial sustainability risks
- Operating challenges: deteriorating coal plant performance
- Environmental challenges: legal contraventions and associated costs of achieving full compliance

through the Energy Action Plan, deals with all aspects of the electricity ecosystem, is chaired by the President and includes the key ministries required to enable faster decision-making, unlock bottlenecks and enable faster deployment of interventions to recover from the electricity crisis.

Despite the focus and endeavour of NECOM-led interstakeholder interventions to redress the electricity supply crisis, the start of the 2023 calendar year was fraught with unprecedented levels of loadshedding. The heightened levels of loadshedding had debilitating impacts on every facet of our society, not least on our healthcare sector, the agricultural sector, small businesses, our water infrastructure and our transport networks.

This continued downward spiral prompted the President to announce drastic interventions in the State of the Nation address on 9 February 2023. The President declared a state of disaster on 22 February 2023 to respond to the electricity crisis and its effects (this was terminated on 5 April 2023). This was followed by the appointment of Dr Kgosientsho Ramokgopa as Minister of Electricity in the Presidency, to assume full responsibility for overseeing all aspects of the electricity crisis response, including the work of NECOM.

As Eskom, we are grateful for these interventions, as we continue to emphasise that Eskom alone cannot address the electricity crisis. We will work with the Minister of Electricity to ensure that the Electricity Action Plan is implemented expeditiously in collaboration with all key stakeholders, acknowledging that "in a time of crisis, we need a single point of command and a single line of march", as the President pointed out. The Energy Action Plan sets out the country's response to address loadshedding and achieve energy security. The plan has five key interventions that will be implemented through NECOM, under the leadership of the Minister of Electricity. These interventions and assumptions are outlined below:

#### OBJECTIVE I Fix Eskom and improve the availability of existing supply

We have developed an EAF recovery plan, which is set to deliver 6 000MW by 2025 and achieve an EAF level of 65% by the end of March 2024, with 70% by the end of March 2025. Our outage funding has been adjusted to ensure that adequate capital is available to execute required maintenance on generation plant. Demand-side management interventions will also be implemented over the period. The estimated impact of these interventions is around 1 450MW over the next three years.

### **OBJECTIVE 2**

# Enable and accelerate private investment in generation capacity

The latest forecast from the Presidency indicates that more than 9.6GW of new capacity in the form of private sector projects is in the pipeline, with around 5GW planned to come online by 2025. We are also in the process of implementing the innovative land lease initiative which is set to release up to 31 000 hectares of Eskom land with a potential solar PV capacity of around 11GW that could be connected to the grid rapidly, given the proximity to existing network infrastructure.



This includes procurement of surplus capacity from the earlier bid windows from the RE-IPP Programme. We have launched the Standard Offer programme to procure up to 1 000MW of additional energy from existing private generators. We are also pursuing the Emergency Generation Programme from new suppliers that have capacity available immediately to dispatch to the grid as and when required by the System Operator, together with the import of additional power from countries in the region.

In addition, DMRE is accelerating the procurement of electricity through planned IPP bid window programmes, with 1 000MW in bid window 6 and a potential 5 000MW in bid window 7 expected to come online by 2026, subject to the availability of grid capacity. This follows a ministerial determination of 18 000MW of new generation capacity from wind, solar and battery storage that was published in August 2022.

### OBJECTIVE 4 Enable business and households to invest in rooftop solar

Homes and businesses will be incentivised to install rooftop PV systems, and sell surplus energy generated to the grid. The IRP 2019 is being reviewed, which will provide an updated view of the supply- and demand-side levers available.

We have submitted a net metering tariff for residential customers to NERSA for approval. This should encourage households and businesses to invest in their own generation capacity, contributing to supply and reducing demand. This is also in line with the conditions outlined in Government's debt relief package.

# **OBJECTIVE 5**

Fundamentally transform the electricity sector

Eskom is working resolutely to ensure the establishment of the National Transmission Company South Africa (NTCSA). Upon the promulgation of the Electricity Regulation Amendment Act and receipt of licensing, lender and relevant enabling approvals, the independent market is expected to start trading from I April 2024. This will further stimulate investment in the electricity supply industry, as independent electricity suppliers will be able to sell their electricity in the market, reducing pressure on our ageing fleet and providing space to execute much-needed maintenance.

Given the systemic nature of the electricity ecosystem, all of these levers have to deliver as planned, and the required enablers and inherent risks which are outside our sphere of control will need to be managed through NECOM structures to deliver an effective impact on reducing the electricity crisis.

Assuming that all of these interventions materialise and deliver on their objectives, there should be a net increase in South Africa's generation capacity of around 10 000MW by 2025 taking into account the impact of stations approaching their end of life and incorporating the embedded generation uptake. This is expected to result in a reduction in the levels and intensity of loadshedding in the coming years.

While we will ensure that we deliver against our commitment on the Energy Action Plan, other levers outside our control are critical to ensuring the long-term sustainability of the electricity supply industry.

We will play our part in improving fleet performance, procuring capacity and enabling a liberalised market to promote investment in much-needed capacity. Government needs to ensure that the enabling policy is in place for the investments to be made. Fixing the existing fleet alone is not a sustainable solution in the long term. Investment in new generation infrastructure will be critical for the long-term sustainability of the electricity supply industry.

# 

# Our strategy and turnaround plan

# LEVERAGING THE TRANSITION

While the reality of the energy transition is influencing our strategic direction, we must resolve our financial, operational and structural challenges to create a sustainable platform that allows us to leverage opportunities as the country's policy direction supporting the energy transition unfolds. Consequently, in the shorter term, we must focus on our turnaround plan, which, when achieved, will provide a foundation to pursue our longer term strategic trajectory. Our pursuit of a transitioned utility involves a gradual move towards balancing the response to the short-term crisis with the long-term sustainability of the company.



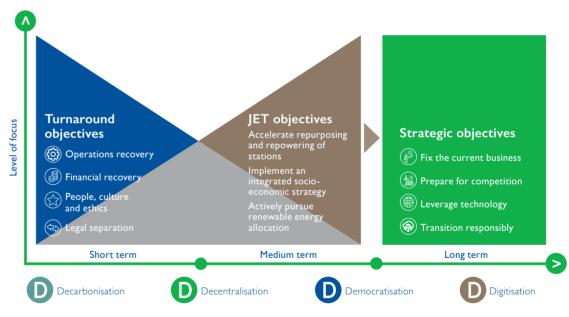
	Risks of ignoring the transition	Benefits of embracing the transition
Trade partners	$\sim$ 33% of trade at risk due to implementation of carbon tariffs by 2030, and up to 56% by 2050	Ensures South Africa's exports are competitive despite growing carbon tariffs
Customers	Large industrial and mining customers decarbonising, looking for renewable energy	Cheaper renewable energy can be sold to large customers looking to decarbonise
Suppliers	Some coal plant OEMs indicated they will not renew select spares contracts	Renewable technology is increasingly practical and costs continue to decline
Funders	Limited, expensive commercial funding and insurance available	Abundant funding available, often at concessional rates

# **OUR STRATEGY IN A NUTSHELL**

While our focus is on delivering the outcomes of the turnaround plan, a deliberate focus will be placed on aligning future investments and aspirations with the imminent transition. By driving a just energy transition (JET), Eskom will be enabled to address many of our immediate challenges in the short term, while facilitating long-term growth and sustainability. The JET will also assist with supporting national goals to decrease greenhouse gas emissions, promote job creation through reskilling, and stimulate economic growth.

The aim of our strategy is to contribute to providing electricity to meet growing demand, have a significantly reduced financial dependence on the South African Government, and demonstrate positive environmental and socio-economic impacts. In the short to medium term, focused effort on performance improvement and optimisation to turn the business around is critical, as is the financial turnaround.

To achieve our desired end state and to ensure an integrated approach to delivering the ambition, we have revised our strategic objectives to incorporate internal and external developments. The objectives will ensure greater urgency on the turnaround and to ensure that the immediate interventions deliver the desired outcomes to set the organisation on a path to sustainability. Consequently, our focus for the next two to three years is to execute the turnaround and legal separation, while positioning the organisation for the transition.



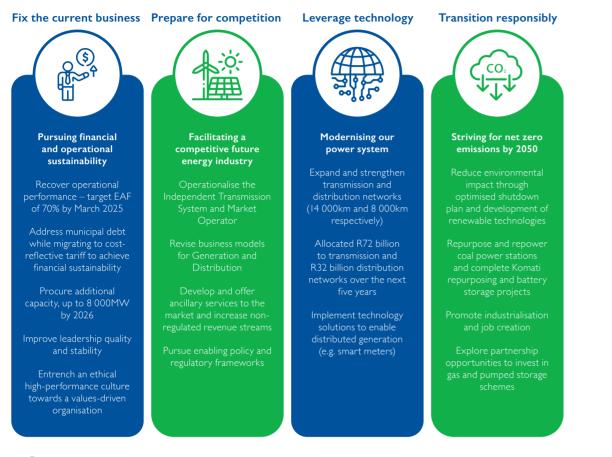
The strategy is not binary, all aspects of the strategy are important, however there is urgent focus on the turnaround to respond to the current energy crisis.

Performance review

# Our strategy and turnaround plan continued

### LONG-TERM OBJECTIVES

To guide Eskom's activities in navigating the complex environment, our long-term strategic objectives have been defined as indicated below.



# (\$) III FIX THE CURRENT BUSINESS: PURSUING III FINANCIAL AND OPERATIONAL RECOVERY

This objective encompasses our turnaround objectives, intended to fix the current business, with a particular focus on generation recovery, financial sustainability and, most importantly, ensuring an ethical and high-performance culture among all employees. Following positive developments on financial challenges, such as the positive revenue decisions for the next two years received from NERSA and the debt relief package announced by National Treasury, we are now in a better position to address the operational challenges that were closely related to the financial constraints. Consequently, efforts are being intensified to focus on the recovery of EAF, procurement of additional capacity and return of units that are on long-duration outages.

Initiatives to improve EAF and recover load losses will be delivered through the Generation recovery plan, initially focusing on the six priority stations which contribute more than 50% to unplanned load losses and where an improvement will have the biggest positive impact on the system – Duvha, Kendal, Kusile, Majuba, Matla and Tutuka. Although the initial focus was on the six priority stations, all stations have detailed recovery plans which are being centrally monitored with related actions being tracked. The plans and their implementation are stress-tested by independent consultants reporting directly to the Board. Generation Division has regrouped its efforts around focus areas and levers to improve people, plant and process performance – these are essential levers to deliver a sustainable improvement into the future.

However, primarily due to system constraints, outages continue to be deferred or cancelled, including those on the six priority stations. These constraints correctly result in priority being given to safety and statutory outages over reliability and performance improvement projects.

The procurement of additional capacity is critical to enable the execution of outages by creating space in a highly constrained system. The Transmission business will contract at least 2 900MW in the next two years, while concurrently executing the rooftop solar PV initiative, enabled by the Distribution

business. Solar PV has the potential to deliver around 10GW by 2030. This must be augmented by net billing and the feed-in tariff framework. Interventions to unlock demand-side management through the rollout of industrial energy efficiency campaigns and the rollout of solar water heaters will be implemented to reduce the gap between demand and supply.

The turnaround programme has received a further catalyst in the form of the balance sheet support that will be provided by National Treasury, aimed at supporting the immediate operational and financial challenges to position us on a sustainable path. The conditions that Eskom must abide by during the debt relief period have been clearly articulated.

# (IR) Refer to "Our finances – Funding activities and risks" on page 89 for the conditions attached the Eskom Debt Relief Act, 2023

While the balance sheet support provided by National Treasury will serve as a catalyst to our turnaround efforts, the ongoing challenges related to municipal debt have reached critical levels. Municipalities owed Eskom R58.5 billion at year end, from a level of around R2.6 billion in 2014. The culture of non-payment undermines efforts by Government to ensure that we are financially sustainable. Technological solutions and engagements with various stakeholders are being prioritised to find a sustainable solution to the municipal debt. The municipal debt relief initiative recently announced by National Treasury has the potential to go some way towards addressing the escalating arrear municipal debt challenge.

The success of our turnaround plan rests on our ability to mobilise and rally our people behind the recovery of our operational performance. This involves looking after our people and implementing a high-performance ethical culture to improve employee morale, through deploying appropriate reward and retention strategies to ensure that pockets of excellence are retained, and that underperformance can be dealt with.

A key focus of the turnaround plan will involve an emphasis on addressing the lack of accountability and consequence management, non-compliance with safety standards and housekeeping practices, non-adherence to well-documented procedures, poor operational practices and lack of discipline, as well as on improving leadership quality, stability and continuity throughout the leadership layers.

# PREPARE FOR COMPETITION: FACILITATING A COMPETITIVE ENERGY INDUSTRY

The entry of additional private generators presents a number of risks to the sustainability of Generation's business. At the same time, the penetration of large-scale additional generators provides opportunities for the business to participate in the emerging market by providing the base-load capacity that will be required to complement the intermittent nature of renewable energy. This will simultaneously require the Generation business to ensure that the plant can operate in a reliable manner and has the capability to operate flexibly in response to the dynamic nature of the system. We have already identified opportunities where the Generation business can leverage its existing assets to participate in the future industry. These include the land leasing initiative, which has seen overwhelming support from the private sector to invest in land, with the first tranche attracting more than 2 000MW in renewable energy capacity. Land leasing at, or in close vicinity to, our power stations provides easy access to the grid to stimulate private sector participation in adding additional generation capacity in the short to medium term. Approximately 31 000 hectares of Eskom land has been identified for land leasing, with a potential PV capacity of around 11GW.

In the medium to long term, ancillary services that will be provided by gas and pumped hydro storage schemes will play a critical role in the future energy mix. The Generation team will be exploring partnership opportunities to enable it to offset the reduction in market share as a result of stations reaching their end of life with new opportunities in line with the evolution of the industry.

The establishment of an Independent Transmission System and Market Operator (ITSMO) in line with DPE's Roadmap is critical for the sustainability of the electricity supply industry. Enabling additional generators and establishing market platforms will attract much-needed private investment in the generation and distribution sectors, while reducing reliance on Government's already constrained balance sheet.

Eskom needs to further position itself to respond to the changing environment through the introduction of technology for better efficiencies and to manage a dynamic network within regulatory limits, specifically, the establishment of a Distribution System Operator (DSO) to manage and coordinate distributed generation as a neutral facilitator of open markets; the provision of ancillary and balanced responsible services to the ITSMO to secure the power system; and the implementation of active partnering to solve incapacity and non-payment challenges at municipalities.

# LEVERAGE TECHNOLOGY: MODERNISING OUR POWER SYSTEM

The evolution of the electricity supply industry and connection of large-scale renewable and distributed energy also require significant strengthening and expansion of transmission and distribution infrastructure, in line with the stated capacity requirements of the Transmission Development Plan (TDP), which are cascaded into the Distribution Network Development Plans.

In order to ensure that the rollout of the transmission grid is not a constraint to adding more generation capacity, innovative ways of delivering more lines are being considered, including concessioning and "build, operate, transfer" (BOT) models. In the short to medium term, the Transmission and Distribution businesses will be capacitated to expedite the delivery of around 14 000km of new transmission network and 8 000km of new distribution network by 2035. Additional technology solutions such as smart meters will enable bidirectional metering that, together with appropriate feed-in tariffs, will stimulate small-scale embedded generators, most notably, greater investment in rooftop solar by customers.

STRATEGIC TIMELINES

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# Our strategy and turnaround plan continued

We have allocated approximately R46 billion over the next five years to address the infrastructure requirements across the Transmission and Distribution businesses to modernise the grid and invest in information technology upgrades.

Our IT strategy is focused on solutions to empower the user (both employees and customers) through the use of technology and simplifying the user experience. The IT strategy is also aligned to enable a digital business transition, specifically within the realm of addressing fraud and high-risk procurement. We are investigating the implementation of a robust fraud analytics platform to identify, reduce and eliminate waste, abuse and fraudulent procurements. Billing and customer interface analytics aimed at reducing non-technical losses to support revenue assurance are also being developed. Block chain technology use cases are being investigated to manage spending, promote transparency and reduce fraudulent transactions in the supply chain of goods and services.

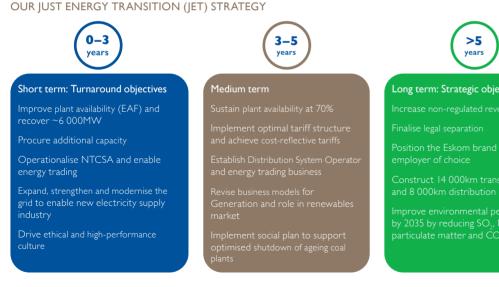


Our strategic context

Stricter legislation means that approximately I6GW (33% of our installed capacity) is at risk of being shut down immediately due to non-compliance. Techno-economic indicators also show that life extension of ageing power stations is not a viable strategy, given the extraordinarily high cost of prolonging the life of old power stations, the significant cost of environmental compliance, the impact on the country's export competitiveness and the negative impact this may have on our industrial and commercial customer base.

We are working with the relevant ministries, specifically the Department of Forestry, Fisheries and the Environment (DEFE) to align on an optimal solution for South Africa and Eskom to meet minimum emissions standards (MES) and in the medium to long term, and reduce Eskom's GHG emissions through a well-controlled just energy transition while avoiding investment of more than R300 billion in emission-control equipment.

Our focus is on a well-planned, optimised shutdown of stations that are approaching their end of economic life, consistent with the IRP 2019, while mitigating the associated socio-economic impacts on affected communities.



Eskom's long-term strategy positions us as an enabler of JET and a key role player in executing the IRP 2019. The JET is about leveraging 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 by 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.

# Long term: Strategic objectives

The IET programme has three main objectives:

growing localisation and industrialisation

models, attracting green financing

• Just elements: doing better for people and the planet, while

• Energy elements: cleaner, sustainable, reliable electricity

• Transition elements: transformational change of business

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 laying the foundation for a stable, equitable and cohesive South Africa.

The key focus areas in the immediate and short term include refining the approach to the repurposing and repowering of stations, ensuring alignment with Government's Just Energy Transition plans, actively pursuing renewable energy allocations through partnerships and implementing an integrated socioeconomic strategy.

Preparing for the repurposing and repowering of stations is intended to mitigate the socio-economic impact on the communities surrounding the stations that will be reaching their technical and economic end of life. This initiative is meant to enable and optimise the just transition from coal to more carbon-efficient electricity generation. Solar PV, wind, battery storage and gas are immediate technologies prioritised for repowering initiatives, with investigation of other technologies to be considered in the medium to longer term.

It is noted that the conditions of the debt relief package from National Treasury precludes investment in new generation over the debt relief period. The debt relief conditions are also clear on the immediate next steps for generation. These entail that National Treasury, in collaboration with DPE, conduct an independent assessment of Eskom's operations which will recommend which power stations can be resuscitated to original equipment manufacturer's standard. As part of this assessment, other options like concessioning of some power stations will be considered, including the optimal approach to the stations reaching their end of economic life.

Over this period, we will prioritise and deliver on the Komati repurposing and repowering project and support the efforts of the President's Energy Action Plan to unlock additional capacity through more innovative land leasing initiatives. This will also include partnering with the private sector to train our employees, while enabling future growth.

Enabling the transition to renewable energy will improve the carbon intensity of South African industries and will retain competitiveness. Renewables will be enabled through partnerships and power purchase agreements (PPAs). Potential for local manufacture, optimisation regarding established special economic zones (SEZs) and renewable energy development zones (REDZs) will be leveraged.

The proactive approach to planning a just energy transition for Eskom will enable a more integrated approach to socioeconomic strategy. Some of the additional benefits of moving towards lower-carbon technologies are the potential to create new and exciting jobs and a greater preservation 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 electricity 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 is on reindustrialisation in the Mpumalanga region as a result of the scale of our operations in this region.

### **DEVOLVING THE STRATEGY**

In driving initiatives within Eskom, we will align with national IET plans as well as the Presidential Climate Commission on all matters involving the transition, including targets, funding mechanisms, localisation, industrialisation and socio-economic impacts.





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provision

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# Our strategy and turnaround plan continued

# **Operational recovery**

- Implement the Generation
- Recover ~6 000MW by 2025 - Achieve 65% EAF by end
- March 2024
- Achieve 70% EAF by end March 2025

### Improve cost control

 Deliver cost efficiencies • Optimising coal quality and quantity including long-term

### Generation legal separation and environmental sustainability

- Upgrade high-frequency transformers and electrostatic
- Off-set projects and emissions abatement plans
- plan and repurposing/repowering
- Explore clean energy partnerships

# TRANSMISSION

团

Procure additional capacity

# Legal separation

Establish energy trading market platform

#### Strengthen and expand grid

 Construction of ~3 000km of transmission Installation of ~22 000MVA of

transformation capacity

# Maintain system minutes

# Pursue profitable sales opportunities in the region

Our operating divisions are each focusing on initiatives to give effect to the strategy, encompassing both the short-term turnaround objectives and the long-term objectives.

As the country works towards solving the energy trilemma, of ensuring energy security, energy equity (access and affordability), and energy sustainability for the economy and the people of the region, Eskom will work closely with the Minister of Electricity and through NECOM, to give effect to the turnaround. In collaboration with key stakeholders, we will strive to support the transition by supporting Government's policy direction for the future electricity sector, as we strive to deliver on our vision of "sustainable power for a better future".

# PROGRESS ON LEGAL SEPARATION

The Board resolved to align to and implement legal separation as set out in DPE's Roadmap for Eskom in a Reformed Electricity Supply Industry (DPE's Roadmap) issued in October 2019, by implementing business separation and forming separate wholly owned subsidiaries to house Generation. Transmission and Distribution, based on the revised timelines adopted at the Inter-Governmental Steering Committee (IGSC).

Modernise the power system

control

Legal separation

Improve debt collection

Improve operations and cost

# New markets and products

Functional separation has been completed for all divisions, as previously reported.

Several external dependencies and risks have been considered and attended to and are at varying stages of completion. These include:

- Implications to lenders and loan covenants
- Eskom's debt challenges
- Implications to the assessed tax loss benefit
- Staff transfer and labour consultations
- The need to unbundle tariffs prior to separation
- Policy and Government-approved market rules
- A legal framework for the restructuring process
- A regulatory framework and licensing requirements

# TRANSMISSION PROGRESS

Previously communicated plans proposed NTCSA operationalisation readiness by December 2022 and commencement of trade in April 2023, subject to the various dependencies.

Operationalisation readiness was not achieved and NTCSA did not start trading as planned due to several external dependencies. These are:

- Acquiring licences from NERSA
- Obtaining lender consent
- NTCSA being designated as buyer by DMRE
- Conclusion of various governance requirements with a key issue being the appointment of independent directors for NTCSA by DPE

The revised Transmission licence applications (for three licences) were submitted to NERSA in September 2022. Following a process which included a public comment period, NERSA has awarded the three licences from July 2023 onwards, although the licences have not yet been issued.

The Transmission lender engagements with all lenders have been completed and documentation was submitted to those lenders from whom consent is required. Consent was delayed from the target date of 31 August 2022, as lenders required further feedback on National Treasury's proposed debt relief to Eskom. Bilateral lender engagements after the National Budget Speech in February 2023 have been completed. Formal requests for consent were submitted to the relevant lenders. Consent is dependent on each lender's governance processes.

An interim NTCSA board and some governance structures are in place. The Minister of Public Enterprises requested that the newly appointed Eskom Board review the list of proposed NTCSA directors submitted previously. After consideration by the Governance and Strategy Committee, the Board has recommended candidates for DPE's consideration to ensure that the NTCSA supports the establishment of an energy trading platform to promote competition in the electricity generation industry.

A process is under way with Government and NERSA to designate NTCSA as buyer of power from IPPs.

Trade unions have elected to approach the Group Executive: Human Resources to seek a resolution of matters they raised during various arbitrations. They have reiterated that they are not convinced on the appropriateness of a section 197 process and that they still require specific information to be able to conclude their position. Consultations will be reopened to allow time for further discussions. The discussions will be scheduled upon receipt of NTCSA's licences.

SARS issued a VAT ruling in February 2022 and an income tax ruling in March 2023 regarding the transfer of assets to NTCSA, confirming that intra-group corporate rollover provisions will apply and the transfer of assets to NTCSA will be tax neutral.

We are working on revised plans for NTCSA operationalisation and commencement of trade. We expect operationalisation of NTCSA by April 2024.

### DISTRIBUTION PROGRESS

The previously communicated plans had targeted Distribution corporatisation by December 2022, readiness for operationalisation by December 2023 and commencement of trade by April 2024, subject to the various dependencies, among which the Transmission separation and approval of the second PFMA application.

The first PFMA application for the establishment of the Distribution company was approved by DPE and National Treasury. The memorandum of incorporation was approved, and the National Electricity Distribution Company South Africa (NEDCSA) has been registered with CIPC.

However, corporatisation was not achieved by December 2022 as the second PFMA application for operationalising Distribution was still being processed by DPE. Following approval of the PFMA application by DPE in October 2023, the merger agreement has to be concluded.

The key risks to legal separation of Distribution are:

- Delays in NERSA engagements regarding licensing, as Distribution will only apply for its licences once the Transmission licences are in place, as Distribution's licences will reference the Transmission licences. Certain amendments, which are expected to arise from the Transmission licences, may have to be incorporated Resolution of municipal debt challenges
- · Impact of the ERA amendment bill
- · Delays in obtaining lender consent

Due to these delays and dependencies, commencement of trade is targeted by November 2025.

## **GENERATION PROGRESS**

The intention is to form a new Eskom holding company, wholly owned by Government, which will in turn acquire all of the shares in the existing Eskom Holdings SOC Ltd. The existing company will then change its name to Eskom Generation and transfer Eskom's corporate assets into the new Eskom holding company.

The due diligence report for Generation has been finalised and completed. Given the approved corporate structure, the unbundling of Generation is dependent upon the establishment and operationalisation of a new holding company. The legal separation of Generation was not completed by 31 December 2022 as originally expected due to this dependency.

We are awaiting Government's guidance on the way forward.

The revised plans target establishment of the new holding company in 2024/25 and legal separation of Generation in 2025, due to the dependency on legislation and Government policy.

Performance review

# Integrating risk and resilience

# ENTERPRISE RISK MANAGEMENT PROCESS

We are committed to effective management of risk which is central to Eskom's governance and management processes, and essential for achieving our vision and mandate. It is imperative that risk and resilience management be embedded into all business processes to identify and manage risks consistently and proactively. Our vision is to provide stability of electricity supply through providing electricity in an efficient and sustainable manner, assist in lowering the cost of doing business in South Africa and enable economic growth.

We manage risk and resilience throughout Eskom and its subsidiaries using an established approach. In terms of the requirements of King IV<sup>TM</sup>, the Board has overall responsibility for the oversight and governance of risk, and also approves the risk appetite and tolerance levels, together with the Enterprise Risk and Resilience Management Policy and Plan.

Board has delegated the responsibility for effective risk and resilience management to Exco. Together with its Risk and Sustainability Committee, Exco reviews the key priorities and deliverables of the Risk and Resilience Management Plan on an annual basis, while risk management performance is monitored on a quarterly basis, in line with Eskom's Risk Appetite and Tolerance Framework.

On behalf of the Board, the Audit and Risk Committee (ARC) has overall oversight of risks. The Board is rolling out an integrated approach to risk, with individual committees taking accountability for the risks affecting their particular areas. As an example, the Human Capital and Remuneration Committee (HCRC) would consider people-related risks, and provide oversight over the effectiveness of interventions.

We utilise an 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 direction in which they are moving, and at which rate. Furthermore, the assessment of strategic risks, risk appetite and emerging risks is part of our strategy development process.

Eskom continues to comply with DPE's Risk and Integrity Management Framework, which was published in November 2020, and aims to strengthen practices by SOCs in the areas of risk management, sustainability reporting, conflict of interest management, vetting of employees and general ethics management. We report progress to DPE on a quarterly basis.



### ASSESSMENT OF RISK

Through the effective management of risk and resilience, we are able to formulate and execute our strategy, operate our business with the least possible disruption, respond to and recover from disruptions should they materialise, and leverage opportunities as they arise. It is important that risks that affect our strategic objectives are identified, managed effectively and monitored continuously.

### EMERGING RISKS AND THE RISK LANDSCAPE

As noted earlier, we operate in a complex environment. 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 appropriate changes reported in the business. The identification of emerging risks is critical to ensure that these risks are managed proactively. Emerging risks are tracked and reported quarterly to Exco and the Board.

Both local and international factors have resulted in a weaker Rand, higher inflation and interest rates, slower economic growth and an increasing unemployment rate. Civil unrest remains a major risk due to the poor socio-economic conditions.

Added to this, South Africa has been grey-listed for not complying with international standards on the prevention of money laundering, terrorist financing and proliferation financing, which may deter foreign investment, which is needed to stimulate economic growth and job creation. Although this has not affected Eskom's funding programme at this stage, it may lead to more onerous requirements from lenders in the future. However, in the medium term, we are protected to some extent by the debt relief restrictions.

Furthermore, the Russia/Ukraine war continues, leading to supply chain constraints and rising fuel and food costs. South Africa's relations with the US are strained: a deterioration in trade relations can impact oil and other energy-related imports, foreign-based technology, foreign investments and development assistance, which could impact Eskom's operations and financial sustainability.

Volatile political conditions, together with the upcoming national elections in 2024, are likely to influence the country's risk context. Credit rating agencies are monitoring the situation in South Africa, particularly with respect to the energy crisis in the medium term, governance and leadership challenges, and the execution of treatment plans. Any downgrade would have an impact on the cost of existing borrowings.

The International Monetary Fund (IMF) has reduced its growth forecast for South Africa for 2023 to 0.1% and has warned that South Africa risks economic stagnation unless it acts with urgency to implement economic reforms. National Treasury has a slightly more optimistic view, with growth forecast at 0.9%. Eskom's reputation has been in a downward spiral, accelerated by environmental challenges, loadshedding, the lack of costreflective tariffs, high levels of debt and escalating arrear municipal debt, allegations of fraud and corruption and the effects of state capture, all of which require clear business positions on how to address them and proactively engage with stakeholders and external decision makers to rebuild trust and confidence in Eskom.

### OPERATIONAL RISKS

At the lowest level, we deal with operational risks, which are raised by individual business areas and 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 I and emerging risks are reported quarterly to Exco and the Board, which provide oversight as recommended by King IV<sup>TM</sup>. These Priority I risks are aggregated into strategic risk categories across seven dimensions.

#### STRATEGIC RISKS

Our risk landscape is monitored, tracked and reported across seven risk categories which address these long-term risks. The aggregated strategic risks are a consolidation of various divisional and subsidiary Priority I risks grouped under the various risk consequence categories, namely finance, operations, environment and climate change, people, culture and safety, information technology, compliance stakeholder management. The aggregated strategic risks are consolidated and aligned to the Board-approved risk appetite statements. All have key risks indicators (KRIs) assigned, with treatment plans in place. Successfully treating these risks is paramount for our future success.

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.

A number of significant risks, mainly related to financial, operational and environmental sustainability, have remained unchanged for a long period. The risk dashboard indicates that we are operating outside our risk appetite for the financial, operational, environmental and compliance risk categories. Furthermore, the key risk indicators indicate that more Priority I risks may materialise unless treatment plans are successfully implemented, with the cause of many risks being outside of management control.



Strategic risk per category	Risk appetite description	Related material matters	Treatment plans		
<b>Finance</b> Eskom's financial sustainability is being compromised due to below-cost-reflective tariff determinations by NERSA and declining sales, operational challenges resulting in increasing costs, high levels of debt, an increase in non-payment of municipal bulk accounts, and the effects of fraud and corruption (including state capture). This situation could affect our ability to meet financial obligations and maintain the status as a going concern. If fraud and corruption – due to unethical behaviour and ineffective controls to prevent, detect and correct such behaviour – are not brought under control, it could lead to continued financial losses, and further operational and reputational damage	There is a high appetite to reduce the loss to less than R5 billion over the next two years by increasing revenue, operating from an efficient cost base, and having a stable balance sheet. Achieving this requires shareholder interventions and possibly policy shifts, as well as innovative solutions	MI M2	<ul> <li>Collaborating with Government (specifically National Treasury) to develop and execute the debt relief package</li> <li>Optimising cash from operations to fund capex</li> <li>Engaging with NERSA and various stakeholders have yielded more balanced tariff determinations recently. This is a key lever towards financial sustainability</li> <li>Internal and external interventions are being implemented to address arrear municipal debt, including the Distribution debt strategy, the active partnering solution and the municipal debt relief proposed by National Treasury to address historical debt, and sustainably arrest the decline in payment levels</li> </ul>		
<b>Operations</b> Eskom's operational performance is deteriorating due to a loss of critical skills; poor plant performance and poor outage execution quality; coal-related challenges; capex reduction in recent years; an inability to sustain and maintain transmission network reliability; and intolerable levels of theft and vandalism of network equipment due to deteriorating socio-economic conditions. This is exacerbated by risks to the Koeberg long-term operation project. This frequently results in system constraints and the perceived risk of a national blackout, causing a decline in stakeholder confidence. Poor operating performance also impacts on financial sustainability	There is a high appetite to meet the country's electricity demand, and to protect the national grid using load reduction and loadshedding as control measures, to ultimately prevent a national blackout. This will be achieved by operating plant efficiently and safely through a skilled and competent workforce, while remaining mindful of limiting environmental harm. To be successful, Eskom requires shareholder and Government support	<ul> <li>Establishment by the President of the National Energy Crisis Committee (NECOM measures to improve the performance of Eskom's existing power station fleet</li> <li>The revised Generation recovery plan and execution of the Koeberg long-term op</li> <li>Engaging both DPE and DMRE to procure additional capacity to create space for m maintenance</li> <li>Engaging with NERSA, DPE and DMRE to assist with regulatory challenges to supp Generation's operational maintenance requirements</li> <li>Improving consequence management to address poor performance</li> </ul>			
There is risk of further delay of legal separation, due to lack of alignment at various levels and stakeholder engagement, leading to further reputational damage and declining investor confidence					
Environment and climate change Our poor environmental performance and non-compliance with laws and regulations could result in the loss of our licence to operate, as well as the shutdown of generating plant and/or litigation. Non-compliance is caused by the lack of disciplined execution as well as the lack of funds to implement initiatives to ensure compliance, coupled with the lack of space to conduct the necessary maintenance or outages In the long term, Eskom may fail to transition from a coal-based power system to a lower-carbon and climate-resilient organisation due to obstacles on the net zero	High appetite to comply with the relevant environmental legislation to prevent harm or damage to the environment High appetite to transition to a lower-carbon and climate-resilient company through Government support, while addressing socio-economic imperatives and complying with various policies and regulations	M4 M5	<ul> <li>Addressing plant defects during outages to improve emissions and water consumption of power stations</li> <li>Implementing an optimised approach to Minimum Emission Standards (MES) compliance in line with JET to integrate considerations related to emissions, cost, tariff, net present value, practicalit alternate technology options and energy provision</li> <li>Prioritising funding for emissions projects as part of the Generation capital plan</li> <li>Escalating environmental compliance challenges (including MES) to the relevant policy departmer</li> <li>Aligning with the Electricity Minister on the proposed optimal solution to balance environmental</li> </ul>		
pathway; or no low-carbon technology fleet allocation to Eskom by DMRE, leading to a failure to invest in an optimal combination of clean technologies to achieve CO <sub>2</sub> reductions			compliance in light of supply constraints		
People, culture and safety The loss and lack of skills is a root cause of many risks and will continue to impact our sustainability. In addition, a breakdown in relations between organised labour and management affects productivity and creates a harmful working environment, and in extreme cases, could lead to an inability to supply electricity to customers. The health and safety of people may be compromised by failure to effectively implement occupational health and safety improvement initiatives, leading to harm (injuries, fatalities or damaged property), thereby decreasing productivity and ultimately, damaging our reputation	High appetite for a skilled workforce and a high-performance organisation built on an ethical culture, with accountable leadership driving the entrenchment of Eskom's values 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 affect human health negatively	M6 M7 MB M9	<ul> <li>Reviewing HR policies to address the skills shortage</li> <li>Implementing HR strategy, including a skills audit and hybrid work model</li> <li>Implementing Eskom's culture transformation programme to deliver a high-performance ethical culture</li> <li>Reviving the Eskom Academy of Learning</li> <li>Updating the leadership continuity plan</li> <li>Leveraging performance and consequence management systems</li> </ul>		
M Liquidity and going concern in the short to medium term, and ultimately, financial sustainability (	over the long term	M6 Leadership stability			
Government support and debt structure		M7 Adequate skills in a high-perfo	rmance ethical culture		
M3 Improving operational stability to lessen the electricity crisis		M8 Fight against fraud, corruption	and crime		
M4 Environmental performance and compliance		M9 Governance, compliance and e	M9 Governance, compliance and ethics		
Climate change and Eskom's Just Energy Transition		Progress on legal separation			

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# Integrating risk and resilience continued

Strategic risk per category	Risk appetite description	Related material matters	Treatment plans		
Information technology A major cyber-security attack against Eskom's IT network infrastructure will affect critical business systems, and will have legal, operational and financial implications, ultimately leading to reputational damage. Treatment plans are in place and generally considered effective	High appetite to lead Eskom's information technology direction proactively, while enabling, empowering and co-creating innovative technology solutions for our customers in the next three years	M3 M9	<ul> <li>Enforcing security compliance on all applications, as well as collaborating between Group IT and application vendors</li> <li>Developing new key risk indicators to enhance risk monitoring</li> <li>Incorporating interventions in Eskom's disaster recovery plan</li> </ul>		
<b>Compliance</b> Compliance with certain areas of the PFMA has been a challenge in recent years. Misstatement of irregular as well as fruitless and wasteful expenditure and losses due to criminal conduct results in a qualified audit opinion, high financial losses, reputational damage as well as possible criminal prosecution. This is exacerbated by regulatory non-compliance with MES limits and litigation challenges we face	No appetite for any non-compliance with legal and regulatory compliance obligations, or compromising compulsory requirements or voluntary commitments, which may cause harm to the organisation. Furthermore, Eskom has no appetite for unethical conduct, fraud, corruption or crime in general	M4 M9	<ul> <li>Implementing the Fraud Prevention Plan</li> <li>Addressing the recommendations of the Judicial Commission of Inquiry into Allegations of State Capture (Zondo Commission) by a dedicated task team</li> <li>Improving the efficacy of the PFMA Loss Control Department to execute and report on PFMA compliance</li> <li>Improving systems to enhance controls, and better managing conflicts of interest</li> <li>Reviews and investigations by the Internal Audit Department and Forensic and Anti-Corruption Department</li> <li>Implementing the procurement roadmap to improve commercial governance processes</li> <li>Conducting ethics risk assessments, as well as compulsory training on ethics, fraud awareness and PFMA requirements</li> </ul>		
Stakeholder management Failure to manage non-technical risks – those risks and opportunities that arise from Eskom's interaction with a broad range of stakeholders – impact the organisation on multiple levels, putting achievement of Eskom's strategy, in the short, medium and long term, at risk. Failure to sufficiently assess and proactively respond to external stakeholder expectations impacts financial and operational sustainability. The decline in socio-economic conditions exacerbates associated community-related risks such as theft and vandalism of infrastructure and threats to our employees, as well as potential harm to members of the public exposed to our products and infrastructure, leading to financial, legal and reputational risk	High appetite to enhance our relationship with all stakeholders, with specific focus on external interested parties, such as communities, government departments and the shareholder, to achieve common value. This is underpinned by an effective, efficient, timeous and integrated communication plan, and managing external risk factors that impact our sustainability	M1 M2 M3 M4 M5 M6 M7 M8 M9 M10	<ul> <li>Implementing the stakeholder engagement plan, including continuous internal and external engagement</li> <li>Engaging with DPE, National Treasury and other government departments through the NECOM platform</li> <li>Implementing Eskom's reputation management strategy</li> </ul>		
Liquidity and going concern in the short to medium term, and ultimately, financial sustainability of	over the long term	M6 Leadership stability			
M2 Government support and debt structure		M7 Adequate skills in a high-perfor	M7 Adequate skills in a high-performance ethical culture		
M3 Improving operational stability to lessen the electricity crisis		M8 Fight against fraud, corruption	MB Fight against fraud, corruption and crime		
Environmental performance and compliance		M9 Governance, compliance and e	M9 Governance, compliance and ethics		
MS Climate change and Eskom's Just Energy Transition		MIO Progress on legal separation			

Our strategic context Governance, leadership and ethics

Performance review

# Integrating risk and resilience continued

Eskom groups its risk categories to track trends. Each category includes related risks bundled together for better understanding and analysis.

Each of these risk categories is plotted on the risk radar below, with the level of risk appetite influencing the colour of the indicator, while the status of treatment plans determines the position on the risk radar.



Treatment plan requires escalation

#### DISASTER RISKS

Disaster risks are those risks inherent to our operations that would have a significant consequence should they materialise, even though they have a relatively low likelihood of occurring, and generally have adequate controls in place to address them.

Severe generation supply constraints continued to affect our operations during the past year, although the risk of a national blackout is still assessed as low. We also saw our declining operational resilience being tested by the wide-spread industrial action during June and July 2022.

A national exercise on cyber-attacks and terrorism disasters was undertaken in March 2023. Over 500 of our people participated in the online simulation exercise. Findings are being analysed and corrective action will be implemented to strengthen cyber resilience. We manage the following national disaster risks through our Enterprise Resilience Programme, which caters for disaster management as well as emergency preparedness. Individual Exco members take accountability for risk monitoring and response planning for each of these risks, which remain unchanged from the prior year.

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

National blackout

Terrorism or political instability

We continue to 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. Simulation exercises are conducted regularly to ensure that Eskom can continue to operate and recover within a reasonably short time in the event of serious incidents or disasters.

Engagements on a national exercise for the 2024 financial year have commenced. The disaster priority being considered is a severe supply constraint requiring much higher levels of load reduction. This would make use of the defined higher stages listed in the third edition of NRS048-9 that was submitted to NERSA on 30 June 2023.

#### ENTERPRISE RESILIENCE

During the 2023 financial year, Government declared three national states of disaster: two were related to floods and one was related to the impact of severe electricity supply constraints, although the latter was since revoked on 5 April 2023.

In February 2023, Exco approved that Eskom's emergency response structures be expanded to include the work undertaken by NECOM, which was established to coordinate Government's response to the energy crisis and ensure implementation of the Energy Action Plan. NECOM is coordinating the Energy Action Plan through the workstreams of the Energy National Joint Operational and Intelligence Structure (NatJOINTS). Although the state of disaster related to the electricity crisis was revoked, we continue to work with the NECOM structures.

(SR) For more on our enterprise resilience initiatives, refer to "Our governance – Resilience" in the sustainability report

Engaging with stakeholders

In the current business landscape, stakeholder engagement is of great importance. We recognise the impact of corporate reputation on investor confidence, profitability and business value, and understand the importance of building trust and maintaining strong relationships with our stakeholders. Operating as we do within a complex political, government and regulatory environment, we acknowledge the need to navigate these dynamics effectively through sound stakeholder engagement.

As we address the ongoing electricity supply crisis, we recognise the importance of balancing economic growth and sustainability while minimising the impact of the electricity crisis on the economy and the lives of all South Africans. Stakeholder support, including customers and the broader public, remains crucial for achieving success, with stakeholder trust serving as a key enabler of our future endeavours. We are committed to continuous improvement and strive to enhance stakeholder engagement by actively responding to stakeholder needs and ultimately, promoting energy security in the long term.

The Social, Ethics and Sustainability Committee (SES) provides oversight of the effectiveness of stakeholder engagement, while stakeholder relationship management is delegated to Exco, with various functions within Eskom responsible for engaging with specific stakeholder groups.

This section delves into Eskom's ongoing efforts to engage with stakeholders, foster meaningful dialogue and address stakeholder concerns, driving the organisation towards a sustainable future.

# STAKEHOLDER LANDSCAPE

Our stakeholder groups encompass a wide range of entities, and include business partners, civil society, customers, employees, government agencies, investors, media outlets, parliamentary committees, regulators and international groups. Each stakeholder group has distinct interests, concerns and expectations. Customers prioritise reliable and affordable electricity, investors focus on returns and financial stability, while employees value job security and a supportive work environment. Government agencies and regulatory bodies emphasise compliance and effective implementation of energy policy. Local communities are concerned about the social and environmental impacts of our operations, while environmental organisations advocate for sustainable practices.

To engage with stakeholders, we employ a comprehensive stakeholder engagement strategy and framework. This includes proactive communication, regular consultations and formal feedback mechanisms. We strive to foster transparent and constructive dialogue with stakeholders through various channels, such as stakeholder forums, public meetings, customer surveys and online platforms.

Stakeholder management is one of the key risks categories on which we focus, with treatment plans in place to manage the associated risk.

# STAKEHOLDER ENGAGEMENT

We use different methods to engage with specific stakeholder groups. For instance, regular meetings with government agencies and regulatory bodies facilitate collaboration and ensure alignment with energy policy and regulations. Surveys and consultations are conducted with customers to gather feedback on service quality and pricing. Partnerships are formed with local communities to address their concerns and support socio-economic development in the areas where we operate.

We have implemented specific initiatives to address stakeholder concerns and enhance collaboration. For example, our development programmes focus on education, healthcare and infrastructure. Environmental initiatives include reducing carbon emissions, investing in renewable energy projects and implementing more sustainable practices. Collaboration with Government, including the shareholder ministry, involves regular engagement, annual general meetings and transparent reporting to ensure their interests are represented.

Overall, our stakeholder identification and analysis enable us to understand and address the diverse interests, concerns and expectations of our stakeholders. Through effective engagement strategies, we aim to foster meaningful dialogue, build trust and align our operations with stakeholder needs, ultimately working towards a sustainable and mutually beneficial relationship with all stakeholders.

We maintain a strong commitment to continuous improvement in stakeholder engagement. Recognising evolving needs and expectations, we plan to enhance our processes and outcomes. Future strategies include implementing advanced technology platforms for seamless communication and utilising digital tools to broaden stakeholder participation. By embracing a continuous improvement mindset, we seek to foster transparency, address stakeholder concerns and make strategic decisions that align with diverse perspectives.

Through ongoing evaluation and benchmarking, we aim to build trust, strengthen relationships and drive a positive impact for all stakeholders.



# Engaging with stakeholders continued

The table below sets out our various stakeholder groups and explain why they matter to us. It also indicates what their various concerns are, and how we respond. We also provide a link between the stakeholder concerns and our material matters.

Stakeholder	Why they matter	How we engage	Concerns	Material matters	Response
Business and suppliers Organisations involved in business activities and supply chain	Their involvement in Eskom's supply chain and business activities contributes to operational efficiency and success, as well as the possibility of fraud and corruption	Contracts, procurement processes, relationship management	Fair competition, reliable supply chain, ethical practices, fraud and corruption	MI M3 M8 M9	Fair and transparent procurement practices; ethical supplier guidelines
<b>Civil society</b> Non-governmental organisations and community groups	They play a crucial role in advocating for social and environmental concerns	Consultations, public hearings, community engagements	Environmental impact, social responsibility	M3 M4 M5 M8	Engagement on environmental and social issues; sustainable community development initiatives
<b>Customers</b> Individuals and entities consuming Eskom's services	The satisfaction and consumption patterns of individuals and entities directly impact our revenue and service delivery	Key customer consultations, customer surveys, complaint resolution mechanisms, tariff consultations	Service reliability, affordability	MI M3 M5 M9	Enhanced service reliability; tariff affordability; transparent pricing practices
Employees Our workforce	The dedicated workforce at Eskom drives operations, innovation and organisational performance	Leadership site visits, internal communication, employee forums, training and development	Employee benefits, work conditions, wellbeing, career growth, job security	M1 M3 M6 M7 M8 M9 M10	Skills development programmes; employee wellbeing initiatives; ethical guidelines and compliance measures
Government Regulatory and policy-making entities	These entities provide oversight, direction and financial support essential to Eskom's operations	Engagements, consultations, partnerships	Energy policy, economic impact, financial and operational sustainability, environmental compliance, climate change commitments, corruption	M1 M2 M3 M4 M5 M6 M7 M8 M9 M10	Collaboration on policy development; support for debt relief measures; sustainable energy initiatives; progress on legal separation
Investors Investors, lenders and ratings agencies	They contribute capital and play a significant role in shaping Eskom's financial future	Targeted engagements, investor presentations, integrated reporting	Financial performance, return on investment, operational sustainability, climate change commitments, corruption, legal separation	M1 M2 M3 M5 M6 M8 M9 M10	Debt relief measures; transparent reporting; communication on legal separation progress
<b>Media</b> Journalists and media outlets	They hold Eskom accountable, shape public perception and disseminate information about the organisation	Press releases, media briefings, one-on-one interviews	News coverage, transparency	MI M3 M6 M8 M10	Timely and accurate information dissemination; media engagement on key initiatives
Parliamentary committees Government entities overseeing Eskom's operations	Government entities responsible for oversight and monitoring of Eskom's performance, governance and financial management	Regular meetings, reporting and participation in legislative processes	Financial and operational sustainability, environmental compliance, governance and compliance, corruption, legal separation	(1) (13) (14) (18) (19) (110)	Implementation of debt relief measures; transparency in governance practices; engagement on legal separation process
Regulators Entities responsible for regulating Eskom's activities	Entities responsible for setting tariffs, ensuring compliance, promoting fair competition and protecting consumer interests	Collaboration, regulatory filings, public participation, compliance with regulations	Financial and operational sustainability, environmental performance and compliance	MI M3 M4 M5	Compliance with environmental regulations; implementation of sustainable practices; climate change mitigation strategies
International groups Global organisations and associations	They provide valuable global perspectives and share best practices in the energy industry	Collaborative initiatives, international conferences	Sustainable development, climate change mitigation	M3 M4 M5 M8 M9	Collaboration on sustainable development goals; climate action strategies

MI Liquidity and going concern in the short to medium term, and ultimately, financial sustainability over the long term

M2 Government support and debt structure

M3 Improving operational stability to lessen the electricity crisis



M5 Climate change and Eskom's Just Energy Transition



M7 Adequate skills in a high-performance ethical culture

M8 Fight against fraud, corruption and crime

M9 Governance, compliance and ethics

Progress on legal separation

Leadership reports Our strategic context

Governance, leadership and ethics



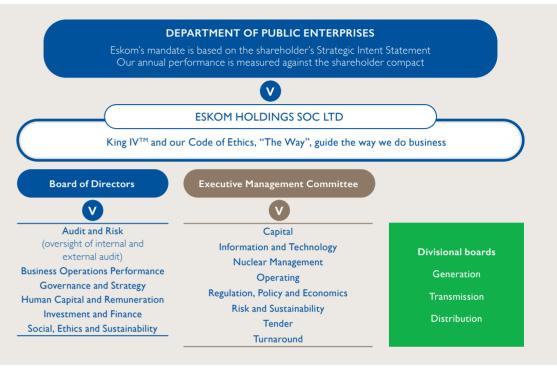
# Governance, leadership and ethics

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Executive management 72 Progress on governance clean-up



at 31 March 2023



Eskom's approach to governance is focused on continuously improving and entrenching good corporate governance practices across the group, to enable the Board and management to exercise their fiduciary duties through effective oversight and support high quality decision-making. In the spirit of good corporate governance, we strive to apply the principles and practices of the King IV Report on Corporate Governance for South Africa, 2016 (King IV<sup>TM</sup>).

An essential component of our governance framework is ensuring clarity of roles between the shareholder, the Board and management, to achieve our strategic priorities within the legislative, regulatory and policy environment in which we operate. Clear accountability for decision-making is assigned through our delegation of authority (DoA) policy and significance and materiality framework (SMF), which guide the referral of matters from management to the Board, and from there to DPE and National Treasury, where required.

In line with the PFMA, 1999, we conclude an annual shareholder compact with DPE, which sets out the key performance indicators that support our mandate and the strategic objectives under the shareholder's Strategic Intent Statement.

The Board, supported by several committees, is the focal point of our governance framework and is accountable to the shareholder for performance against financial, operational and other business expectations. Furthermore, the Board is responsible for providing strategic direction to the organisation and ensuring its sustainability and prosperity. The powers of the Board and the shareholder are defined in Eskom's memorandum of incorporation (MOI). The Executive Management Committee (Exco) is accountable for exercising executive control over day-to-day operations and to deliver on the strategy set out by the Board.

# Refer to pages 14 to 17 for the composition of the Board and Exco, including information on diversity

Divisional boards for Generation, Transmission and Distribution serve as a transitional structure towards Eskom's legal separation and drive separate accountability for each division. Although the divisional boards function relatively independently, they report to Exco to ensure that decision-making is aligned with Eskom's overall strategy. 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 of each division is concluded.

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 corporate governance practices.

# Board and its committees

### BOARD COMPOSITION AND APPOINTMENTS

In terms of Eskom's MOI, the Board may consist of a maximum of 15 directors. The Board was not fully constituted at the start of the year as it comprised only eight directors, including six independent non-executive directors and two executive directors. The Board had requested the shareholder to appoint additional non-executive directors in line with its skills, experience and diversity needs.

Ms Busisiwe Mavuso resigned as a non-executive director with effect from 27 September 2022, and the terms of Prof. Malegapuru Makgoba, Prof. Tshepo Mongalo, Dr Banothile Makhubela and Dr Pulane Molokwane as non-executive directors ended on 30 September 2022 and were not renewed.

Dr Rod Crompton's term as a non-executive director was renewed, while Mr André de Ruyter, Group Chief Executive (GCE), and Mr Calib Cassim, Group Chief Financial Officer (GCFO), remained from the previous Board. The shareholder appointed a further 12 independent non-executive directors with effect from I October 2022, thereby fully constituting the new Board with I3 independent non-executive directors and two executive directors and providing the necessary expertise and skills to provide stability and strategic direction to Eskom.

On 14 December 2022, Mr André de Ruyter announced his resignation and agreed to serve an extended notice period until 31 March 2023. On 22 February 2023, the Board and Mr de Ruyter reached a mutual agreement to revert to the original notice period of 28 February 2023. He was not required to serve the balance of his notice period and was released with immediate effect. Mr Calib Cassim was appointed as the acting GCE with effect from 24 February 2023 and Mr Martin Buys was appointed as acting GCFO with effect from 10 March 2023, while the recruitment process for a permanent GCE is under way.

Mr Buys was appointed as an executive director, in the position of acting GCFO, on 21 March 2023. The Board was therefore fully constituted at year end.

In February 2023, Eskom procured the services of a talent sourcing firm to assist with the recruitment process for the GCE position. Following an extensive process of shortlisting and interviewing suitable candidates, the Board concluded that there was only one appointable candidate and submitted its nomination to the shareholder in July 2023. In September 2023, the shareholder advised the Board that it is required to submit a shortlist of three candidates in terms of the MOI. The Board reconsidered the matter and submitted a revised shortlist in line with the shareholder's requirements in October 2023. Eskom is awaiting a decision in order to finalise the recruitment process. Mr Mpho Makwana will step down as Chairman of the Board at the end of October 2023, having served one year in the position. Thereafter, Dr Mteto Nyati will take over.

# **BOARD COMMITTEES**

The Board is supported by various committees, to which it delegates authority without diluting its own accountability. These committees exercise their authority in accordance with terms of reference, reviewed annually and approved by the Board, and which define their composition, mandate, roles and responsibilities. The Board considers information, opinions, recommendations, reports and statements presented by the respective chairs of the Board committees.

All Board committees are comprised of and chaired by independent non-executive directors. When required, the GCE, CFO and executive management from various functional areas attend committee meetings as officials.

The new Board has reviewed the structure of its committees to ensure that it is fit for purpose and effective in driving Eskom's strategic turnaround. This review culminated in the establishment of the Business Operations and Performance Committee (BOPC), which is mandated to provide oversight of Eskom's technical and operational performance, focusing specifically on improving energy availability factor (EAF) performance.

The mandate of the former Board Strategy Committee was expanded to include governance matters and the committee was renamed to the Governance and Strategy Committee (GSC). The committee's revised mandate includes the nomination of Board members, board and committee evaluations, as well as oversight of Eskom's turnaround strategy, legal separation, the Corporate Plan and shareholder compact.

With the relinking of governance matters to GSC, the former People and Governance Committee was changed to the Human Capital and Remuneration Committee (HCRC), enabling the committee to focus on oversight over human resource policies and practices, leadership continuity and stability, skills development, remuneration as well as implementation of a high-performance ethical culture.

# Report by the Board

for the year ended 31 March 2023

# NUMBER OF MEETINGS

Twenty-two meetings were held during the year. In addition, the Board held three workshops on various topics.

### MEMBERSHIP

# Refer to the Board composition at 31 March 2023 on page 14

#### PURPOSE

The Board fulfils the primary roles and responsibilities of a governing body outlined in the Companies Act, 2008, the PFMA, 1999 and King  $IV^{TM}$  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 implementation of the strategy
- Monitoring management's performance and implementation of the strategy, ensuring accountability and promoting 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 to Eskom's values and operating as a responsible corporate citizen – ethically, socially and environmentally

# **KEY ACTIVITIES AND DECISIONS**

PREVIOUS BOARD (I APRIL 2022 TO 30 SEPTEMBER 2022)

- Approved Eskom's 2022 emission reduction plan
- Considered Eskom's action plan to address loadshedding
- Supported the augmentation and outsourcing of maintenance skills to stabilise poor performing power stations
- Approved the implementation plan to address the recommendations of the Zondo Commission
- Approved the incorporation of a new distribution company as well as revised timelines for Eskom's legal separation process
- Approved the facility to finance the first phase of the battery energy storage (BESS) project

### NEW BOARD (I OCTOBER 2022 TO 31 MARCH 2023)

- Reviewed the structure and mandates of the Board
  committees and established BOPC as a new committee
- Finalised the composition and terms of reference of the Board committees as well as the Board Charter, to enable the Board to deliver on its mandate
- Approved Eskom's 2035 strategy
- Refocused the Generation recovery plan with a stronger emphasis on EAF recovery
- Approved the increase in the borrowing plan for the 2023 financial year
- Approved the group annual financial statements, the integrated report and the sustainability report for the 2022 financial year, as well as the interim financial statements for the 2023 financial year
- Recommended the reappointment of the external auditors and the decision to not declare a dividend to the shareholder
- Recommended the appointment of the acting GCE and acting GCFO to the shareholder, following the resignation of the former GCE
- Supported the urgent application to DFFE for the condonation and extension of the chimney stack recovery at Kusile Power Station
- Approved the Corporate Plan for the 2024 to 2028 financial years, including the financial budget and key assumptions

In addition, the Board considered and approved numerous recommendations from its committees, detailed under the key activities of the respective Board committee reports that follow.

### CONCLUSION

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The Board adopted an appropriate Board Charter, regulated its affairs in compliance with this charter and is satisfied that it has discharged its responsibilities contained therein. The Board is satisfied that it comprises the appropriate balance of knowledge, skills, experience, diversity and independence.

# Report by the Audit and Risk Committee

for the year ended 31 March 2023

#### NUMBER OF MEETINGS

Seventeen meetings were held during the year.

# MEMBERSHIP (AT YEAR END)

Six independent non-executive directors:

Ms Fathima Gany-Ahmed (chair), Dr Rod Crompton, Ms Ayanda Mafuleka, Mr Leslie Mkhabela, Dr Busisiwe Vilakazi and Dr Claudelle von Eck

### PURPOSE

- The committee's roles and responsibilities include:
- The statutory functions of an audit committee 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, with the exception of Escap SOC Ltd, which has its own audit committee in terms of the Insurance Act, 2017

# **KEY ACTIVITIES DURING THE YEAR**

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

- Group annual financial statements, the integrated report and related documents for the 2022 financial year as well as interim group financial statements for the 2023 financial year, including the going concern assessment of Eskom and related SENS announcements to notify debt investors of the anticipated delay in publication of the financial statements
- Reportable irregularities raised by the external auditors and several key audit matters for the 2022 financial year, including the restatement of prior period errors, findings and control deficiencies
- External audit fees, external auditor feedback reports and the external audit opinion relating to the 2022 financial year
- Management representation letter and dividend distribution policy for the 2022 financial year
- Eskom's application for partial exemption from the disclosure of information in terms of the PFMA, 1999 in the annual financial statements
- The then Assurance and Forensics Department (A&F) Charter, Eskom's fraud prevention plan and risk and resilience management plan
- Progress and amendments to the annual audit plan for the 2023
   financial year
- The three-year rolling strategic internal audit plan, including the annual audit plan and combined assurance plan for the 2024 financial year
- The restructuring of A&F into separate internal audit and forensics departments, subsequently implemented in the 2024 financial year
- Progress on forensic investigations and legal matters, including the recommendations of the Zondo Commission as well as the allegations of the former GCE, as discussed in "Progress on governance clean-up" from page 72
- The insurance plan and budget for the 2024 financial year
- The Corporate Plan for the 2024 to 2028 financial years and the shareholder compact for the 2024 financial year
- · Progress on Eskom's legal separation
- Considerations around the establishment of a single investigative unit to manage all investigative matters

In addition, the committee provided oversight and considered reports on the following areas:

 Quarterly shareholder reports to DPE and National Treasury, covering Eskom's performance as well as risks and strategic matters  Financial performance and liquidity; IT governance and performance; PFMA compliance; enterprise risk and resilience; and forensic and technical investigations

# FUTURE FOCUS AREAS

Our strategic context

- Considering liquidity risks, sustainability risks relating to financial reporting, Eskom's status as a going concern, as well as efforts to improve the income statement and strengthen the balance sheet
- exercise of the finance function, PFMA loss control function, risk and compliance management and the internal control environment, together with consequence management, to ensure that contraventions are appropriately addressed
- Assessing the capacity and capability of the organisation to combat fraud, corruption and crime, including the establishment of a single investigative unit to address investigations into these matters
- Monitoring progress on Eskom's legal separation and compliance with Government's debt relief conditions
- Overseeing implementation of Eskom's fraud prevention plan and initiatives to address matters identified by the external auditors
- Exercising ongoing oversight of information and technology management
- Monitoring of combined assurance, including overseeing the internal audit function and the external audit process, as well as the establishment of separate internal audit and forensics departments
- Overseeing the preparation of the annual financial statements of Eskom and its subsidiaries

#### CONCLUSION

The committee adopted an appropriate formal terms of reference, regulated its affairs in compliance with its terms of reference and is satisfied that it has discharged its responsibilities contained therein. Furthermore, the committee fulfilled all its statutory duties in terms of the PFMA, 1999, and section 94(7)(f) of the Companies Act, 2008. The committee is satisfied that its composition and balance of skills and expertise is in line with the requirements of Regulation 42 of the Companies Act, 2008.

# (AFS) Refer to the report of the Audit and Risk Committee in the annual financial statements for further information

The committee assessed the ability of Eskom to continue to operate as a going concern in the foreseeable future and acknowledged that there are various dependencies and material uncertainties that may cast significant doubt on the going-concern assessment. The committee has a reasonable expectation that the risks to Eskom's going concern will be satisfactorily addressed with the mitigation strategies in place, particularly due to the continued financial support from Government through the Eskom Debt Relief Act, 2023. The committee therefore recommended to the Board that the adoption of the going-concern basis of accounting was appropriate.

(AFS) Refer to note 3.2 in the annual financial statements for further information on the going concern assessment

# Assurance and controls

The Audit and Risk Committee (ARC) provides oversight and sets direction on assurance, risk management, controls, compliance and the governance of technology and information across Eskom.

On an annual basis, ARC approves the charter of Eskom's internal assurance and forensics functions, as well as a risk-based audit plan and resource plan, to address the complexity of risks facing Eskom. During the 2023 financial year, the assurance and forensics functions were managed within a single department, A&F, although ARC has approved the restructuring of the department into a separate Internal Audit Department and Forensic and Anti-Corruption Department with effect from the 2024 financial year. These functions report directly to ARC and maintain independence from executive management by determining the scope of internal audits and investigations, performing audit and forensic work and communicating results free from interference.

#### COMBINED ASSURANCE

Our combined assurance model includes a combination of supervision, management and assurance across various functions in Eskom, and culminates in oversight by ARC and the Board. This approach seeks to enable an effective control environment, provide reasonable assurance and support the integrity of information for decision-making and reporting to stakeholders.

#### SUPERVISION

Operations and supervisory oversight Implementation of internal controls and risk management processes to ensure a high-performing and sustainable operating environment

#### OPERATIONAL MANAGEMENT

Management and review functions Assurance over the adequacy of operational risk management, effective adherence to internal control processes and delivery against objectives

 $\checkmark$ 

### FUNCTIONAL MANAGEMENT

Specialised control functions

Development and maintenance of internal control frameworks and policies, reviewing and monitoring **Risk, resilience and compliance** 

Assurance over risk and resilience as well as compliance management practices and processes

 $\checkmark$ 

# ASSURANCE

#### External audit

Independent reasonable assurance of the annual financial statements and selected sustainability KPIs in the integrated report

#### Internal audit

Assurance over the adequacy and effectiveness of risk management, internal control and governance

# OVERSIGHT

#### Board and ARC

Consider control deficiencies and risk affecting the organisation, and provide guidance

 $\checkmark$ 

The responsibility for combined assurance is delegated to Eskom's Internal Audit Department, which facilitates and coordinates the execution of combined assurance activities. ARC receives regular reports on the status of governance, risk management, compliance and the adequacy and effectiveness of preventative and corrective controls.

# GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROLS

Based on the results of audits planned and completed during the 2023 financial year, including key observations, Eskom's Internal Audit Department has concluded the following:

GOVERNANCE	INTERNAL CONTROLS	
Governance requires	The design of internal controls	
improvement in respect of	in general is adequate,	
compliance with applicable	although application is	
laws and regulations. Internal	partially effective. Control	
Audit has noted that key	deficiencies were identified	
organisational positions are	relating to compliance with	
vacant, with employees acting	plant management, supply	
while recruitment processes are	chain management, contract	
under way. Efforts to restore	management, sustainability	
Eskom's ethical culture and	management and strategy and	
sound governance principles	leadership processes, among	
and practices are continuing	others	
RISK MANAGEMENT	FINANCIAL CONTROLS	
The design of the system of	The system of internal financial	
risk management is adequate,	controls is adequate and	
although the system of controls	provides a reasonable basis	
relating to compliance is	for the preparation of Eskom's	
partially effective	financial statements	

ARC has concluded that the combined assurance model is adequate; however, monitoring and assessment of the execution of controls needs to be enhanced internally, to proactively address control deficiencies and prevent recurrence of findings. The system and process of risk management is adequate, although the effectiveness thereof needs to be improved. The compliance framework requires continued focus in its application, especially in terms of PFMA requirements and contract management. Consequence management needs to be improved to address non-compliance with well-documented policies, process control manuals and procedures. Furthermore, the need for additional resources and skills in the finance, internal audit and forensics functions were noted. Despite these shortcomings, the system of internal financial controls and compensating measures provide a reasonable basis for the preparation of Eskom's financial statements.

The independent auditors, Deloitte & Touche, once again issued a qualified opinion relating to information disclosed in terms of the PFMA, 1999. Except for this qualification, Eskom's financial statements are fairly presented in terms of IFRS. Deloitte & Touche emphasised a material uncertainty relating to Eskom's ability to continue as a going concern.

(AFS) Refer to the report of the Audit and Risk Committee and the independent auditor's report in the annual financial statements for further information



# Report by the Business Operations Performance Committee

for the year ended 31 March 2023

# NUMBER OF MEETINGS

The committee was established after the appointment of the new Board from I October 2022. Five meetings were held during the year. In addition, the committee held five workshops on various topics.

# MEMBERSHIP (AT YEAR END)

Eight independent non-executive directors:

Dr Mteto Nyati (chair), Dr Rod Crompton, Mr Lwazi Goqwana, Mr Clive le Roux, Ms Ayanda Mafuleka, Dr Tsakani Mthombeni, Ms Tryphosa Ramano and Dr Busisiwe Vilakazi

### PURPOSE

The committee's responsibilities include:

- Oversight of Eskom's technical performance and operational issues, as well as safety, security, health, environmental and insurance matters which are not dealt with by the Social, Ethics and Sustainability Committee
- Monitoring the adequacy of electricity supply, as well as progress against shareholder compact and Corporate Plan targets relating to the production of electricity
- Oversight of coal, nuclear and renewable primary energy carriers
- Reviewing progress achieved through production and operational strategic initiatives, proposed changes to measures reported in the Operational Health Dashboard and operational reports, as well as outcomes from major technical investigations and technical audits
- Providing guidance on production and operational risks, as well as the appropriateness of mitigation plans, stakeholder feedback and public communication plans

# **KEY ACTIVITIES DURING THE YEAR**

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

- The Generation recovery plan, including performance challenges and technical workshops to address the Generation turnaround
- The 24-month recovery plan to address technical performance challenges
- Insight and expertise for Generation, to assure optimal capability levels for processes, technologies and people to enable operating, maintenance and outage excellence
- Progress on the Medupi Unit 4 recovery plan, Kusile Power Station flue gas duct recovery as well as the Koeberg Unit 1 outage and related risks
- A case study relating to rooftop solar PV in Vietnam
- The Corporate Plan for the 2024 to 2028 financial years and shareholder compact for the 2024 financial year

#### FUTURE FOCUS AREAS

Our strategic context

- (• Overseeing the Generation recovery plan and outage management programme for the short, medium and long term
- Reviewing the Generation winter plan for the 2024 financial year
- Considering feedback from independent investigations and reviews at power stations
- Reviewing technical performance and operational issues, including production issues, customer services issues, related corporate procedures, as well as safety, security, health, environmental and insurance matters
- Overseeing coal, nuclear and renewable primary energy carriers
- Assessing the adequacy of electricity supply
- Monitoring progress against shareholder compact and Corporate Plan targets relating to the production of electricity
- Considering proposed changes to measures reported in the Operational Health Dashboard, operational support reports and any other operational indices on a regular basis
- Reviewing findings and the implementation of recommendations from major technical investigations and technical audits conducted by the Internal Audit Department on a regular basis
- Providing guidance and assurance on production and operational risks identified and determining whether appropriate mitigation plans are in place

#### CONCLUSION

The committee adopted an appropriate formal terms of reference, regulated its affairs in compliance with its terms of reference and is satisfied that it has discharged its responsibilities contained therein.

# Report by the Governance and Strategy Committee

for the year ended 31 March 2023

### NUMBER OF MEETINGS

Nine meetings were held during the year.

Following the appointment of the new Board, the committee's mandate was revised to include governance-related matters and the name changed from the Board Strategy Committee to the Governance and Strategy Committee.

### MEMBERSHIP (AT YEAR END)

Six independent non-executive directors:

Mr Mpho Makwana (chair), Ms Fathima Gany-Ahmed, Mr Bheki Ntshalintshali, Dr Mteto Nyati, Ms Tryphosa Ramano and Dr Claudelle von Eck

### PURPOSE

The committee's responsibilities include:

- Oversight of Eskom's 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 longterm strategy and restructuring of Eskom
- Oversight of the implementation of Eskom's 2035 strategy and turnaround plan
- Making recommendations and driving key actions with various stakeholders to ensure the financial sustainability of Eskom, including strengthening of the balance sheet
- Development and implementation of a high-performance ethical culture in collaboration with the Human Capital and Remuneration Committee to support Eskom's strategy
- Reviewing the Board's size, composition, qualifications, skills, experience and diversity and making recommendations to the Board and nominations of directors to the shareholder
- Oversight of the annual evaluation of the Board, Board committees and subsidiary boards

# **KEY ACTIVITIES DURING THE YEAR**

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

- The induction agenda and focus areas of the new Board
- The process for declarations of interest of directors
- Feedback on engagements relating to the national energy crisis
- Update on the implementation of Eskom's strategy, including the turnaround plan and progress towards legal separation
- Feedback on lender engagements relating to the legal separation of Eskom, including lender consent processes
- Assignment of NTCSA as the buyer from IPPs in terms of section 34 of the Electricity Regulation Act, 2006
- Suspensive conditions of the NTCSA merger agreement and the shortlist of candidates for appointment as non-executive directors of the NTCSA Board
- The retail tariff plan for the 2023 financial year, as well as negotiated pricing agreements, cost-reflective tariffs and price signalling

- The financial impact of the early retirement of Generation
   assets in line with the Just Energy Transition
- Feedback on engagements with various stakeholders regarding the shutdown of stations due to DFFE's decision on Eskom's postponement application for the minimum emission standards (MES)
- Update on consequence management for power station general managers
- Request for additional diesel funding for Generation, after which the matter was dealt with by management in line with the DoA
- Media analysis on loadshedding and the allegations of the former GCE, as well as Eskom's approach to media engagement on public matters
- Eskom's implementation plan to address the recommendations of the Zondo Commission
- Identifying and evaluating candidates for the appointment of the Eskom GCE
- Update on Eskom's stakeholder engagement plan and quarterly stakeholder engagement reports
- Eskom's centenary commemoration plan
- The refresh of Eskom's corporate identity
- The Corporate Plan for the 2024 to 2028 financial years and shareholder compact for the 2024 financial year

### **FUTURE FOCUS AREAS**

- Overseeing the implementation of Eskom's turnaround plan, with a focus on addressing the national energy crisis
- Supporting the implementation of the President's Energy Action Plan and working with the Minister of Electricity, NECOM and NatJOINTS
- Monitoring progress against key milestones of the legal separation of Eskom, with a focus on the operationalisation and trading of NTCSA
- Revising Eskom's 2035 strategy to incorporate developments in Eskom's operating environment
- Ensuring that the shareholder compact, Corporate Plan, budgets and financial plans are recommended to the Board for approval
- Finalising the shortlists to be submitted to the shareholder for nomination of candidates for the Eskom GCE position as well as the non-executive directors of the NTCSA Board; these shortlists were concluded and submitted to the shareholder in July 2023

# CONCLUSION

The committee adopted an appropriate formal terms of reference, regulated its affairs in compliance with its terms of reference and is satisfied that it has discharged its responsibilities contained therein.

Remuneration and benefits

# Report by the Human Capital and Remuneration Committee

for the year ended 31 March 2023

# NUMBER OF MEETINGS

Seven meetings were held during the year. In addition, the committee held three workshops on various topics.

Following the appointment of the new Board, the committee's mandate was revised. Governance-related matters were transferred to the Governance and Strategy Committee and the name of the committee was changed from the People and Governance Committee to the Human Capital and Remuneration Committee.

# MEMBERSHIP (AT YEAR END)

Six independent non-executive directors:

Dr Claudelle von Eck (chair), Ms Fathima Gany-Ahmed, Mr Clive le Roux, Mr Leslie Mkhabela, Mr Bheki Ntshalintshali and Dr Mteto Nyati

# PURPOSE

The committee's responsibilities include:

- Overseeing human resources strategies, policies and performance, including relationships with organised labour and employees as well as Eskom's culture
- Reviewing reports relating to the adequacy and effectiveness of skills and people management processes in Eskom
- Ensuring that appropriate leadership continuity plans are in place for executive directors, senior executives and prescribed officers and annually reviewing these plans
- Reviewing and making recommendations to the Board on Eskom's organisational structure
- Overseeing the development and review of a remuneration policy that aligns to the Board's direction on fair, responsible and transparent remuneration
- Making recommendations to the Board on matters pertaining to the appointment, removal, and resignation of prescribed officers and senior executives and ensuring that these processes are credible and transparent

### **KEY ACTIVITIES DURING THE YEAR**

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

- Quarterly human resources reports, focusing on workforce analytics, people relations, health and wellness, employee benefit costs and organisational effectiveness
- Review of the capacity of the human resources division to support Eskom's turnaround plan and transformation strategy
- Eskom's talent management strategy, with a focus on attracting and retaining scarce skills
- Leadership continuity and succession planning, including the strengthening of Eskom's leadership bench
- Review of the effectiveness of current leadership programmes and initiatives aimed at ensuring leadership effectiveness. The committee identified a number of factors, both internal and external, affecting leadership effectiveness and contributing to poor decision-making
- The review of Eskom's short-term incentive scheme to encourage a high-performance ethical culture

- Workforce analytics and the outcome of the skills audit, including the required actions and quick-win initiatives to address the identified skills gaps
- Progress on human resources audits and plans and need to address adverse outcomes and build ethical leadership
- Progress on implementation of Eskom's 1:1:6:10 culture transformation programme and related initiatives
- Effectiveness of grievance and disciplinary procedures and need to capacitate case presenters, case chairs and employees

In addition, the committee held successful workshops with Board members, executives and senior managers to review the effectiveness of human resources strategies and processes.

#### FUTURE FOCUS AREAS

- Overseeing the implementation of the committee's four focus areas for human resources, which include: fostering a high-performance ethical culture; being an employer of choice; developing a future-fit and productive organisation; and building skills
- Monitoring human resources performance and Priority I people risks quarterly and overseeing the implementation of reporting on ethical implications for matters considered by the committee
- Supporting interventions to improve employee morale
- Monitoring leadership continuity, succession planning and talent management strategies, to improve leadership quality and stability
- Supporting the review of the short-term incentive scheme and engaging with the shareholder
- Finalising Eskom's executive remuneration policy in line with DPE's latest guidelines
- Reviewing performance management principles for executives and senior management, including increased leadership accountability
- Monitoring progress of the leadership development strategy and supporting initiatives
- (• Reviewing the implementation of and supporting Eskom's 1:1:6:10 culture transformation programme
- Promoting a speak-up culture through whistleblower protection and support
- Monitoring the digitalisation and digitisation strategy of human resources
- Rebuilding the capacity and capability of the Eskom Academy of Learning to address skills needs

# CONCLUSION

The committee adopted an appropriate formal terms of reference, regulated its affairs in compliance with its terms of reference and is satisfied that it has discharged its responsibilities contained therein. The committee ensured compliance with all relevant legal and regulatory requirements pertaining to remuneration of employees across the organisation, and further noted that no deviations from Eskom's remuneration philosophy were observed during the year.

# OUR APPROACH TO REMUNERATION

The Human Capital and Remuneration Committee (HCRC) assists the Board in its oversight of key human resources policies, including a remuneration philosophy which is fair, transparent, responsible and equitable. Our approach to remuneration is intended to support Eskom's strategic objectives, encourage value creation and advance long-term sustainability through:

- Adopting the King IV<sup>™</sup> principles for the remuneration of directors and executives
- Implementing DPE's guidelines on remuneration and incentives for executives, prescribed officers and non-executive directors of SOCs
- Ensuring alignment with the shareholder compact, which sets clear targets and drives individual and organisational performance, as well as remuneration-related conditions attached to the Government support

In April 2022, DPE released revised remuneration and incentives guidelines for executives and non-executive directors of SOCs. We have updated our remuneration policy to align to the latest guidelines and submitted this to DPE for review. However, DPE's revised guidelines are still awaiting Cabinet approval. Our remuneration policy is being considered by DPE and will be finalised subject to their review.

(IR) Remuneration of managerial and bargaining unit employees is discussed under "Our people – Remuneration and benefits" from page 136

# REMUNERATION PRACTICES FOR DIRECTORS AND EXECUTIVES

NON-EXECUTIVE DIRECTORS Non-executive directors receive a fixed monthly fee, guided by DPE, and are reimbursed for expenses incurred in fulfilling their duties. HCRC submits proposals on non-executive remuneration to the Board, which considers and makes recommendations to our shareholder for approval, in line with DPE's guidelines.

### EXECUTIVES

HCRC is responsible for determining executive remuneration, in line with DPE's guidelines. Executives are not involved in the approval process, and HCRC maintains the right to adjust, withhold or veto any remuneration.

Executive remuneration comprises both a guaranteed and variable component and is designed to demonstrate a clear relationship between performance and remuneration, based on the following principles.

# TOTAL REMUNERATION

#### Guaranteed remuneration and benefits

Ensures that talented individuals are attracted, retained and receive support to perform their roles efficiently

# + Short-term incentives

Manages and facilitates performance through a results-driven approach that is collaborative, transparent and fair

# Long-term incentives

Ensures the long-term sustainability of the organisation

### **GUARANTEED REMUNERATION**

Guaranteed remuneration is fixed and includes compulsory benefits such as medical aid, pension, group life and death benefits, as well as allowances for motor vehicle expenses and personal security.

#### VARIABLE REMUNERATION

Variable remuneration is linked to the achievement of individual and organisational performance objectives, subject to defined gatekeepers. Short-term incentives relate to a single financial year, whereas long-term incentives cover a three-year period.

Given Eskom's financial constraints, no incentives have been paid to executives since the 2018 financial year. Since the 2020 financial year, the conditions of the Special Appropriation Act, 2019 have also prohibited variable incentive payments to executives.

# TOTAL REMUNERATION FOR DIRECTORS AND GROUP EXECUTIVES

Category, R000	2023	2022
Non-executive directors <sup>1</sup>	7 917	5 274
Executive directors	12 587	12 162
Other group executives	24 768	24 191
Total remuneration	45 272	41 627

 The number of non-executive directors has increased from eight in 2022 to 13 in 2023, following the appointment of a new Board by the shareholder. Consequently, overall non-executive director remuneration has increased.

# (AFS) Refer to note 49 in the consolidated annual financial statements for detailed remuneration information as required by King IV<sup>TM</sup>

Housing loans to executive directors and other group executives are disclosed in the consolidated annual financial statements. No loans have been made to non-executive directors.

Governance, leadership and ethics

Performance review

# Report by the Investment and Finance Committee

for the year ended 31 March 2023

# NUMBER OF MEETINGS

Fifteen meetings were held during the year.

# MEMBERSHIP (AT YEAR END)

Five independent non-executive directors:

Ms Tryphosa Ramano (chair), Mr Lwazi Goqwana, Mr Clive le Roux, Dr Tsakani Mthombeni and Dr Mteto Nyati

# PURPOSE

The committee's responsibilities include:

- Oversight of financial budgets, capital and borrowing programmes, and procurement strategies
- Approval of business cases for new ventures, capital investments, projects, disposals and other commercial matters
- Monitoring the concept, design and execution phases of major capital projects
- Oversight of Eskom's treasury function

# **KEY ACTIVITIES DURING THE YEAR**

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

- Review of the strategy and mandate for the disposal of Eskom Finance Company SOC Ltd
- Amendments to the borrowing programme for the 2023 financial year
- Quarterly investment monitoring reports and the status of the capital investment plan
- The shortfall in funding for the Generation capital plan for the 2023 to 2027 financial years, based on Eskom's revised capital affordability and capital allocation
- The revised budget for the standard offer programme and emergency generation programme
- Review of the loadshedding mitigation programme
- Review of power purchase agreements with preferred bidders for bid window 6 of the renewable energy independent power producer (RE-IPP) programme
- The gas supply strategy for OCGTs
- Inclusion of the Komati repowering and repurposing project in Eskom's Corporate Plan and borrowing programme
- Eskom's financial budget and plan for financial years 2024 to 2028 for inclusion in the Corporate Plan

In addition, the committee considered and approved matters within its approval mandate, and considered and recommended those above its approval limits to Board. These matters included various procurement strategies, capital investment approvals or revisions, as well as other commercial decisions.

# **FUTURE FOCUS AREAS**

Our strategic context

- Reviewing Eskom's capital allocation framework
- Monitoring the execution of approved capital projects
- Overseeing procurement strategies relating to capital projects
- Evaluating and monitoring the liquidity and balance sheet of the Eskom group, including the impact of Government's debt relief
- Reviewing and monitoring the implementation of Eskom's legal separation, in particular the transfer of assets and debt to NTCSA

# CONCLUSION

The committee adopted an appropriate formal terms of reference, regulated its affairs in compliance with its terms of reference and is satisfied that it has discharged its responsibilities contained therein.

# Report by the Social, Ethics and Sustainability Committee

for the year ended 31 March 2023

# NUMBER OF MEETINGS

Five meetings were held during the year.

# MEMBERSHIP (AT YEAR END)

Eight independent non-executive directors:

Mr Bheki Ntshalintshali (chair), Dr Rod Crompton, Ms Fathima Gany-Ahmed, Mr Clive le Roux, Mr Leslie Mkhabela, Dr Tsakani Mthombeni, Dr Busisiwe Vilakazi and Dr Claudelle von Eck

# PURPOSE

The committee's responsibilities include:

- The statutory functions of a social and ethics committee 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
- Serving as the statutory social and ethics committee for Eskom's wholly owned subsidiaries

# **KEY ACTIVITIES DURING THE YEAR**

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

- The integrated report and sustainability report for the 2022 financial year, as well as quarterly subsidiary sustainability performance reports
- Feedback from the external auditors on the reasonable assurance of selected sustainability KPIs reported for the 2022 financial year
- Progress on Eskom's alignment with the Organisation for Economic Cooperation and Development's (OECD) recommendations on anti-corruption
- Feedback on the ethics risk assessment by the Ethics Institute, as well as the ethics monitoring report
- Stakeholder management and environmental sustainability matters

In addition, the committee provided oversight and considered reports on the following areas:

- Operational sustainability, including environmental sustainability performance, challenges and mitigation measures; nuclear oversight, including nuclear safety and nuclear plant performance; safety, healthy, environment and quality performance; and transformation
- Progress on the capacity expansion programme from a safety, environmental, financial, operational, governance and socio-economic perspective

(SR) Refer to the 2023 sustainability report for more information relating to Eskom's sustainability practices

### **FUTURE FOCUS AREAS**

- Ensuring that all requirements of the Companies Act, 2008 and nuclear safety regulations are adhered to on an ongoing basis
- Overseeing Eskom's ethics review to improve the ethics management strategy and related policies and procedures
- Monitoring compliance to environmental laws and remediation plans for areas of non-compliance
- Ensuring that Eskom remains a socially committed and responsible corporate citizen through the improvement of its corporate social responsibility initiatives
- Monitoring proposed changes in the Companies Amendment Bill, 2021 relating to the social and ethics committee

# CONCLUSION

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The committee adopted an appropriate formal terms of reference, regulated its affairs in compliance with its terms of reference and is satisfied that it has discharged its responsibilities contained therein. Furthermore, the committee fulfilled all its statutory duties as set out in Regulation 43 of the Companies Act, 2008. Our strategic context

Governance, leadership and ethics

# Ethics based on our values

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<sup>™</sup>. An ethical culture entails improving ethical behaviour and strengthening values.

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 ethics.

	Zero Harm means protecting the Eskom Way
$\bigcirc$	Integrity means <i>acting</i> the Eskom Way
Ø	Innovation means <i>thinking</i> the Eskom Way
<b>P</b>	<b>Sinobuntu</b> means <i>caring</i> the Eskom Way
	Customer satisfaction means serving the Eskom Wa
	Excellence means working the Eskom Way

We believe so strongly in the importance of these values that a values-driven culture is one of the cornerstones of the highperformance ethical culture outlined in Eskom's 1:1:6:10 culture transformation programme. The programme is a key enabler of our turnaround plan.

# (IR) For further information on Eskom's 1:1:6:10 culture transformation programme, refer to "Our people – Organisational effectiveness" on page 137

A dedicated Ethics Office is responsible for developing ethics policies and procedures and monitoring the effectiveness of their implementation. The Ethics Office also facilitates annual ethics training, which is mandatory for all employees, and provides guidance on ethical issues in the workplace. Any potential breaches of ethics that may involve fraud and corruption are referred to the Forensics Department for further investigation.

Our conflict of interest policy and declaration of interest procedure complement our Code of Ethics by setting out the obligations of directors and employees in dealing with ethical issues, such as actual, perceived and/or potential conflicts of interest, performing private work, relationships with suppliers as well as receiving or offering business courtesies.

Directors and employees across all occupational levels are required to complete an annual declaration of interest by 30 June of every year, irrespective of whether a conflict exists, or as soon as circumstances that may affect their declaration change. Where a conflict exists, it must be declared and managed. All newly appointed directors and employees receive induction on our Code of Ethics and ethics policies and are required to submit a declaration of interest. Any interests declared by directors and Exco members in meetings are minuted for the record. The Internal Audit Department has reviewed directors' declarations, in line with its audit plan for the 2023 financial year.

All members of the Board and Exco completed their declarations for the 2023 financial year and any identified conflicts are managed appropriately.

No Eskom official or employee is allowed to do business with Eskom while being employed by Eskom or its subsidiaries. To our knowledge, there are no conflicts of interest due to any director doing business with Eskom.

Due diligence reviews have been conducted for procurement transactions tabled for approval at relevant Exco, divisional and Board committees. Where these reviews find that the requirements of Eskom's procurement and supply chain management (P&SCM) procedures and the Preferential Procurement Policy Framework Act, 2000 have not been adhered to then the non-compliance is rectified. Any director, employee or supplier who is found to have contravened ethics policies and procedures or the DoA, including through failure to submit a declaration of interest, will be subject to disciplinary processes.

As mentioned in last year's report, The Ethics Institute was commissioned to perform an independent ethics risk assessment to determine potential ethics opportunities, as well as unethical behaviours and practices that place Eskom at risk. The results of the assessment highlighted the maturity of ethics awareness in Eskom, but noted that improvement is required in terms of accountability, transparency and addressing the lack of trust. These findings are being used to inform the contents of our ethics strategy and determine the scope of ethics management interventions for Eskom. The Ethics Office is developing an ethics management strategy and plan for approval by the Board, based on the findings of the report.

We are committed to the fight against fraud, corruption, irregularities and other forms of economic crime. We subscribe to the OECD's recommendations on anti-corruption. As a signatory to the United Nations Global Compact and the World Economic Forum's Partnership Against Corruption initiative, we adopt a zero-tolerance approach to fraud, corruption and irregularities.

# IR Various interventions are under way, as discussed in "Progress on governance clean-up" from page 72

We encourage all stakeholders to report unlawful or irregular conduct involving Eskom's directors, employees or suppliers through an independent, confidential whistle-blowing hotline.

Refer to the inside back cover for the contact details of our toll-free whistle-blowing hotline

# King IV<sup>™</sup> application

### KING IV<sup>™</sup> ASSESSMENT AND FOCUS AREAS

Based on an assessment for the year ended 31 March 2023, our overall implementation of the King IV<sup>™</sup> principles and practices remains partially effective. Although many of the required practices are in place and have been for many years, the Board acknowledges that not all of the King IV<sup>™</sup> principles have been fully or effectively applied.

### Eskom's King IV<sup>™</sup> application register for the year ended 31 March 2023 is available online

Principles considered to be fully or effectively applied in previous reports continue to remain in place and are not highlighted in the summary below. This summary instead focuses on key governance developments during the year, as well as initiatives to address our King IV<sup>™</sup> focus areas, where principles have not been fully or effectively applied or where interventions have not yet yielded the desired results.

# Principle I The Board should lead ethically and effectively Principle 2 The Board should govern the ethics of Eskom in a way that supports the establishment of an ethical culture

Various initiatives are under way to improve ethics in Eskom, in particular the promotion of ethical behaviour and implementation of ethics policies, ethics training as well as consequence management.

As mentioned previously, an independent assessment of Eskom's ethics risk profile has been conducted by the Ethics Institute. Our Ethics Office is developing an ethics management strategy and management plan to address the recommendations arising from this assessment. The strategy is expected to be submitted to the Board for consideration in the third quarter of the 2024 financial year.

Furthermore, Eskom's 1:1:6:10 culture transformation programme is being implemented to enable a highperformance ethical culture across the organisation. Feedback on consequence management has been improved with the implementation of the Fraud Prevention Plan and regular reporting to relevant Board committees.

### (R) Refer to "Ethics based on our values" on the previous page and "Progress on governance clean-up" from page 72 for further information

Principle 7	The Board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively
Principle 8	The Board should ensure that its arrangements

rinciple 8 The Board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties As reported previously, the Board had recognised the need to strengthen its membership and concluded that the appointment of additional non-executive directors was urgently required as a result of the vacancies on the Board and to ensure that its committees, in particular ARC and the Investment and Finance Committee (IFC), were adequately constituted.

Requests to appoint additional non-executive directors were submitted to the shareholder as the appointment of directors and the development of a succession plan for directors is the responsibility of the shareholder and is managed in accordance with the Handbook for the Appointment of Persons to Boards of State and State-Controlled Institutions.

The gaps associated with the vacancies on the Board were addressed through the appointment of 12 independent nonexecutive directors by the shareholder on 1 October 2022. Thereafter, the new Board was fully constituted with 15 directors.

An annual board evaluation is conducted to confirm that the Board contains an appropriate balance of skills, knowledge, experience and independence. While there are no diversity targets set for the Board, its demographic profile reflects a diversity that is appropriate for the South African context.

The new Board adopted a revised structure for its committees, including the establishment of BOPC to provide oversight of Eskom's technical and operational performance. Each committee has its own terms of reference, approved by the Board and reviewed annually. Members of the committees are appointed by the Board, except for ARC, whose members are nominated by the Board and appointed by the shareholder. ARC has identified the need for the committee to be strengthened with appropriate skills and experience in IT and insurance.

Following the resignation of Mr André de Ruyter as GCE, the Board has appointed an acting GCE and acting GCFO while the recruitment process for a GCE is under way.

Principle 9 The Board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvements in its performance and effectiveness

Although King IV<sup>™</sup> recommends that board evaluations be performed every second year, Eskom conducts a board evaluation annually in line with DPE's SOC Board Evaluation Framework.

The Board undertook an independent follow-up evaluation in July 2022 to measure progress against the Board improvement plan. The composition of the Board was identified as the most significant area for improvement, which has now been addressed.

The new Board has commenced with a full board evaluation for the 2023 financial year, which will include a review of all Board committees, a Board self-assessment as well as peer assessments. The evaluation is expected to be completed during the 2024 financial year.

Our strategic context Governance, leadership and ethics

### King IV<sup>™</sup> application continued

Principle 10 The Board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities

Eskom's DoA policy governs the process by which the authority to act and make decisions is delegated, in accordance with the levels of materiality outlined in the SMF. The DoA applies to Eskom and its subsidiaries and is reviewed regularly.

A review of the DoA is under way to ensure that the Board is satisfied that the DoA appropriately contributes to role clarity and the effective exercise of authority and responsibilities.

Succession planning for key executive positions remains an area of focus, with HCRC providing enhanced oversight around leadership continuity, succession planning and talent management strategies, aimed at improving leadership quality and stability. Recruitment processes are under way for vacant Exco and executive management positions, following the resignation of key executives.

### $(\mathsf{IR})$ Refer to "Executive management" on the next page

Principle 14 The Board should ensure that Eskom remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term

Eskom has separate remuneration policies in place due to different remuneration practices across bargaining unit, managerial, executive and non-executive categories. We have updated the remuneration policy for executives and non-executive directors to ensure alignment with DPE's latest guidelines, which were released in April 2022. Our updated remuneration policy is being considered by DPE and will be finalised subject to their review. Eskom has conducted a remuneration benchmarking review to ensure employee remuneration is fair and in line with marketrelated wages and salaries.

(IR) Refer to page 65 for further information on executive and non-executive remuneration

#### **GOVERNANCE FUNCTIONAL AREAS**

The Board sets the policy and direction for governance functional areas to support the organisation in achieving its strategic objectives.

The Board has delegated responsibility for the oversight of risk, information technology, compliance and assurance to ARC. While ARC has overall oversight of risks, the Board is implementing an integrated approach, where individual Board committees will take accountability for the risks affecting their particular areas. The governance of technology and information as well as compliance are discussed in further detail below.

(IR) Eskom's risks and opportunities are discussed in "Our strategic context – Integrating risk and resilience" from page 46. Our approach to combined assurance is discussed in "Assurance and controls" on page 61

## GOVERNANCE OF TECHNOLOGY AND INFORMATION

The responsibility for managing technology and information has been delegated to Exco, with Exco's Information and Technology Committee ensuring alignment between operational technology (OT) and information technology (IT).

ARC considers quarterly reports that provide assurance on the security and availability of Eskom's IT systems of control, as well as assessments of the adequacy and effectiveness of governance, risk management, compliance and controls relating to IT.

#### INFORMATION TECHNOLOGY

Through ARC, the Board has adopted an IT Charter and policies to provide direction on how information technology is managed in the organisation to ensure the confidentiality, security, integrity and availability of information. Group IT has established strategic forums to oversee IT governance, compliance, assurance, risk and resilience, cloud and data management, IT investments, as well as cyber-security. Eskom is also investigating the utilisation of data analytics and conducting research on blockchain and artificial intelligence technologies, in line with the shareholder's expectations.

#### **OPERATIONAL TECHNOLOGY**

The Technical Governance Committee reports to Exco's Operating Committee and is responsible for development of technical processes and standards, as well as effective management of operational technology throughout Eskom.

#### COMPLIANCE

contraventions

The Board is accountable for compliance and governs this through the Compliance Charter and, with the assistance of ARC, oversees compliance throughout Eskom.

Given the complex legal and regulatory obligations affecting our operations, the overall risk of non-compliance in the organisation remains high. Our focus remains on improving compliance maturity by:

- Identifying compliance obligations, including compulsory requirements and voluntary commitments
- Understanding and regularly assessing the impact on the achievement of the Eskom's strategic objectives
- Developing and maintaining relevant controls
- Conducting routine monitoring of adherence to controls
  Managing the resolution of identified risks and

Non-compliance may result in reportable matters through the PFMA, 1999. Transgressions are managed through disciplinary processes, and may extend to civil and criminal legal action where appropriate.

We have conducted a review of our approach to compliance, and are implementing an improved organisational structure for the corporate compliance function. Processes for the recruitment of certified compliance practitioners and procurement of an integrated governance, risk and compliance management system are under way.

# Executive management

Exco is established by the GCE and is accountable for executing the strategy of the Board and control over day-to-day operations. Exco is supported by several subcommittees in the execution of its duties.

# Refer to "Our governance framework" on page 57 for the Exco subcommittees

Membership of Exco includes the GCE, GCFO and group executives responsible for various functional areas of the business. The GCE and GCFO positions are subject to five-year contracts, with an option to renew. All other executives are full-time employees, unless otherwise noted.

The term of Mr Calib Cassim ends in December 2023; the Board and Mr Calib Cassim are in discussions regarding the renewal of his contract.

# (R) Refer to pages 16 and 17 for the Exco composition, including information on diversity

The group executives for Generation, Transmission and Distribution serve as the divisional managing directors of their respective divisional boards.

#### CHANGES IN EXECUTIVE LEADERSHIP

The following changes took place during the year:

- Mr Phillip Dukashe resigned as Group Executive: Generation with effect from 31 May 2022. Mr Rhulani Mathebula was appointed to act in the position and subsequently resigned with effect from 30 November 2022. Mr Thomas Conradie was then appointed to act in the position
- Mr Bheki Nxumalo, previously Group Executive: Group Capital, was appointed as the Chief Executive Officer of Eskom Rotek Industries SOC Ltd with effect from I June 2022. The group executive position for the Group Capital division was terminated, with the division reporting directly to the Group Chief Operating Officer (GCOO)

- Mr Riedewaan Bakardien resigned as Chief Nuclear Officer with effect from 31 July 2022. After acting in the position, Mr Keith Featherstone was appointed as Chief Nuclear Officer in January 2023
- Ms Mandy Rambharos, General Manager: Office of the Group Chief Executive, responsible for managing Eskom's JET Office and driving our JET strategy, resigned with effect from 31 October 2022. Mr Vikesh Rajpaul was subsequently appointed in the position
- Ms Nida Gafoor, General Manager: Assurance and Forensics, resigned with effect from 30 November 2022. In the 2024 financial year, the Board approved the separation of A&F into separate internal audit and forensics functions. Ms Ureka Rangasamy and Mr Godfrey Quickfall are acting as the heads of the respective departments
- Following the departure of Mr André de Ruyter in February 2023, Mr Calib Cassim was appointed as the acting GCE and Mr Martin Buys was appointed as acting GCFO

After year end, Mr Bheki Nxumalo was appointed as Group Executive: Generation with effect from 1 April 2023.

Mr Jan Oberholzer's term as GCOO came to an end on 30 April 2023 when he reached retirement age. The GCOO position was removed from the organisational structure thereafter. Mr Jan Oberholzer was subsequently appointed on a fixed-term contract to assist in overseeing the Kusile and Koeberg projects, although a mutual agreement to part ways was later reached, with his last day being 31 July 2023.

Ms Nthato Minyuku, Group Executive: Government and Regulatory Affairs, and Ms Mel Govender, Group Executive: Legal and Compliance, resigned in April 2023, and exited Eskom on 30 April and 30 June 2023 respectively. Ms Natasha Sithole and Ms Winile Madonsela are acting in the respective positions while the recruitment processes are under way.

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# 

# Progress on governance clean-up

#### RESTORING ESKOM'S REPUTATION AS A TRUSTED CORPORATE CITIZEN

The Board has intensified its focus on environmental, social and governance (ESG) matters to rebuild Eskom as a high-performance, ethical and values-driven organisation. Furthermore, our ESG framework has been enhanced, in support of our Code of Ethics, to factor in broader legal and governance issues, including Eskom's response to the effects and aftermath of state capture as well as criminality, in the form of fraud, corruption, theft and sabotage. Over time, these issues have eroded Eskom's operational and financial sustainability as well as its reputation and relationships with key stakeholders. The Board acknowledges that addressing these matters will be a lengthy process and recognises that more internal work is required to eradicate the scourge of criminality that affects the organisation.

The governance focus areas of our ESG framework include various initiatives to address crime, fraud and corruption, as shown below, as well as strengthening PFMA compliance and supply chain management processes.



Developments across these areas are discussed in further detail below; however, due to the sensitive nature of these matters, not all information can be disclosed in this report.

#### BOARD INVESTIGATION INTO THE ALLEGATIONS BY THE FORMER GCE

During an interview with eNCA in February 2023, Mr André de Ruyter made certain allegations and alluded to the involvement of Government officials in fraud and corruption, without first disclosing the information to the Board or consulting the Board on the matter. The Board could not condone Mr De Ruyter's actions and reached a mutual agreement with Mr De Ruyter to revert to the original notice period of 28 February 2023 set out in his resignation letter; he was not required to serve the balance of his notice period and was released with immediate effect on 22 February 2023.

During the interview, Mr De Ruyter publicly disclosed information on alleged fraud and corruption affecting Eskom, which has prompted the Board to initiate an investigation to determine whether there are any gaps between what is already known and under investigation by Eskom and what was alleged in the interview.

Mr André de Ruyter was asked to hand over all documentation and company assets on the day of his departure from Eskom. It is believed that an intelligence report, commissioned by Mr De Ruyter through a privately funded investigation, formed the basis for his allegations. The report was not handed over to Eskom. The Special Investigating Unit (SIU) confirmed in June 2023 that it had obtained the report from the company appointed to conduct the intelligence investigation and is reviewing the information in terms of its investigation methodology and protocols. The SIU is also investigating how the report was commissioned. An independent legal firm has been appointed to assist the Board in addressing these matters and determining any further steps required. They have obtained a copy of the report and are consolidating the findings to aid in the Board's investigation.

The allegations continue to garner extensive media coverage and the Standing Committee on Public Accounts (SCOPA) has held numerous meetings on the allegations and surrounding circumstances, inviting representation from key individuals and institutions involved. Mr De Ruyter subsequently published a book, the contents of which has been included in the list of allegations under investigation by Eskom.

The Board is taking these allegations very seriously. Should its investigation find that the allegations have merit, they will be dealt with through the appropriate channels. Eskom is cooperating with all external investigations and inquiries related to these matters.

# ESKOM'S RESPONSE TO THE FINDINGS OF THE ZONDO COMMISSION

As mentioned in last year's report, we have established a dedicated state capture task team which is assisted by external legal counsel. The task team has completed its review of the report of the Zondo Commission and developed an implementation plan to address the Commission's recommendations and ensure appropriate legal remedies are pursued.

The recommendations include instituting criminal charges, ensuring appropriate consequence management against employees and suppliers, pursuing director delinquency proceedings and civil recovery of financial losses suffered by Eskom.

The key focus areas of our implementation plan are consistent with these recommendations and include civil recoveries, criminal charges and consequence management for implicated suppliers, former employees and former directors identified by the Commission; an in-depth crime risk assessment; and the review of our structures, policies and procedures to support the eradication of crime, fraud and corruption going forward.

We are working with DPE, other SOCs and law enforcement agencies on various initiatives and our state capture task team is monitoring progress on the implementation of the Commissions' recommendations, including litigation instituted by the SIU through the Special Tribunal.

This report provides limited additional information since last year's report, given that much of the progress relating to the 2023 financial year was already reported on due to the delayed release of Eskom's 2022 annual financial statements and the requirement to disclose material post-year end events. Furthermore, criminal convictions and civil judgments are dependent on the justice system and this remains a lengthy process, with no substantial outcomes in these cases so far as investigations and legal proceedings are ongoing.

We continue to provide the necessary support where recommendations are being driven by another organisation or are not within Eskom's control – such as court proceedings – to ensure the successful prosecution of implicated suppliers, former employees, former directors and associated perpetrators.

# INITIATIVES TO ADDRESS IMPLICATED INDIVIDUALS AND COMPANIES

Consequence management of delinquent employees

Employees implicated in state capture were dismissed or resigned in early 2018. There are currently no outstanding disciplinary actions against individuals highlighted in the Zondo Commission report and no implicated individuals are currently employed by Eskom.

#### Director delinquency proceedings

From a legal perspective, the most effective avenue to charge former directors and officials is through delinquency proceedings under the Companies Act, 2008. DPE is coordinating this process across all SOCs. Eskom has prepared detailed evidence packs relating to all implicated directors and has submitted the evidence relating to four former directors to the CIPC for consideration and to aid in delinquency proceedings.

# Reporting of former delinquent directors and officials to the relevant professional body

The South African Institute of Chartered Accountants instituted disciplinary proceedings against Eskom's former Chief Financial Officer, Mr Anoj Singh, and revoked his professional membership in August 2020. Similar proceedings are being considered for other implicated individuals and we continue to work with DPE and the Department of Justice on these matters.

#### Criminal proceedings

As mentioned, we are working with law enforcement agencies to bring all criminal matters arising from the Zondo Commission report to court as soon as possible. We are monitoring progress on these matters.

#### **Civil recoveries**

Several civil recovery proceedings have been launched by both the SIU and Eskom. The SIU has sought to extend its mandate to include all matters raised in the report of the Zondo Commission. Our task team is monitoring civil recovery proceedings to intervene where legal progress remains slow.

#### Blacklisting of suppliers

Eskom has placed a provisional block on all implicated suppliers, preventing new contracts with these suppliers. Eskom is awaiting the outcome of related court cases before following the necessary governance processes to formally blacklist any suppliers. Leadership reports Our strategic context

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### Progress on governance clean-up continued

# Initiatives to enhance proactive management of fraud and corruption

While the aforementioned initiatives are focused on addressing existing matters and investigations, Eskom is also re-evaluating the effectiveness of its approach to crime, fraud and corruption in line with the recommendations of the Zondo Commission and external audit findings. This involves reviewing and making relevant changes to policies, processes, systems, controls and structures where necessary.

#### Review of policies and procedures

Our task team has reviewed Eskom's supply chain management and human resource policies and procedures and made recommendations to improve the implementation of consequence management and enable sanctions to take place more effectively going forward.

 $$(\mbox{IR}$)$$  These measures are discussed in more detail under "Improving consequence management" on the next page

We are also implementing automated systems in the procurement of goods and services and management of spend, including price check tools, digitalisation of stock control and e-auction systems, to proactively address fraud- and corruption-related risks. Technology developments are being monitored to identify further opportunities across these areas.

#### Crime landscape risk assessment

We are conducting a full assessment of Eskom's crime risk management landscape in partnership with an independent service provider. This initiative is aimed at identifying risks related to bribery and corruption, financial crime, physical asset crime, cybercrime and money laundering, to inform Eskom's approach to addressing and combating these activities.

The first phase of the crime landscape risk assessment is in progress, given the time needed to conduct interviews and obtain information for a project of this scale and complexity. The final report, including recommendations for treating root causes, is expected to be issued in the third quarter of the 2024 financial year.

Once the risk assessment is completed, recommendations around the design and implementation of control frameworks will be considered in the second phase, together with embedding a crime risk management programme as part of Eskom's standard operating procedures.

#### Single investigative unit

Eskom's Forensic and Anti-Corruption Department is mandated to perform independent forensic investigations into cases of fraud, corruption and general irregularities, supported by a panel of external investigators. In addition, Eskom has many other functions which are responsible for investigating and responding to crime and other unethical behaviour.

The existing approach of having multiple investigative functions, operating in an uncoordinated manner at times, is not yielding the desired results. To enhance our effectiveness in preventing and responding to these matters, we have embarked on a programme to consolidate our multiple investigative functions into a single investigative unit. It is envisaged that a highlevel structure for the investigative unit will be in place by December 2023, with full implementation planned by the end of the 2024 financial year.

#### ESKOM'S FRAUD PREVENTION PLAN

We have implemented a Fraud Prevention Plan which is reviewed and updated annually. The key objectives of the plan include:

- Improving Eskom's ethical culture and legislative compliance
- Adopting and embedding a zero-tolerance approach to fraud and corruption in business operations
- Raising awareness of fraud through various fraud prevention campaigns and training interventions
- Improving the transparency and credibility of the procurement process
- Encouraging members of the public to blow the whistle on fraud, corruption and financial misconduct by publicising Eskom's whistle-blowing channels
- Enhancing fraud deep dives and fraud risk assessments
- Establishing an intelligence-driven forensic investigation capacity
- Supporting management in the implementation of consequence management, and improving oversight and management accountability

The Anti-Fraud and Corruption Integration Committee (AFCIC) was established in 2020 to monitor implementation of the fraud prevention plan each year and to ensure integration between forensic, legal, ethics, industrial relations and supplier review functions.

During the year, we conducted a self-assessment on our alignment to the goals and purpose of the OECD's recommendations on anti-corruption. The assessment identified gaps and enhancement opportunities related to certain business processes. A plan has been developed to address these gaps and implement enhancements in the 2024 financial year.

An anti-fraud and corruption strategy has been developed and will be updated to incorporate the results of the independent assessments on Eskom's crime landscape and ethics risks. Furthermore, a fraud risk assessment has been concluded, leading to the development of a fraud risk register for the organisation. AFCIC is monitoring progress of the implementation of the OECD's recommendations as well as controls linked to the fraud risk register, in line with its mandate.

Our Forensic and Anti-Corruption Department has also performed a fraud deep dive on the procurement of goods and services to identify exceptions, such as inflated prices and deliberate splitting of orders to circumvent controls. The external auditors have raised similar findings during the external audit for the 2022 financial year, and again for the 2023 financial year. Further analysis is being conducted on these findings and the recommendations to address these matters, although the Board is not satisfied with the level of progress made in improving internal controls across the organisation.

During the year, we published monthly newsletters for employees, to raise awareness about fraud and corruption across the organisation. A further three special editions were released to observe African Anti-Corruption Day and the International Fraud Awareness Week in July 2022 and November 2022.

# WHISTLE-BLOWING AND CONFLICT OF INTEREST MANAGEMENT

All stakeholders, including employees, are encouraged to report suspected incidents of unlawful or irregular conduct involving Eskom's directors, employees or suppliers through our whistle-blowing channels. These channels are managed by an independent service provider to ensure the integrity and confidentiality of the process. All incidents are acknowledged within 24 hours and cases are registered for forensic investigation after conducting an initial assessment of the incident.

# (IR) Refer to the inside back cover for the contact details of our whistle-blowing channels

Compliance with and monitoring of the annual declaration of interest process has improved, with 99% of employees having submitted their declarations for the 2023 financial year. Where employees have not declared business-related interests or have performed private work without prior approval, they will be subjected to disciplinary processes.

Our declaration of interest system sources information directly from the Companies and Intellectual Property Commission (CIPC) database to ensure that any active directorships are appropriately disclosed. Exceptions that raise potential noncompliance with our conflict of interest policy are referred to our Forensic and Anti-Corruption Department for investigation.

# FORENSIC INVESTIGATIONS AND DISCIPLINARY ACTION

#### FORENSIC INVESTIGATIONS

**7 963** incidents registered for assessment on the forensic case management system through reporting channels

278 new cases registered for forensic investigation concluded 227 forensic investigation

**305** cases under investigation at year end, relating to current and prior years

#### SANCTIONS

223 employees recommended for disciplinary action54 suppliers recommended for review to the Supplier

Review Committee 158 confirmed cases of fraud and corruption registered

with the South African Police Services (SAPS)

We have enhanced our forensic investigation process to make it compulsory for all internal and outsourced investigations to assess, during an investigation, whether a case is required to be reported to law enforcement agencies. This process has been implemented to ensure that all relevant matters are reported in terms of the Prevention and Combating of Corrupt Activities Act, 2004. Forensic investigating reports are only signed off once this requirement has been satisfied and, where applicable, a case number from SAPS or the Directorate for Priority Crime Investigation (the Hawks) has been assigned.

Of the 158 cases registered with law enforcement, 10 are at trial stage at various magistrate and specialist commercial crimes

courts. A further 41 have been through the criminal proceedings provided for under the Criminal Procedure Act, 1977.

Improved relationships with law enforcement agencies resulted in the arrests of more than 18 individuals during the year, including employees and suppliers who were implicated in fraudulent and corrupt activities.

Regrettably, our investigations have revealed similar themes to previous years, with instances of improper contract management, general procurement irregularities and fraud continuing. Non-compliance with Eskom's well-documented policies and procedures, employee dishonesty, such as through inaccurate or incomplete declarations on interest, as well as circumvention of controls remain the most prevalent themes in these cases. Eskom's Internal Audit Department has recommended control enhancements in affected areas to prevent recurrence and the correction of identified control deficiencies are being monitored.

#### IMPROVING CONSEQUENCE MANAGEMENT

A number of interventions have been put in place to improve the effectiveness of consequence management processes. These include the establishment of an external disciplinary tribunal, consisting of internal and external experts, to expedite disciplinary action and address the backlog of cases, training of disciplinary chairs and case presenters, as well as monitoring and evaluation of long outstanding disciplinary actions at executive and Board level.

As mentioned, the state capture task team has also reviewed key policies and procedures relating to the implementation of consequence management and has proposed an end-to-end process to manage integrity matters within Eskom, including fraud, corruption, breaches of the conflict of interest policy and the management of the whistle-blower hotline, among others.

Separate disciplinary and grievance procedures are being implemented for bargaining unit and managerial employees, to align to Eskom's conditions of service and industry trends as well as institute separate standards for managerial employees due to the higher expected duty of care.

An agreement was reached with our recognised trade unions to institute the amended disciplinary and grievance procedures for bargaining unit employees from 1 July 2023. The amended procedures provide guidelines for disciplinary enquiries and hearings to ensure consistency in the application of consequence management. Eskom undertakes to institute disciplinary action within three months from the date that it becomes aware of any misconduct. Consultations on the disciplinary and grievance procedures applicable to managerial employees are in progress.

As reported previously, the Human Resources Division has revised its reference flagging procedures to include employees who resigned before disciplinary processes or investigations could be concluded. Previously, only employees who were dismissed were flagged. Individuals who have been flagged cannot be employed in Eskom for 10 years and cannot serve as an employee of a contractor on Eskom sites. The withholding of pension benefits and the recovery of losses or damages to Eskom from flagged employees are also outlined in the revised procedure.

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### Progress on governance clean-up continued

In instances where suppliers have failed to declare a potential conflict of interest and have been proven to have benefitted unduly through such relations, a supplier review process is followed. Eskom's Supplier Review Committee investigates cases of misconduct and institutes disciplinary action, which may include blacklisting of suppliers from Eskom's database as well as recommendations to National Treasury for blacklisting of suppliers on the national supplier database. Our state capture task team is reviewing the backlog of supplier disciplinary cases and addressing new cases as they arise. An external service provider has been appointed to assist in closing these matters out.

#### ADDRESSING SECURITY RISKS

A Safety and Security Work Stream has been established under the Energy NatJOINTS and is chaired by the National Commissioner of Police, to focus specifically on combatting criminal activities affecting Eskom's operations as well as the criminal cases reported by Eskom to law enforcement authorities. As reported previously, an Executive Security Steering Committee has been established within Eskom to address security risks relating to criminal acts, including theft, vandalism and sabotage incidents.

Our focus remains on gathering intelligence on key criminal elements within and external to Eskom. We are collaborating with law enforcement and other criminal justice agencies to address possible shortcomings which prevent successful investigations and prosecutions on criminal matters.

Eskom's General Manager: Security has been placed on precautionary suspension to finalise an investigation into unverified messages and allegations of fraud and corruption linked to the awarding of an emergency security contract, which has been widely reported in the media. Given the seriousness of these allegations, Eskom is working with relevant authorities to investigate the matter. The emergency security contract was placed in line with Eskom's procurement procedures and National Treasury directives for the emergency procurement of services.

The National Prosecuting Authority (NPA) and its Investigating Directorate is working with legal experts and Eskom's forensic investigators to support its efforts in ensuring successful prosecution of alleged perpetrators of complex and highprofile cases. The NPA has also committed to increasing its collaboration with law enforcement authorities to focus on major crimes, such as cable theft and damage to essential infrastructure, which seriously threaten the operational sustainability of Eskom and other SOCs.

# STRENGTHENING PFMA COMPLIANCE AND SUPPLY CHAIN MANAGEMENT

Eskom has once again received a qualified opinion relating to the disclosure of PFMA information, as associated financial records were not complete or accurately maintained in line with legislative requirements. The auditors have raised material findings in respect of Eskom's compliance with specific matters and key legislation, as well as significant internal control deficiencies.

The Board remains committed to enhancing systems, controls, resources, policies and procedures as well as reporting structures to address this significant focus area. These enhancements are not yet effective as there are still areas that require significant improvement. Eskom's PFMA compliance status is being continuously assessed and we have identified gaps and areas where PFMA compliance has been a challenge. We will continue to analyse the root causes of non-compliance to address them effectively. Development of a detailed action plan to address the audit qualification is under way with clear objectives, timelines and responsible individuals and areas, the progress of which will be monitored regularly.

A key focus area is Eskom's PFMA policy and procedure, which will be updated to align to changing regulations and best practice. Once completed, Eskom will ensure that employees receive training on the updated policy and procedure. PFMA training for employees at all levels of the organisation will help to ensure that employees understand their responsibilities and the importance of PFMA compliance. Eskom is also continuing to seek ways to enhance and strengthen internal controls to improve PFMA compliance. These measures will aid in fostering a culture of transparency and accountability within Eskom and ensure that those individuals responsible for non-compliance and non-conformance with the PFMA are held accountable.

The PFMA defines irregular expenditure as "expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation". The definition is very broad, as irregular expenditure can arise from lack of compliance with any applicable legislation, whether external laws or internal policies, procedures and processes.

It is important to note that irregular expenditure does not imply that funds were misused or that any financial losses or wasteful expenditure were incurred. Irregular expenditure can occur due to a variety of reasons, such as procedural errors, non-compliance with policies and procedures as well as lack of proper documentation. It does not matter whether the transgressions were accidental, occurred in good faith, or were based on a commercially sound decision – they will still be defined as irregular expenditure.

At 31 March 2023, the cumulative balance of irregular expenditure amounted to R91.2 billion, the vast majority of which relates to historic transgressions. Irregular expenditure incurred during the 2023 financial year totalled R5 billion. Note that the PFMA amounts reported are exclusive of VAT.

The balance for the comparative period has been restated, increasing by R17.3 billion, largely as a result of prior year expenditure that was only confirmed as irregular in the current year. The process of collecting information and reporting on irregular expenditure continues to be a focus area, although it is expected that new instances of irregularities will be detected as we continue our governance clean-up exercise.

Nonetheless, the cumulative balance of irregular expenditure remains high, mainly due to limited progress in receiving the necessary condonations and removal of historical irregular expenditure. Regrettably, obtaining the necessary supporting documents for historical matters remains a challenge. We are committed to rectifying past mistakes and ensuring accountability. During the year, Eskom received notice of condonations to the value of R246 million. We are finalising procedures and related controls around the removal process for uncondoned irregular expenditure, to minimise the continued impact of historical matters on the cumulative irregular expenditure balance.

# CLARIFYING RECENT DEVELOPMENTS IN PFMA DISCLOSURE REQUIREMENTS

In January 2023, National Treasury issued Instruction Note 4 of 2022/23, requiring certain PFMA information previously disclosed in the annual financial statements to instead be disclosed in an organisation's annual (or integrated) report. Only irregular expenditure, fruitless and wasteful expenditure and material losses due to criminal conduct relating to the current and comparative financial years are required to be disclosed in the annual financial statements.

The change in disclosure applies to all departments, trading entities, constitutional institutions and public entities listed in Schedules 2 and 3 of the PFMA, 1999, including Eskom and its subsidiaries, and is effective from 3 January 2023.

In March 2023, we requested an exemption from disclosing irregular expenditure, fruitless and wasteful expenditure and material losses due to criminal conduct in our annual financial statements for the 2023, 2024 and 2025 financial years. The request was intended to provide time for Eskom to improve PFMA reporting processes and compliance with the PFMA, 1999, and thereby reduce the risk of continued qualified external audit opinions. It is important to note that Eskom did not request to be exempted from complying with the requirements of the PFMA, 1999 but only from the disclosure of PFMA information in the annual financial statements, with the intention that the information would instead be reported in full in the integrated report.

The Minister of Finance granted a partial exemption on 31 March 2023 based on this request, but subsequently withdrew the exemption to allow for a period of engagement and written technical input from other stakeholders. The exemption was formally retracted on 7 June 2023.

We continue to cooperate with supervisory authorities including the Minister of Public Enterprises, National Treasury, the Auditor-General of South Africa and Parliament. Improving systems, controls, resources and processes to monitor and report on PFMA contraventions remains an area of focus, as the Board is not satisfied that prior year PFMA qualification issues have been adequately addressed.

Reporting on irregular expenditure, fruitless and wasteful expenditure and material losses due to criminal conduct to National Treasury on a quarterly basis, as required by the PFMA, 1999 and relevant National Treasury instructions, remains in place.

The closing balance of fruitless and wasteful expenditure amounted to R6.8 billion at year end, of which R105 million, relating to nine incidents, has been reported for the year under review. The balance for the comparative period has been restated by R1.7 billion, with 75 matters incurred in prior years which were only confirmed in 2023.

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Losses due to criminal conduct of R6 billion were reported during the year, of which the majority related to non-technical energy losses. The methodology for determining the split between technical and non-technical losses was revised, increasing the non-technical portion from around 30% of total energy losses in 2022 to almost 70% in 2023. Losses due to criminal conduct for the 2022 financial year were restated from R2.8 billion to R5.7 billion.

#### AFS Disclosure of PFMA information in terms of National Treasury Instruction Note 4 of 2022/23 is set out in note 51 in the annual financial statements as well as in the supplementary information from page 177

Our P&SCM Department has implemented a procurement roadmap to improve commercial governance processes as well as compliance to procurement and other relevant legislation, and thereby reduce the occurrence of irregular expenditure.

The procurement roadmap aims to reduce the number of cancellations of published tenders, improve compliance with procurement plans, reduce the number of contract modifications, expansions and deviations as well as enhance contract management. In line with the conditions attached to the Special Appropriation Act, 2019, progress on the roadmap has been reported to National Treasury and DPE on a regular basis.

To enhance compliance, transparency and accountability in supply chain management, Eskom has amended its P&SCM procedures to address the requirements of National Treasury PFMA SCM Instruction Note 3 of 2021/22, which came into effect I April 2022. The instruction note caters for deviations from competitive bidding through procurement by other means, as well as for the expansion and variation of contracts.

We consider these transactions to be an exception and not the norm and provide regular reporting to National Treasury as these transactions are concluded, in line with the requirements of the instruction note. National Treasury publishes reports on deviations, contractual expansions and variations across all SOCs on a quarterly basis.

Eskom recorded a total of 606 deviations and 274 contractual expansions and variations during the 2023 financial year.

 $$\operatorname{IR}$$  Disclosure of deviations, expansions and variations is set out from page 183

# REPORTABLE IRREGULARITIES RAISED BY THE EXTERNAL AUDITORS

In terms of section 45 of the Auditing Profession Act, 2005, the external auditors are required to report any reportable irregularities to the Independent Regulatory Board for Auditors, and only then report the matter to Eskom, affording management an opportunity to respond to and/or rectify the matter.

(AFS) Details of the reportable irregularities, as well as the action taken and status of the respective matters, are discussed in note 52 in the consolidated annual financial statements

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Condensed annual financial statements

The group financial results set out in the condensed financial statements have been extracted from the consolidated annual financial statements of Eskom Holdings SOC Ltd for the year ended 31 March 2023, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2008 and the PFMA, 1999.

The consolidated annual financial statements have been prepared under the supervision of the acting Group Chief Financial Officer, Mr Martin Buys CA(SA), and were duly approved by the Board of Directors on 30 October 2023.

The consolidated annual financial statements have been audited by the group's independent auditors, Deloitte & Touche, in accordance with the Public Audit Act of South Africa, 2008, the General Notice issued in terms thereof and International Standards on Auditing. The independent auditors issued a qualified opinion relating to information disclosed in terms of the PFMA, 1999. Except for this qualification, the consolidated annual financial statements are fairly presented in terms of IFRS. Furthermore, the independent auditors have emphasised a number of matters in their report, including a material

#### CONDENSED GROUP INCOME STATEMENT

for the year ended 31 March 2023

for the year ended 31 March 2023					constraints leading to unserved energy, as well as poor
	2023	Restated 2023 2022			economic conditions affecting many sectors
	Rm	Rm	%		Higher OCGT usage to alleviate supply constraints, coupled with higher fuel oil usage for the start-up of power stations
Continuing operations					due to more frequent plant breakdowns. Exacerbated by
Revenue	259 543	247 594	5	▲	fuel price pressures and combustion support
Other income	2 742	494			Headcount reduction, offset by 7% salary increase for
Primary energy	(154 942)	(132 933)	17 🖌	▲' <sub>Г</sub>	employees from bargaining unit up to senior management level
Employee benefit expense	(32 321)	(32 985)	2	<	
Net impairment loss and write-downs	(2 182)	(1 436)		Г	Increased maintenance and plant operating costs to address
Other expenses	(34 795)	(28 780)	21	▲	poor plant performance
Profit before depreciation and amortisation expense and net fair value and foreign exchange loss (EBITDA)	38 045	52 954	28	ſ	The biggest contributor to the decline in performance is the impact of generation and IPP supply constraints on revenue and primary energy costs
Depreciation and amortisation expense	(32 485)	(32 066)		<b>A</b>	
	、	· · /	70		Mainly due to new build units achieving commercial operation
Operating profit (EBIT) Net fair value and foreign exchange loss on	5 560	20 888	73	· · · · ·	
financial instruments, excluding embedded derivatives	(169)	(4 748)	96	▼	Mainly due to fair value movements on hedging instruments arising from weakening of the Rand, as well as credit risk and hedge effectiveness adjustments
Net fair value and foreign exchange (loss)/gain	(116)	622	107	<b>V</b>	
on embedded derivatives				_	A new pricing agreement became effective from
Profit before net finance cost	5 275	17 762		l	I August 2021. The prior year includes unwinding of the
Net finance cost	(37 015)	(33 063)	12	<b>A</b>	derivative that existed up to that date. Since then, only day I fair value movements are recognised
Finance income	3 365	2 364			
Finance cost	(40 380)	(35 427)			Higher average cost of borrowings and lower interest
Share of profit of equity-accounted investees	93	52	I		righer average cost of borrowings and lower interest capitalised to projects after units are commissioned, together with an increase in gross debt securities and borrowings
after tax					<u> </u>
Loss before tax	(31 647)	(15 249)			A return to profitability remains hampered by poor
Income tax	7 708	3 319		_	operational performance, lack of cost-reflective tariffs, high
Loss for the year	(23 939)	(11 930)	101	▲	debt servicing costs and non-payment by some customers, particularly municipalities

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▲ Income/gain increased ▼ Income/gain decreased

uncertainty relating to Eskom's ability to continue as a going concern. However, this does not affect their opinion.

#### The consolidated annual financial statements, which detail the financial performance of the group and company, are available online

The income statement, statement of financial position and statement of cash flows for the 2022 financial year have been restated as a result of the adoption of an accounting standard that required retrospective application. All financial information presented in this report reflects the restated results where applicable.

(AFS) Refer to note 48 in the consolidated annual financial statements for more information on the prior period restatements

Neither the future performance plans nor strategies referred to in the integrated report have been reviewed or reported on by the group's independent auditors.

9.61% tariff increase for the year, offset by a 5% decline in

sales volumes driven by generation and IPP supply

▼ Expense/loss decreased ▲ Expense/loss increased

Liability decreased

Liability increased

### Condensed annual financial statements continued

# CONDENSED GROUP STATEMENT OF FINANCIAL POSITION at 31 March 2023

	2023 Rm	Restated 2022 Rm	%		
Assets					
Non-current assets	743 235	720 155	3	<b>A</b>	
Property, plant and equipment and intangible assets	672 768	671 082			
Future fuel supplies	7 167	6 304	4	<b>A</b>	Additions to coal and nuclear fuel supplies
nvestment in equity-accounted investees and subsidiaries	350	418			A portion of coal inventory is recognised as non-current,
Inventories	12 209	11 516	6	<b>A</b>	based on the quantity of coal held and usage patterns at
Deferred tax	17 190	9 326			power stations
Embedded derivatives	772	822			Net derivatives increased due to weakening of the Rand a
Derivatives held for risk management	17 633	8 046	9	<b>A</b>	well as credit risk and hedge effectiveness adjustments
Other non-current assets	15 146	12 641			
Current assets	84 652	83 173	2	_	
Inventories	24 014	23 086	4	<b>A</b>	Increase in maintenance spares and consumables for scheduled maintenance programmes
Loans receivable	247	319			
Embedded derivatives	51	7			
Derivatives held for risk management	9 359	463	92		
Trade and other receivables	26 702	25 163	6		
Insurance investments	15 629	17 318			Increase largely attributable to growth in municipal and metro debtors
Other current assets	1 134	822	50	_	
Cash and cash equivalents	7 516	15 885	53		
Total assets	827 887	803 328	3		Refer to the condensed group statement of cash flows on
Equity					the next page
Capital and reserves	236 087	237 057			
Liabilities					Loss for the year, offset by share capital of R21.9 billion issued in exchange for Government support
Non-current liabilities	473 282	453 876	4	<b>A</b>	issued in exchange for Government support
Debt securities and borrowings	367 993	345 490	7	<b>A</b>	
Derivatives held for risk management	241	5 415	96	▼-	Debt of R29.6 billion raised, offset by R39.1 billion repaid.
Deferred tax	-	348			Foreign-denominated borrowings increased due to
Contract liabilities and deferred income	26 078	25 525			weakening of the Rand. A portion of non-current debt reclassified as current as maturities fall due
Employee benefit obligations	16 902	16 404			
Provisions	50 143	49 257			Net derivatives increased due to weakening of the Rand as
Lease liabilities	7 415	8 032			well as credit risk and hedge effectiveness adjustments
Other non-current liabilities Current liabilities	4 510	3 405	5		
			1		
Debt securities and borrowings	55 936	50 804	10	-	Not derivatives increased due to weakening of the Pand as
Derivatives held for risk management	I 788 4 026	4 563 3 880	61	•	Net derivatives increased due to weakening of the Rand as well as credit risk and hedge effectiveness adjustments
Payments received in advance Employee benefit obligations	3 584	3 880			
Provisions	5 914	8 944	34	<b>—</b> —	Mainly due to the settlement of compensation event
Trade and other payables	44 264	37 994	,		obligations
Other current liabilities	3 006	2 760			
Total liabilities	591 800	566 271	5		$\widehat{(A_{rel})}$ The statements of comprehensive income and
Total equity and liabilities	827 887	803 328	3		(AFS) statements of changes in equity are available in

## CONDENSED GROUP STATEMENT OF CASH FLOWS

	2023 Rm	Restated 2022 Rm	%	
Cash flows from operating activities				
oss before tax	(31 647)	(15 249)	108 🔺	
Adjustment for non-cash items	75 936	79 745		
Changes in working capital	(2 320)	(9 771)	76 🔻	
Cash generated from operations	41 969	54 725		
Net cash from/(used in) derivatives held for	97			
risk management	"	(899)		Operating each flavor of D41 E billion remain incherunte to
Finance income received	462	441		Operating cash flows of R41.5 billion remain inadequate to meet total debt servicing requirements of R72.2 billion,
Finance cost paid	(109)	(25)		comprising interest of R33.1 billion and capital of
ncome taxes paid	(892)	(218)		R39.1 billion, emphasising the impact of our operating
Net cash from operating activities	41 527	54 024	23 🔻	challenges, the lack of cost-reflective tariffs and the continuing need for Government support
Cash flows used in investing activities				
Proceeds from disposal of property, plant and		221		
equipment and intangibles	746	331		
Acquisitions of property, plant and equipment	(31 865)	(20 01/)	10	
and intangibles	(31 865)	(29 016)	10 🔺	
Acquisitions of future fuel supplies	(3 137)	(2 468)	27 🔺	
Net proceeds/(acquisitions) of insurance investments	647	(2 601)		
Payments made in advance	(442)	_		
Cash used in provisions	(1 900)	(318)	497 🔺	
Net cash (used in)/from derivatives held for		. ,		
risk management	(18)	178		
Net cash from loans receivable and finance	109	212		
lease receivables				
Dividends received	254	129		
Finance income received	1 792	1 150	56 🔺	Investing activities relate mainly to capital expenditure on the new build programme, Generation outage and technica
Net cash used in investing activities	(33 814)	(32 403)	4 🔺	plan requirements as well as network infrastructure
Cash flows used in financing activities				
Debt securities and borrowings raised	29 603	33 036	10 🔻	
Payments made in advance	(369)	(471)		
Debt securities and borrowings repaid	(39 110)	(38 854)	- I 🔺	
Share capital issued	21 857	31 693	31 🔻	
Net cash from/(used in) derivatives held for risk management	4 894	(2 769)		
Net cash used in lease liabilities and financial	(689)	(417)		
trading liabilities		(417)		
Finance income received	789	656	<u> </u>	
Finance cost paid	(33 069)	(32 547)	2 🔺	Financing activities include debt raised of R29.6 billion, net
Taxes paid	(58)	(66)		of commercial paper, and Government support of R2I.9 billion, offset by total debt servicing of R72.2 billion.
Net cash used in financing activities	(16 152)	(9 739)	66 🔺	<ul> <li>Debt raised excludes the rollover of a R15 billion syndicate loan which was extended through a clause contained in the</li> </ul>
Net (decrease)/increase in cash and cash	(8 439)	11 882		existing facility as well as RI6 billion in funding concluded ir March but only received in early April 2023
equivalents	. ,			That chose only received in early April 2023
Cash and cash equivalents at the beginning of the year	15 885	4 041		
Foreign currency translation	33	5		Liquidity remains constrained due to the lack of
Effect of movements in exchange rates on				<ul> <li>cost-reflective tariffs and high debt servicing requirements, prompting the need for Government support</li> </ul>
cash held	37	(43)		· · · · · · · · · · · · · · · · · · ·
Cash and cash equivalents at the end of the year	7 516	15 885	53 🔻	

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▲ Inflow increased ▼ Outflow decreased ▲ Outflow increased

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# Our finances

#### VALUE CREATED

Received Government equity support of R21.9 billion to strengthen the balance sheet and support Eskom's status as a going concern Revenue grew by 4.8%, supported by a standard tariff increase (including RCA) of 9.61% for the year

NERSA awarded standard tariff increases of 18.65% for 2024 and 12.74% for 2025 in its MYPD 5 determination The Eskom Debt Relief Act was promulgated in July 2023 and will support debt servicing of R254 billion over the next three years National Treasury published two circulars relating to the municipal debt relief plan, which aims to address Eskom's arrear debt balance and improve revenue collection over the next three years

#### VALUE PRESERVED

- Contained employee benefit costs at R32.3 billion (2022: R33 billion), despite implementing a 7% salary increase to the majority of employees during the 2023 financial year
- Successfully executed our borrowing programme, securing R59.9 billion during the year (2022: R35.8 billion), including R16 billion of pre-funding for the 2024 financial year while awaiting promulgation of the Eskom Debt Relief Act
- Effective hedging implemented to offset the impact of the significant weakening of the Rand during the year on foreign denominated borrowings
- Credit ratings were affirmed and remain at subinvestment grade level, although outlook improved to positive from the majority of rating agencies by year end (2022: majority stable outlook)

#### **VALUE ERODED**

- Sales volumes declined by 5%, largely as a result of generation and IPP supply constraints which resulted in significant levels of loadshedding
- Net loss after tax worsened to R23.9 billion (2022: R11.9 billion), driven mostly by a 16.6% increase in primary energy costs
- Lower than budgeted production from renewable IPPs and delays in the Risk Mitigation IPP Procurement Programme (RMIPPPP), coupled with lower than budgeted EAF levels, required increased use of more expensive OCGTs
- Cash and cash equivalents declined to R7.5 billion at year end (2022: R15.9 billion)
- Approximately R7.1 billion in cumulative diesel levy refunds owed to Eskom at year end, directly affecting liquidity

- Gross debt securities and borrowings increased to R423.9 billion (2022: R396.3 billion)
- Solvency ratios deteriorated due to unfavourable EBITDA performance, remaining well below acceptable levels
- Continued incorrect application of the regulatory allowed revenue methodology by NERSA, requiring lengthy court processes, delaying the progress towards cost-reflective tariffs
- Arrear municipal debt escalated to R58.5 billion (including interest) by year end (2022: R44.8 billion), with average municipal debtors days unacceptably high at close to 180 days

### PROFITABILITY AND WORKING CAPITAL

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Company							
Electricity revenue per kWh (including environmental levy), c/kWh	207.22	164.27	138.44	•	141.38	127.32	111.04
Electricity operating costs, R/MWh	1 571.36	3 9.84	1 121.43		1 188.81	992.80	906.36
Group							
EBITDA, R million <sup>sc</sup>	84 080	54 169	51 929		38 045	52 954	32 608
EBITDA margin, %	22.02	17.50	19.70		14.66	21.39	15.96
Current ratio	1.20	1.15	1.52		0.89	0.90	0.95
Free funds from operations (FFO), R million	92 216	54 016	59 310	•	43 847	63 795	42 972
FFO after net interest paid, R million	66 580	21 399	25 123		11 567	31 904	6 496

1. Future targets assume a tariff path with annual increases of 18.65%, 12.74% and 12.50% over the next three financial years, based on our latest Corporate Plan and NERSA's determinations for 2024 and 2025.

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We make use of financial capital in the form of debt or equity to fund our operations. Debt includes both guaranteed and unguaranteed borrowings from external lenders. To ensure sustainability, equity should ideally be created through profits generated by sufficient revenue to cover our costs, otherwise through share capital received from our shareholder.

## FINANCIAL RESULTS OF OPERATIONS

The group recorded a net loss after tax of R23.9 billion for the year (2022: R11.9 billion), with most of the deterioration in profitability driven by a decline in EBITDA to R38 billion (2022: R53 billion). The EBITDA margin decreased to 14.66% (2022: 21.39%). Generation and IPP supply constraints, in particular, had an adverse impact on financial performance.

Primary energy costs have risen substantially due to increased reliance on expensive OCGT production to avoid or minimise loadshedding. Unplanned breakdowns and partial load losses have also resulted in significantly higher use of fuel oil for combustion support and the start-up of coal-fired units.

Further contributing to the decline in EBITDA performance was a 5% reduction in sales volumes as a result of unserved energy from loadshedding and load curtailment driven by generation supply constraints. This impact was partially offset by an improvement in revenue, driven by a regulatory standard tariff increase of 9.61% for the year. Governance, leadership and ethics

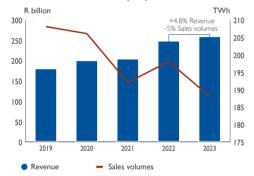
### Our finances continued

Most financial ratios performed worse than target and deteriorated when compared to the previous year. Eskom's standalone long-term financial sustainability remains dependent on the migration towards cost-reflective tariffs, resolving our operating challenges, addressing our high debt burden and recovery of arrear debt from defaulting municipalities. Positive strides have been made in putting interventions in place to resolve these challenges and strengthen Eskom's financial position over time, through our turnaround plan and the support of Government.

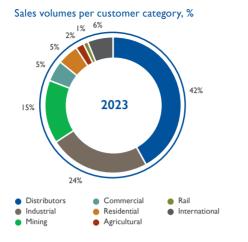
#### SALES AND REVENUE

Revenue for the group amounted to R259.5 billion, an increase of 4.8% compared to the prior year (2022: R247.6 billion). Excluded from this amount is revenue that could not be recognised in terms of accounting standards due to non-collectability from municipal and residential customers, amounting to R15.8 billion for the year (2022: R14.2 billion). Of this, R7.6 billion was recognised as revenue on a cash basis once payment was received (2022: R6.5 billion).

#### Sales volumes and revenue per year



Over the past five years, Eskom has experienced a compound annual reduction in sales volumes of around 2.5% per year. We saw a partial recovery of sales volumes in 2022, although this was off the back of an unprecedented 6.7% decline in sales in 2021 due to the impact of the COVID-19 lockdown. Sales volumes have continued to decline in 2023, decreasing to 188.4TWh (2022: 198.3TWh) as a result of poor economic conditions as well as generation and IPP supply constraints leading to unserved energy. Large industrial and mining customers in particular remain exposed to volatile commodity prices and external economic factors.



Distributors, together with the residential, industrial and mining sectors account for over 85% of our sales volumes.

# (IR) Refer to page 169 for the number of customers by customer segment, as well as electricity sales by customer category, both volumes and revenue

#### Year-on-year reduction in sales volumes

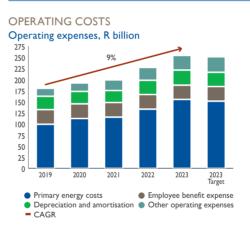
	TWh	%
Distributors	4.4 🔻	5 🔻
Industrial	0.6 🔻	I 🔻
Mining	0.2 🔻	I 🔻
Commercial	0.5 🔻	5 🔻
Residential	1.3 🔻	13 🔻
Agricultural	0.6 🔻	11 🔻
Rail	0.5 🔻	22 🔻
International	1.9 🔻	14 🔻
Total	9.9 🔻	5 🔻

A decline was experienced across every customer category. Sales to the industrial and mining sectors were not nearly as badly affected, as these sectors benefitted from favourable commodity prices, which led to improved profit margins, driving higher production by large mines and smelters during much of the year. Regrettably, the rail industry continues to be affected by cable theft and vandalism of infrastructure, while the distributor, residential (including prepayments) and agricultural sectors were negatively impacted by lower sales due to loadshedding. Agriculture is an energy-intensive industry and is adversely affected by loadshedding due to its heavy reliance on electricity for irrigation and refrigeration.

International sales decreased as a result of load curtailment implemented on firm power supply agreements and the suspension of non-firm supply agreements due to South Africa's supply constraints, as well as improved self-generation among neighbouring countries and trading in the Southern African Power Pool.

Theft through illegal connections, meter tampering and ghost vending, which are recognised as non-technical losses, further lower our sales.

(IR) Non-technical losses are discussed in more detail under "Our infrastructure – Energy losses and equipment theft" from page 110

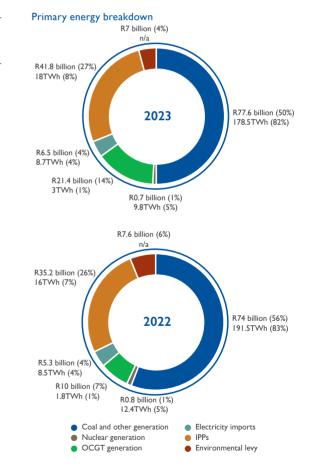


#### PRIMARY ENERGY

Primary energy costs constitute around 61% of operating costs and increased by R22 billion, or 16.6%, when compared to the prior year. This increase accounts for around 80% of the growth in operating costs, despite a 12.2TWh decline in production volumes year-on-year. For comparison, primary energy costs constituted around 55% of operating costs in the 2019 financial year.

The main contributing factors were the growth in Eskomowned and IPP OCGT costs as well as fuel oil used for combustion support and the start-up of coal-fired units after outages or trips. These factors were a direct result of the poor generation performance and more frequent plant breakdowns, requiring increased reliance on production from OCGT peaking sources. OCGT production, although critical for alleviating supply constraints and reducing the impact of loadshedding, is vastly more expensive than any other generation source and has been heavily affected by global fuel price pressures. In addition, SARS has disallowed Eskom's claims for refunds for fuel levies and road accident fund levies relating to diesel used to generate electricity at Gourikwa and Ankerlig power stations since 2019. In June 2020, Eskom lodged an administrative appeal, which was subsequently disallowed by SARS in October 2022. The cumulative refund due to Eskom at 31 March 2023 amounted to approximately R7.1 billion, which has a direct impact on our liquidity. Of this, R3.5 billion relates to the 2023 financial year, while the remainder relates to disallowed amounts from prior years. We are pursuing dispute resolution proceedings and legal remedies available to us to resolve this matter.

The following graphs set out the breakdown of primary energy costs, net of lease accounting adjustments. The contribution of the particular source to primary energy costs and total TWh energy produced is provided in brackets.



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Our own generation costs, comprising coal, Eskom-owned OCGTs and nuclear generation, increased by 17.5% to R99.7 billion, excluding the environmental levy (2022: R84.8 billion).

Total coal-fired generation costs, excluding the environmental levy, increased by 4.9% to R77.6 billion (2022: R74 billion). Production volumes from coal-fired stations decreased by 7%, while the average coal purchase cost per ton increased by 9.2%. This increase was mainly due to contractual price escalations, which are linked to the input costs of mines and therefore affected by higher fuel costs and the weakening of the Rand during the year.

Expenditure on Eskom-owned OCGTs increased by 112.8%, to R21.4 billion, largely due to a 65.3% increase in production to 3 018GWh, coupled with higher diesel prices and the non-recovery of diesel levy refunds from SARS (2022: R10 billion to produce I 826GWh). The OCGT load factor increased to 14.3% to ensure system stability during periods of generation supply constraints (2022: 8.7%).

The increase in costs were partially catered for by absorbing budget made available from renewable IPPs, which produced 2 540GWh, or 13.1%, less than budget, as well as the Risk Mitigation IPP Procurement Programme (RMIPPPP) which planned to provide 2 627GWh but did not come online during the year. Together, these programmes led to R8.6 billion in unutilised budget which was redirected to Eskom-owned and IPP OCGT spend to offset the reduced production from these cheaper sources.

Overall, IPP expenditure grew by 18.6%, largely due to more extensive use of IPP OCGTs and higher diesel prices. The expenditure on IPP OCGTs (net of the lease accounting adjustment of R1.6 billion) increased to R8.3 billion to produce I 098GWh (2022: R4.6 billion to produce 899GWh), while R33.5 billion was spent on renewable IPPs to produce I 6 859GWh (2022: R30.6 billion to produce I5 073GWh). A comparison of the primary energy unit cost of the various generation categories is shown below:

Unit cost, R/MWh	2023	2022	% change
Coal <sup>i</sup>	492	439	12 🔺
Nuclear	106	99	6 🔺
Eskom-owned OCGTs <sup>2</sup>	7 077	4 743	49 🔺
IPPs <sup>3</sup>	2 326	2 204	6 🔺
IPP OCGTs <sup>4</sup>	7 278	4 574	59 🔺
Renewable IPPs	I 986	2 027	2 🔻
International purchases <sup>3</sup>	748	625	20 🔺

 From I April 2022, pre-commissioning costs are no longer capitalised to the asset and instead recognised in primary energy cost. Therefore, the unit cost includes pre-commissioning production of 813GWh from certain Medupi and Kusile units (2022: 1 369GWh).

- The average cost is calculated on fuel and start-up costs only, excluding storage and demurrage costs, but including environmental levies. For comparability, the calculation is shown as gross of diesel levy refunds as a result of the inability to recover these amounts from SARS.
- 3. Note that the unit costs of IPPs and international purchases are based on the full cost of operation, whereas the unit cost of Eskom-owned generation is based only on the primary energy cost. Given that IPP and international purchases are treated as a variable cost in Eskom's accounts, this treatment is considered appropriate under accounting standards.
- The average cost is calculated on the net amount spent on energy, excluding capacity charges, and after the lease accounting adjustment.

The increase in coal and international purchases unit costs was largely due to inflationary and contractual increases. The average unit cost for the coal fleet was impacted by the factors affecting the coal purchase price discussed earlier, as well as an increase in fuel oil for combustion support and start-ups after breakdowns of coal-fired units.

Nuclear unit costs increased as a result of inflation and nuclear fuel cost increases.

As discussed, the unsustainable increases in Eskom-owned and IPP OCGT unit costs were driven by unfavourable diesel price movements during the year. The average diesel price for Eskom-owned OCGTs increased from around R18/ $\ell$  in April 2022 to around R23/ $\ell$  by March 2023.

Renewable IPP unit costs continue to decline as suppliers in the latter RE-IPP bid windows, with lower contracted rates, are connected to the grid and contribute an increasingly higher proportion of production.



#### OTHER OPERATING COSTS

Employee benefit costs amounted to R32.3 billion for the year (2022: R33 billion). Employee benefit costs have remained relatively stable over the last five years, at approximately R33 billion, despite the increase in Eskom's operating costs. Employee costs constitute around 13% of operating costs for the year, compared to around 18% in the 2019 financial year.

We have contained employee benefit costs by aligning decisions around remuneration and benefits with the reality of our financial challenges in compliance with the conditions attached to the Government support. We have also achieved an overall reduction in headcount over the past few years. However, overtime costs remain a concern, increasing to R2.5 billion during the year due to the exceptionally high levels of unplanned maintenance arising from plant performance challenges (2022: R2.1 billion).

#### Remuneration and benefits are discussed in further detail under "Our people – Remuneration and benefits" on page 136

Other operating expenditure increased by 20.9% to R34.8 billion, largely due to a 15.8% increase in repairs and maintenance, coupled with additional plant operating costs (2022: R28.8 billion). The group's expenditure on repairs and maintenance (before intergroup eliminations and capitalised maintenance and excluding associated labour costs) increased to R22.1 billion (2022: R19.1 billion).

MAINTENANCE SPEND	
Generating plant RI6.6 billion	
(2022: RI4.7 billion)	13% 🔺
Transmission network R1.2 billion	
(2022: R0.8 billion)	50% 🔺
Distribution network R4.4 billion	
(2022: R3.6 billion)	20% 🔺

Extensive planned maintenance was required on generating plant to address performance challenges and defects in line with the Generation recovery plan, while significantly higher levels of unplanned maintenance were needed to address several critical plant issues. Maintenance work has also been prioritised for transmission and distribution network infrastructure, relating mainly to reliability maintenance, vegetation management and live-line maintenance.

Impairment of financial assets amounted to RI billion, mainly in respect of trade and other receivables (2022: R0.6 billion). We also recorded write-downs on other assets of R1.2 billion for the year (2022: R0.8 billion). This related mainly to inventory write-downs in Generation, based on discrepancies identified in the top 80% stock counts conducted at warehouses, as well as provisions raised for unaccounted spares and uncatalogued inventory.

These were the result of an inventory clean-up exercise, which emanated from shortcomings in the internal controls relating to consumables management. The main root causes include inadequately resourced warehouses, reliance on manual processes, disregard for established warehouse procedures, as well as poor housekeeping. A number of interventions are being undertaken to address these shortcomings. These include filling key vacancies and obtaining additional support at Generation warehouses, performing comprehensive process reviews, monitoring site adherence to monthly reporting of counts, performing investigations and conducting consequence management. Furthermore, a barcoding project is being implemented to reduce reliance on manual processes and modernise Generation warehouses. Eskom's Internal Audit Department and Forensic and Anti-Corruption Department have also been engaged to investigate significant write-offs.

#### DEPRECIATION AND AMORTISATION

Depreciation and amortisation expense increased by 1.3% to R32.5 billion, largely due to the commissioning of additional generating units through the new build programme (2022: R32.1 billion). Medupi Unit 1 achieved commercial operation on 31 July 2021 and was therefore in operation for the full year, as opposed to a portion of the 2022 financial year. Kusile Unit 4 achieved commercial operation on 31 May 2022, earlier than the expected target date of January 2023.

# NET FAIR VALUE MOVEMENTS ON FINANCIAL INSTRUMENTS

The group recorded a net fair value loss on financial instruments, excluding embedded derivatives, of R0.2 billion (2022: R4.7 billion). Financial instruments are largely impacted by interest rate and exchange rate movements, as well as credit risk and hedge effectiveness adjustments. The Rand weakened significantly against major currencies during the year due to global macro-economic factors, resulting in a fair value loss on the translation of foreign borrowings and a corresponding fair value gain on derivative hedging instruments.

YEAR-END EXCHANGE RATES	
EUR/ZAR 19.30 A	(2022: 16.19)
USD/ZAR 17.72 A	(2022: 14.59)

#### NET FINANCE COST AND DEBT

Net finance cost, R billion	2023	2022	% change
Debt securities and borrowings	33.7	29.1	16 🔺
Derivatives held for risk management	5.1	6.7	23 🔻
Other	9.0	7.8	15 🔺
Gross finance cost	47.8	43.6	10 🔺
Cost of borrowings capitalised to assets	(7.5)	(8.2)	9 🔻
Finance cost	40.4	35.4	14 🔺
Finance income	(3.4)	(2.4)	42 🔺
Net finance cost	37.0	33.1	12 🔺

Gross finance costs have increased due to a higher average cost of borrowings, linked to global inflation and interest rate pressures, together with an overall increase in the debt balance. Leadership reports Our strategic context

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Furthermore, lower borrowing costs are capitalised to the asset base as the new build programme nears completion and new units are transferred to commercial operation, negatively affecting our profitability.

COST OF DEBT AND INVESTMENT	<b>FRETURN</b>
Average cost of debt 10.48% 🔺	(2022: 10.28%)
Average investment return 6.08% 🔺	(2022: 4.45%)

The average cost of debt is based on a blend of fixed and floating rates, with the majority of our borrowings on fixed rates to hedge against interest rate exposures.

Net interest-bearing debt, R billion	2023	2022	% change
Debt securities and borrowings	423.9	396.3	7 🔺
Cash and cash equivalents	(7.5)	(15.9)	53 🔻
Net derivatives held for risk management	(25.0)	1.5	I 799 🔺
Net interest-bearing debt	391.5	381.9	3 🔺

I. In the table above, assets are reflected as negative amounts.

Our gross debt securities and borrowings balance has increased by R27.6 billion, largely as a result of adverse exchange rate movements on foreign borrowings. Although, this was offset by hedging activities, resulting in the movement in net derivatives. We raised debt of R29.6 billion and repaid R39.1 billion during the year, net of commercial paper and excluding the rollover of a R15 billion syndicated loan facility and pre-funding of R16 billion for the 2024 financial year. Altogether, net interestbearing debt increased by R9.6 billion.

## CREDIT RATINGS AND FUNDING

#### Solvency ratios

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Group							
FFO as % of gross debt, %	19.22	11.36	11.91	•	9.12	4.	9.42
FFO (after net interest) as % of gross debt, %	13.88	4.50	5.05	•	2.40	7.06	1.42
Cash interest cover, ratio <sup>sc</sup>	3.62	1.22	1.33	•	1.29	1.69	0.85
Debt service cover, ratio <sup>sc</sup>	2.16	0.44	0.55	•	0.58	0.76	0.30
Gross debt/EBITDA, ratio	5.70	8.78	9.59	•	12.64	8.54	13.98
Debt/equity (including long-term provisions), ratio	1.05	1.48	1.83	•	1.87	1.81	2.03

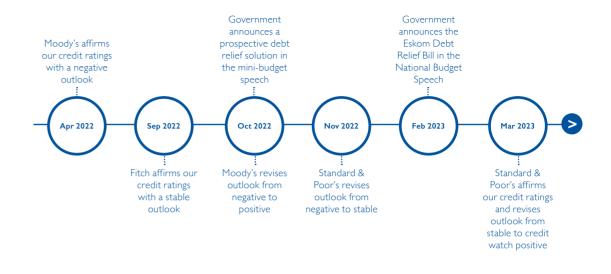
Our solvency ratios deteriorated when compared to the prior year, which is largely attributable to the decline in EBITDA performance. It is clear that operating cash flows remain inadequate to fund our debt servicing requirements on a standalone basis.

#### CREDIT RATINGS Summary of Eskom's credit ratings at 31 March 2023

Rating	Standard & Poor's	Moody's	Fitch: local currency
Foreign currency Local currency	CCC+ CCC+	caal caal	n/a B
Standalone	CCC-	caa3	CCC-
Outlook	Credit watch positive	Positive	Stable
Last rating action Last action date	Affirmed 14 Mar 2023	Affirmed 31 Oct 2022	Affirmed 27 Sep 2022

Our credit ratings remain at sub-investment grade level, with investors raising concerns around Eskom's high debt burden and arrear municipal debt, operational challenges and loadshedding, as well as long-term uncertainty around electricity tariffs. Successful implementation of our turnaround plan and maintaining a positive outlook for the South African economy remain critical for improving our credit ratings.

During the year, rating agencies' outlook for Eskom improved significantly, largely on the back of Government's announcement of a debt relief solution.



Subsequent to year end, Fitch affirmed our previous credit ratings with a stable outlook in May 2023. Fitch noted Eskom's worsening operating performance, as well as improved tariff determinations and Government's plan to reduce Eskom's debt. In September 2023, Moody's upgraded Eskom's long-term family rating from caal to B2 and Eskom's standalone rating from caa3 to caal, with a stable outlook, following the implementation of the Eskom Debt Relief Act.

#### FUNDING ACTIVITIES AND RISKS

#### Funding progress against the borrowing programme

Potential sources, R billion	Planned borrowing programme 2023	Committed by year end 2023	Committed by year end 2022
Development finance institutions (DFIs)	9.5	6.5	6.3
Export credit agencies (ECAs)	_	0.1	0.4
Domestic bonds and notes	16.0	18.5	7.1
Syndicated Ioan <sup>I</sup>	14.0	15.0	14.4
Private placements <sup>2</sup>	5.0	16.1	7.0
Structured products and commercial paper	-	3.7	0.6
Total	44.5	59.9	35.8

1. The syndicated loan was secured through extension of the existing facility. Although it is included in Eskom's funding activities for the year, the rollover of the facility is not disclosed as debt raised or debt repaid in the statement of cash flows.

2. Similarly, the private placements are included in Eskom's funding activities for the year as they were concluded on 31 March 2023, however, the funding is not disclosed as debt raised in the statement of cash flows as the disbursements only took place in early April 2023.

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3. Committed sources include funding raised or signed facilities with milestone drawdowns.

We had planned to secure borrowings of R44.5 billion during the 2023 financial year. The borrowing programme was revised to R60 billion in February 2023, of which we secured R59.9 billion. The increase was required to cater for increased capital requirements arising from our operational challenges, the reinvestment in maturing debt instruments and to raise additional funding ahead of the first quarter of the 2024 financial year while awaiting receipt of further Government support. During the year, we successfully extended our syndicated loan facility by 12 months and raised the remaining balance of R610 million from the lender group, resulting in utilisation of the full facility of R15 billion.

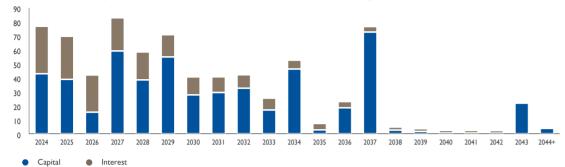
To meet the additional borrowing programme requirements for the year, on 31 March 2023 we concluded a \$155 million dual currency private placement and a \$750 million bond club loan, also through a private placement, with the support of National Treasury. As mentioned, the funding was only received in early April 2023 to support Eskom's liquidity in the 2024 financial year while awaiting Government support. Governance, leadership and ethics

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Anticipated loan repayments and interest cash flows (net of swaps) of the existing debt portfolio at 31 March 2023, R billion



Our debt repayment profile remains pressured over both the short and long term, with debt repayments and interest payments of around R195 billion and R135 billion respectively over the next five years to 31 March 2028. Total debt service costs for 2024, net of swaps, are expected to amount to R76.8 billion.

#### GOVERNMENT'S PLAN TO ADDRESS ESKOM'S DEBT BURDEN

The Minister of Finance announced Government's debt relief plan for Eskom during the 2023 National Budget Speech in February 2023. The Eskom Debt Relief Act was subsequently promulgated on 7 July 2023 and will provide relief of debt servicing costs of R254 billion over the next three years.

The first component will provide direct support of R184 billion to address our debt and interest payments as they fall due over the next three years. This support will initially take the form of a subordinated loan, which will be settled in ordinary shares on a quarterly basis once we have demonstrated, to National Treasury's satisfaction, that we have complied with the conditions attached to the support. The second component will see Government take over R70 billion in Eskom debt commitments (both capital and interest) in 2026.

The conditions announced during the 2023 National Budget Speech state that:

- Eskom's capital expenditure is restricted to transmission and distribution activities. The only capital expenditure that may be undertaken for generation relates to minimum emission standards, flue gas desulphurisation and required maintenance. No other greenfield generation projects will be allowed during the debt relief period
- Eskom may not use the proceeds from the sale of non-core assets for capital and operating needs. All proceeds from the sale of non-core assets, including Eskom Finance Company SOC Ltd and any property sales, will be used for the debt-relief arrangement
- No new borrowing will be allowed from 1 April 2023 until the end of the debt relief period, unless written permission is granted by the Minister of Finance
- Government guarantees under Eskom's R350 billion Government Guarantee Framework Agreement (GFA) will reduce in line with National Treasury's recommendations
- Positive equity balances in Eskom's derivative contracts (swaps/hedges) may not be used to structure new debt or loan agreements without the approval of National Treasury. Any such balance may not be used as "margin financing" for another derivative contract or derivative overlays
- The debt relief can only be used to settle debt and interest payments
- Eskom may not implement remuneration adjustments that negatively affect its overall financial position and sustainability

National Treasury has subsequently clarified that the restriction on capital expenditure for generation will still allow for the completion of existing projects, such as Medupi and Kusile, the repowering and repurposing of Komati, battery energy storage, the life extension of Koeberg, as well as sourcing of nuclear fuel and investment in existing cost-plus coal mines. Greenfield generation projects may be undertaken, but only with the written approval of the Minister of Finance.

The conditions to be attached to the Eskom Debt Relief Act, together with additional operational and financial conditions, have been finalised by National Treasury and DPE. The additional conditions aim to address key operational aspects including Generation plant performance, municipal debt recovery, skills development and further financial efficiencies.

We had planned to secure borrowings of R29.8 billion during the 2024 financial year; however, the conditions restrict us from raising new borrowings from 1 April 2023, unless approved by the Minister of Finance. Eskom may, however, continue to draw down on existing DFI facilities that are guaranteed under the GFA. Eskom is targeting a DFI drawdown schedule of R18.5 billion over the next four years and will also rely on the support from Government.

DFI drawdown schedule	R billion
2024	10.7
2025	4.1
2026	1.7
2027	2.0
Total	18.5

The primary focus of Eskom's debt strategy going forward is to ensure strict adherence to the conditions attached to the debt relief package, to enable conversion of Government's subordinated loans to equity. This remains the only approach to deleveraging our balance sheet. Given the limitation on new borrowings, the debt relief package essentially requires Eskom to ensure that the balance of debt servicing costs, as well as the cash flows required for the capital investment programme, are fully funded through cash generated from operations.

The availability period of Government's R350 billion GFA expired on 31 March 2023, restricting us from applying for new Government guarantees thereafter. At 31 March 2023, we had utilised R332 billion, or 95%, of the guarantees available under the GFA (2022: R322 billion).

The expiry of the GFA does not impact the existing guarantees issued, which will remain in place and reduce upon settlement of the related debt, in line with National Treasury's recommendations.

#### MANAGING LIQUIDITY

Liquidity remains a key challenge, limiting our ability to achieve financial and operational sustainability. Lack of cost-reflective tariffs, escalating arrear municipal debt, poor operating performance and high debt servicing costs, contribute to our liquidity constraints and jeopardise Eskom's ability to continue as a going concern.

To improve liquidity, we restricted organisational cash requirements by targeting savings and containing operating expenditure and capital expenditure through a number of focused initiatives. Improving our profitability and solvency ratios in a sustainable manner requires successful implementation of our financial recovery turnaround objective, each lever of which is discussed in more detail below.

FINANCIAL RECOVERY Pursue cost-reflective tariffs
Dbtain Government support and reduce reliance on debt
1anage arrear debt
Achieve sustainable cost curtailment
Dispose of non-core assets

Cash and cash equivalents declined during the year, largely due to the servicing of Eskom's debt obligations. Cash and cash equivalents amounted to R7.5 billion at year end (2022: R15.9 billion). As mentioned, we concluded an additional R16 billion in funding on 31 March 2023, although the related disbursements only took place early in April 2023. This funding was required to support liquidity for the first quarter of the 2024 financial year, while awaiting promulgation of the Eskom Debt Relief Act.

# PRICE APPLICATIONS TO SUPPORT REVENUE REQUIREMENTS

Improving our income statement by migrating towards costreflective tariffs remains a key priority. Despite applying for revenue based on prudent and efficient costs in accordance with the MYPD methodology, the revenue and RCA determinations made by NERSA over recent years have not enabled the migration towards cost reflectivity.

As reported previously, we have lodged several review applications with the courts to challenge recent NERSA determinations. Developments since last year's report are discussed below.

#### COURT REVIEW APPLICATIONS Revenue decision for financial years 2023 to 2025 (MYPD 5)

NERSA awarded Eskom a standard tariff increase (including the RCA) of 9.61% for the 2023 financial year, significantly lower than the 20.5% we had applied for. The reasons for decision were published in June 2022; we subsequently submitted a court review application to address NERSA's incorrect treatment of the regulatory asset base (RAB).

In October 2022, the High Court set aside NERSA's decision in respect of the valuation of the RAB, although no retrospective adjustment was granted to the 9.61% tariff increase for 2023. NERSA was ordered to apply its MYPD methodology for redetermination of the valuation of the RAB, to form the basis for the revenue decisions for the 2024 and 2025 financial years.

In January 2023, NERSA awarded an average standard tariff increase of 18.65% for 2024 and 12.74% for 2025. Our MYPD 5 revenue application equated to an average standard tariff increase of 32.02% for 2024 and 9.74% for 2025. The reasons for decision were published in February 2023, and included certain conditions relating mainly to Eskom's maintenance plan and spend, OCGT use and spend, as well as a requirement to provide quarterly updates to NERSA. Proposals were also made on meeting particular EAF levels. NERSA did apply the High Court order related to the valuation of the RAB in its determination.

Generally, the determination addresses Eskom's revenue requirement, however, there are conflicting decisions with respect to the allowance for OCGTs. NERSA assumed a 10% OCGT load factor in the production plan, but only assumed a 6% load factor in its revenue determination. An overall shortfall in supply is evident due mainly to IPP projects not being commissioned as envisaged, together with a decline in EAF.

The Democratic Alliance, the Tebeila Institute and the South African Local Government Association (SALGA) separately reviewed NERSA's determination for 2024 and 2025, and an urgent interdict was submitted to stop the implementation thereof. The urgent interdict has since been withdrawn,

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although the non-urgent case will continue; the court hearings were originally planned for May 2023, although the parties could not reach an agreement on timelines for the exchange of pleadings. The Tebeila Institute subsequently withdrew its application. The hearings took place in September 2023 and a court outcome is awaited.

## Revenue decision for financial years 2020 to 2022 (MYPD 4)

In June 2022, the Supreme Court of Appeal (SCA) issued an order on the timing of the recovery of the remaining R59 billion due to Eskom, arising from the R69 billion Government support incorrectly deducted by NERSA in its revenue determination for MYPD 4. In terms of the court order, NERSA is required to include an additional RI5 billion in allowable revenue per year in the 2024 to 2026 financial years, and RI4 billion in the 2027 financial year. NERSA has complied with the court order in its MYPD 5 revenue decision for 2024 and 2025.

#### Other court review applications under way

Regrettably, since our 2022 report there have been no significant developments relating to court review applications in respect of the RCA decisions for the 2015 to 2017 financial years (MYPD 3), the RCA decision for 2018 (MYPD 3), the revenue and RCA decisions for 2019 as well as the RCA decision for 2020 (MYPD 4). The legal processes for these review applications are still under way, which collectively relate to the recovery of an estimated R50 billion.

NERSA approved the introduction of Homeflex, a residential

time-of-use tariff, and we introduced a net billing offset rate

for customers with small-scale embedded generation to be

NERSA has published its reasons for decision, with the

main objection to our proposal for the restructuring of

tariffs being the inability to meet electricity demand with

our existing generation capacity. NERSA indicated that it

required further time to assess the proposals. No further

based on a cost-of-supply study or to accommodate the

amid Eskom's legal separation. It is likely that Eskom will

only be able to submit further proposals for possible

implementation from the 2026 financial year.

separate costs of generation, transmission and distribution

guidance was provided on how tariffs should be restructured

compensated for energy supplied to the grid.

We have submitted proposals for the restructuring of tariffs to NERSA, as existing tariff structures no longer accurately reflect the component costs for energy, network and retail requirements. Furthermore, tariffs need to be modernised to address the planned restructuring of Eskom and the electricity supply industry. Key among these was the rebalancing of the tariff to more appropriately recover fixed generation costs through a capacity charge rather than through volume-based charges. Our submission was aligned to the Electricity Pricing Policy and the Grid Code and proposed the unbundling of charges to more transparently reflect the services provided and provide appropriate pricing signals to customers.

NERSA was required to process our application for implementation in the 2024 financial year. In March 2023,

#### OTHER DECISIONS

RCA decision for the 2020 financial year (MYPD 4)

In December 2021, NERSA approved R3.5 billion to be recovered through the RCA mechanism, against our application of R8.4 billion. We submitted a court review application to challenge NERSA's decision on a similar basis as previous RCA decisions. NERSA has not opposed the review application.

In December 2022, NERSA made a determination on the timing of the recovery of the RCA, with R3.3 billion to be recovered equally over three years from standard tariff customers (R1.1 billion per year from 2025 to 2027) and the remaining R135 million to be recovered from local special pricing arrangement customers and international customers. We have accepted NERSA's decision around recovery of the RCA, although the court review application relating to the RCA decision is still under way.

#### RCA decision for the 2021 financial year (MYPD 4)

In May 2023, NERSA published its reasons for decision for an RCA of R204 million in favour of the consumer, against our application of R10.7 billion in favour of Eskom. We are reviewing NERSA's decision on a similar basis as previous RCA decisions, as it is evident that NERSA has not implemented previous court-ordered decisions when making this decision. The case was lodged in October 2023.

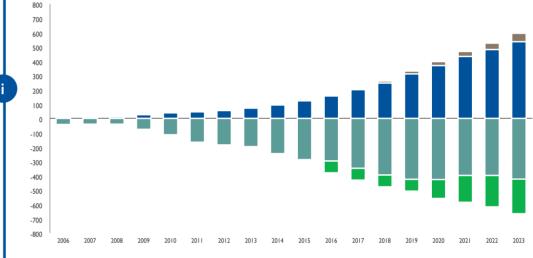
#### RCA decision for the 2022 financial year (MYPD 4)

In April 2023, we submitted an RCA application of R23.9 billion, in favour of Eskom, for the 2022 financial year, driven primarily by revenue, primary energy and operating cost variances. The RCA application was delayed as a result of the late release of Eskom's audited financial statements for the 2022 financial year. Based on the published timelines, NERSA is expected to make its decision by December 2023. To be financially sustainable, we require cost-reflective tariffs where the revenue determined by NERSA is sufficient to cover the prudent and efficient costs that we incur to supply electricity to customers, and also provide a fair return on capital. Where the return on capital provided through the tariff is less than Eskom's weighted average cost of capital, it ultimately leads to a revenue shortfall.

We were awarded a standard tariff increase of 9.61% for the 2023 financial year. To achieve cost-reflectivity, the average tariff would have had to increase by approximately 20%.

The lack of cost-reflective tariffs and resultant revenue shortfall has been an ongoing challenge since 2006 and is one of the main reasons for our financial constraints, requiring increased reliance on debt to fund the shortfall. This, together with our new build programme, has led to our debt securities and borrowings balance escalating to R424 billion by 2023.

Growth in cumulative revenue shortfall and debt, R billion



Approximate cumulative revenue shortfall
 Gross arrear municipal debt
 Debt securities and borrowings
 Cumulative Government support

Note: Government support in 2016 includes the conversion of a R60 billion shareholder loan and direct equity of R23 billion. Debt securities and borrowings and Government support are reflected as negative amounts for illustrative purposes.

As can be seen, our debt balance has largely increased in lockstep with the growth in the annual revenue shortfall, together with the increase in the arrear municipal debt balance. In more recent years, the growth in debt has been tempered by Government equity support, with Eskom's debt book reaching maximum carry limits based on the level of Government guarantees available as well as the cost of debt servicing.

Our strategic context Governance, leadership and ethics

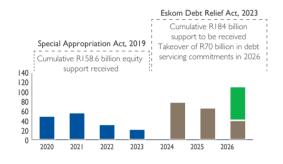
### Our finances continued

#### GOVERNMENT SUPPORT AND REDUCING **RELIANCE ON DEBT**

Government support remains a key enabler to servicing our debt balance and strengthening our balance sheet. The conditions attached to the Government support, which relate to various financial, operational, governance and restructuring matters, were finalised in October 2022. We remained compliant with the conditions to ensure that support was made available when required.

Addressing our debt burden is a key component of our turnaround plan, to ensure the long-term financial sustainability of Eskom. As mentioned, Government's continued support to our balance sheet was confirmed through the announcement of the Eskom Debt Relief Act, which was promulgated on 7 July 2023.

#### Government support, R billion



#### MANAGING ARREAR DEBT

Collection of the revenue owed to us and the recovery of arrear debt from defaulting municipalities remain priorities to improve liquidity and strengthen our balance sheet. Regrettably, systemic challenges in South Africa have led to persistent revenue recovery challenges and a continued culture of non-payment in some sectors.

#### Key debt management indicators at 31 March 2023

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Arrear debt as % of revenue, %	7.00	4.93	3.54	•	4.80	3.91	3.24
Average debtors days (including Soweto and international), days	n/a	98.38	86.16	•	95.19	88.44	101.92
Debtors days – municipalities, average debtors days	n/a	194.65	157.23	•	179.27	149.63	140.65
Debtors days – large power top customers excluding disputes, average debtors days	n/a	16.06	15.04	•	14.48	14.63	15.01
Other large power user debtors days (<100GWh p.a.), average debtors days	n/a	16.54	17.47	•	16.28	17.54	17.50
Debtors days – small power users excluding Soweto, average debtors days	n/a	46.47	47.50	•	46.19	47.70	50.07
Payment levels excluding Soweto interest, % <sup>SC, 2</sup>	93.00	94.90	95.70	•	95.03	95.97	96.82

1. Debtors days are based on amounts processed on our billing system, and are shown before accounting adjustments relating to non-collectability. Therefore, the amounts may not agree with those disclosed in the annual financial statements. No targets have been approved for the 2026 financial year and are therefore shown as not applicable

2. Targets for 2024 and 2026 include Soweto interest, based on the updated definition of the shareholder compact target

Poor payment levels of certain municipalities have contributed to the growth in arrear municipal debt, resulting in the average municipal debtors days deteriorating to close to 180 days, or around six months.

(AFS) For details of debtors by category, including impairment and carrying values, refer to notes 5.1.1 and 20 in the consolidated annual financial statements

A total of 21.9 billion ordinary shares with a par value of RI were issued in return for Government support received during the year.

The debt relief package is expected to improve financial sustainability by assisting us with our debt servicing challenges. Based on financial modelling, our gross debt securities and borrowings balance is expected to reduce by around 40% over the next five years, to below R270 billion.

We continue to face liquidity risk, particularly due to the seasonality of Eskom's cash flows. This risk was exacerbated in the first quarter of the 2024 financial year while awaiting promulgation of the Eskom Debt Relief Act and receipt of the first tranche of support, as the conditions restricted us from raising new borrowings to manage liquidity. To mitigate this risk, we raised additional funding ahead of the 2024 financial year through an increase in the 2023 borrowing programme. Given the restriction of new borrowings, we unfortunately have limited capacity to absorb any shortfall in revenue or increase in operational or capital expenditure while awaiting support from Government

Out of the total of R78 billion debt relief to be made available during the 2024 financial year, we received RI6 billion in August 2023 and R20 billion in October 2023. A further R8 billion is anticipated to be received during the remainder of the third quarter, followed by R34 billion in the fourth quarter.

#### ARREAR MUNICIPAL DEBT

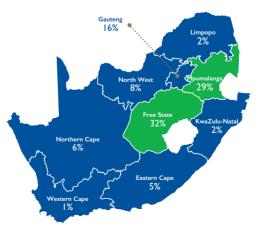
Non-payment of municipal debt is a systemic challenge to the electricity industry as a whole. For many years, Eskom has been pursuing a multi-pronged strategy aimed at recovering the arrear municipal debt owed. This includes engagement and negotiation of payment arrangements with defaulting municipalities, pursuing Eskom's legal rights, as well as participation in the Multi-disciplinary Revenue Committee (MdRC) of the Eskom Political Task Team.

Despite this, arrear municipal debt has continued to escalate to unsustainably high levels, amounting to R58.5 billion (including interest) at 31 March 2023 (2022: R44.8 billion). The top 20 defaulting municipalities accounted for around 78% of total arrear municipal debt, with over 32% of the total owed by Free State municipalities. The problem has continued to worsen as the number of municipalities with an arrear debt balance of more than RI00 million has increased to 61 at 31 March 2023 (2022: 53).

#### Invoiced municipal debt (including interest) and percentage of total debt in arrears at 31 March 2023, R billion



#### Arrear municipal debt by province



The top 10 defaulting municipalities owed arrear debt of R36.9 billion at year end (or 63% of total arrear municipal debt).

Mu	nicipality, R million	2023	2022	% change
Ι.	Emalahleni Local Municipality, Mpumalanga	7 418	5 978	24 🔺
2.	Maluti-a-Phofung Local Municipality, Free State	7 239	6 499	11 🔺
3.	Emfuleni Local Municipality, Gauteng	5 913	4 240	39 🔺
4.	Matjhabeng Local Municipality, Free State	5 250	4 398	19 🔺
5.	Govan Mbeki Local Municipality, Mpumalanga	3 723	2 898	28 🔺
6.	Lekwa Local Municipality, Mpumalanga	1 860	I 536	21 🔺
7.	Ngwathe Local Municipality, Free State	1 713	467	17 🔺
8.	City of Matlosana Local Municipality, North West	I 438	884	63 🔺
9.	Thaba Chweu Local Municipality, Mpumalanga	1 264	I 047	21 🔺
10.	City of Mbombela Local Municipality, Mpumalanga	1 068	695	54 🔺

#### Dealing with defaulting municipalities

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We have continued our efforts to address arrear municipal debt through our municipal debt management strategy. The objectives of our strategy include:

CURRENT ACCOUNT MANAGEMENT

Stop defaulting and enforce payment of current amounts

#### ARREAR DEBT MANAGEMENT

Reduce and/or eliminate overdue debt

#### FUTURE DEBT MANAGEMENT

Prevent future defaulting through pre-emptive action

To achieve these, we continue to enhance existing revenue and debt management processes, enforce Eskom's rights through legal action and expedite Government interventions. We employ a multi-stakeholder engagement approach through various intergovernmental platforms.

Our active partnering programme aims to assist defaulting municipalities in their revenue collection efforts and improve municipal service delivery. Despite engaging with more than 45 municipalities, the uptake has been extremely poor. To date, only five active partnering agreements are in place, with Phumelela, Msunduzi, Maluti-a-Phofung, Raymond Mhlaba and Bela-Bela municipalities.

Maluti-a-Phofung Local Municipality, our second largest defaulter at year end, has signed the distribution agency agreement, but implementation is still pending.

Our strategic context Governance, leadership and ethics

Performance review

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### Our finances continued

#### PAYMENT AGREEMENTS AT 31 MARCH 2023

 ${\bf 33}$  active payment agreements in place, with only 13 fully honoured

This includes six of the top 20 defaulting municipalities, with only one fully honoured

Non-adherence to payment agreements continues to contribute to the increase in arrear municipal debt

We are exploring all avenues to collect the revenue due to us, including following legal processes through the courts once other options have been exhausted.

As previously reported, the SCA ruled that Letsemeng Local Municipality must settle all amounts due and payable to Eskom. The municipality's appeal to the Constitutional Court was dismissed in July 2022. The municipality's payment proposal was rejected by Eskom and its bank account was attached in March 2023. The attachment was lifted following the municipality's offer to settle the amount through its equitable share payments. In July 2022, the High Court granted Eskom the right to attach the bank accounts of the City of Matlosana Local Municipality. The municipality's court appeal was dismissed with costs in February 2023 and we are attempting to negotiate a payment arrangement. A portion of the outstanding debt was recovered from the attached bank accounts.

In October 2022, the High Court also granted Eskom the right to attach R1.3 billion of Emfuleni Local Municipality's assets to settle its accounts. In July 2023, the High Court ruled that the municipality must appoint Eskom to perform all functions and services relating to its electricity business within six months of the judgment. A distribution agency agreement is in the process of being finalised.

While we believe that favourable court rulings go a long way in enforcing Eskom's legal right to payment, we simply cannot solve our municipal debt challenges on our own. Unfortunately, the MdRC has not convened for some time, while awaiting National Treasury's proposals to address arrear municipal debt. In the interim, we continue to implement existing debt management initiatives while working with National Treasury to address the root causes of the problem.

During the 2023 National Budget Speech, the Minister of Finance announced Government's municipal debt relief plans. National Treasury published two circulars in March 2023, which provided further detail on the municipal debt relief plan, municipalities' application process and the related conditions, which aim to restore a set of minimum financial management best practices in municipalities.

In terms of the plan, every municipality with arrear debt may apply to National Treasury for relief of its outstanding balance at 31 March 2023, including interest and penalties and excluding any current amounts.



The conditions require the municipality to ring-fence all electricity, water and sanitation revenue collected, settle its current accounts with Eskom within 30 days, implement a programme to install prepaid meters to improve its revenue collection, institute certain financial management and reporting processes, among other requirements.

Furthermore, National Treasury will enforce penalties available in the existing legislative framework and implement additional penalties on municipalities, including the takeover of a defaulting municipality's electricity business as well as strengthening of NERSA licence conditions, NERSA dispute resolution processes and consequence management processes.

Should a municipality fail to comply with the conditions, the payment relief to that municipality will immediately cease. However, any debt already written off by that time will remain written off. Eskom will be allowed to resume its credit control and debt management policies on the defaulting municipality, as well as resume any legal proceedings, and the municipality must immediately start repaying its arrear debt, interest and penalties.

We are engaging with National Treasury on the municipal debt relief process and the conditions outlined in the circulars. National Treasury has received several applications for debt relief from defaulting municipalities. By 30 September 2023, 28 municipalities received approval to participate, one of which was conditional and subsequently approved in October 2023. The combined arrear debt balance of these municipalities amounted to R26.7 billion at 31 March 2023.

National Treasury circulars 123 and 124 can be accessed online

#### **RESIDENTIAL ARREAR DEBT**

Total invoiced Soweto debt has decreased to R2.3 billion (including interest) at year end (2022: R4.6 billion). The reduction in Soweto debt is mainly due to prescribed debt, which is no longer legally enforceable, being written off and the reversal of *in duplum* interest. Average payment levels in Soweto remain unacceptably low at 20.2% for the year (2022: 25.1%). The focus on converting customers to prepaid meters is continuing, with 10 142 conversions completed during the year.

#### INTERNATIONAL ARREAR DEBT

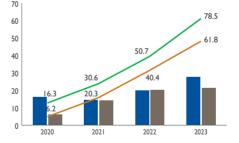
Electricidade de Moçambique (EDM) remains the only international customer in arrears, with R574 million outstanding at year end, of which 94% is overdue. A settlement of R53 million was reached and has been paid by EDM to settle R350 million of debt that was under dispute, relating to invoices from 2019.

Subsequent to year end, EDM has agreed, in principle, to a proposed payment plan for the settlement of the remaining undisputed arrear balance. An upfront payment of R100 million was received in terms of the payment plan, but EDM has not yet signed the agreement or honoured the monthly instalments. Engagements are continuing to resolve the matter.

#### CONTROLLING EXPENDITURE TO IMPROVE LIOUIDITY

Another focus area of our turnaround plan is improving our income statement through sustainable cost curtailment efforts and improving efficiencies. We have achieved combined savings and other income initiatives of R78.5 billion over the last four years, against an original target of R61.8 billion by 2023.

#### Turnaround savings, R billion



Actual Target – Cumulative actual – Cumulative target

During 2023, we achieved savings of R27.8 billion against a target of R21.4 billion, with the majority attributable to containing growth in primary energy expense other than OCGTs, through optimising coal inventory and pricing. To a lesser extent, savings were achieved through a reduction in targeted employee benefit costs and procurement efficiencies. Other income initiatives, including municipal self-build projects, vending commission and new connections, further contributed to performance.

Primary energy savings relate mostly to working capital, and do not necessarily lead to an immediate improvement in the income statement. Regrettably, savings have been offset by a significant overspend in OCGTs as well as fuel oil. We are targeting further savings of R10.5 billion in 2024, based on a revised methodology and using our 2023 results as a baseline. The Turnaround Management Office is monitoring the implementation of initiatives to contain Eskom's cost base and increase other revenue streams to ensure that these measures are achievable and sustainable.

#### DISPOSAL OF NON-CORE ASSETS

As reported last year, the sale of Eskom Finance Company SOC Ltd was put on hold as market conditions were not considered favourable at the time. As required by the conditions attached to the Special Appropriation Act, 2019, we recommenced the disposal process during the year and received bids from the market by November 2022.

We requested an extension from the shareholder beyond the original deadline of 31 March 2023 to allow Eskom's governance structures to consider the transaction and obtain representation from the preferred bidder on matters raised by IFC. Ultimately, IFC considered the outcome of the negotiations and resolved not to approve the transaction. Eskom is considering other available options and is engaging with National Treasury on the way forward.

A disposal programme for the sale of non-core and underutilised properties was launched during the year, in line with Eskom's real estate strategy. Properties are listed on an online sales platform and employees are given preference; after a period of 21 days the properties are made available for sale in the open market. The process is being managed by an independent agent. Assets to the value of R2.3 billion have been identified from Eskom's asset register, comprising vacant land as well as residential and commercial properties.

#### FUTURE FOCUS AREAS

- Pursuing a cost-reflective tariff path to recover prudent and efficient costs and earn a fair return on assets
- Providing input into the amendment of the Electricity Pricing Policy and development of NERSA's revised regulatory methodology
- Ensuring effective use of constrained financial resources to address poor plant performance, grid expansion and environmental compliance requirements as well as Eskom's JET strategy, within the confines of the conditions attached to the Eskom Debt Relief Act
- Enforcing strict adherence to the Eskom Debt Relief Act conditions, to ensure the conversion of the subordinated loans to equity, to reduce Eskom's debt burden over time
- Engaging with lenders on the management of existing debt and the legal separation
- Working with Government on the implementation of the municipal debt relief plan to improve payment levels and address the escalating arrear municipal debt balance
- Implementing cost curtailment initiatives to achieve combined savings of R10.5 billion in 2024
- Finalising the disposal of Eskom Finance Company SOC Ltd

Performance review



#### VALUE CREATED

The Matimba Unit 5 boiler continued to set a new record, with 3 429 days by 31 March 2023 (or just over nine years) without a boiler tube failure Bid window 6 of the Renewable Energy IPP (RE-IPP) Programme has been concluded with five successful bidders, while grid connection of RE-IPP bid window 3.5 and 4b projects continue in line with scheduled grid connection dates The Standard Offer and Emergency Generation programmes to procure additional capacity from IPPs have been approved Resilient distribution network performance and customer satisfaction ratings underpinned by operational efficiencies and innovative use of technology

Kusile Unit 4 achieved commercial operation on 31 May 2022, earlier than the target date of January 2023 High-voltage transmission lines installed to strengthen the grid during the year far exceeded target

Rollout of the major boiler plant defects solutions at Medupi and Kusile that require unit outages have been completed, leading to a significant increase in performance (until the failure of the Kusile flue gas duct)

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#### VALUE PRESERVED

- System Operator continues to manage the system within an acceptable range
- The Generation recovery plan was refocused towards the end of the year with a stronger focus on EAF recovery
- The steam generator replacement and scope for longterm operation for Koeberg Unit 1 is being executed, which is critical to allow Koeberg to operate for a further 20 years to 2044, provided that the NNR awards the necessary licences
- Renewable IPPs continue to contribute to available energy, especially over the evening peak
- Cross-border imports, mainly from Cahora Bassa, also supplement capacity
- The transmission network has seen a reduction in the number of major system incidents, and continues to connect our power stations to distribution networks servicing customers, despite constraints in connecting new IPPs
- Construction is under way on phase I of the battery energy storage system (BESS) project at Elandskop, Pongola and Hex sites
- Steady progress on Generation technical plan and emissions control projects, with progress in the highfrequency transformer (HFT) projects, electrostatic precipitator (ESP) projects, and ash disposal facilities (ADFs)
- Stable labour relations and stakeholder management at the new build projects

#### VALUE ERODED

Our strategic context

- Further deterioration in plant availability, with plant unavailability in excess of 30%, coupled with a shortfall in supply by IPPs resulted in severe capacity constraints, leading to 280 days of loadshedding (2022: 65 days)
- Extremely high utilisation of gas turbines, at a combined cost of energy of R29.7 billion for Eskom and IPP-owned OCGTs (2022: R14.7 billion)
- A flue gas duct failure was experienced at Kusile Unit I in October 2022, also affecting Units 2 and 3. The incident made around 2 100MW unavailable, significantly worsening the system performance
- The system continues to be impacted by the Medupi Unit 4 generator explosion in August 2021, resulting in 720MW not being available to the grid until the second quarter of the 2025 financial year
- Capital constraints continue to hamper the execution of capital projects and outages, with outage readiness impacted most. The funding constraint contributed to the full outage programme not being executed, with some outages deferred to the next financial year
- Despite successful conclusion, grid capacity constraints limited the capacity procured under bid window 6 to I 000MW (the target was 2 600MW). Grid connection capacity in the Northern Cape, Eastern Cape and Western Cape has been depleted
- Delays experienced in financial and legal close for projects in the Risk Mitigation IPP Procurement Programme and bid window 5 of the RE-IPP Programme, together with existing projects not delivering as expected, resulting in a shortfall of around 2 500GWh in energy purchases for the year, thereby contributing to system constraints

- Generation system constraints are limiting increased exports and revenue growth
- Deterioration in the transmission system reliability, measured by system minutes <1 and the number of interruptions, coupled with an increase in the number of line faults per 100km. The impact of theft and vandalism is becoming more apparent
- Reliability of supply on distribution networks impacted by interruptions, due to an increase in consequential faults related to national loadshedding, overload trips, theft and vandalism
- Energy losses due to a culture of non-payment, illegal connections, theft and fraud remain high. Theft, vandalism and equipment overloading leading to increased breakdowns and higher maintenance cost, negatively impacting resource utilisation for normal incidents
- Kusile Unit 5 experienced a gas air heater fire incident, resulting in the discontinuation of all commissioning activities, causing a schedule delay of about a year. Repairs are in progress
- Some key Generation technical plan and emission control projects experiencing schedule delays due to construction, commercial, governance approval and vandalism challenges, risking achievement of the Minimum Emission Standards (MES) targets

Our strategic context Governance, leadership and ethics

Performance review

### Our infrastructure continued

Our aim is to provide a reliable supply of electricity to the country by effectively operating our infrastructure, which constitutes our manufactured capital. It consists of our generation fleet and transmission and distribution networks, supplemented by capacity supplied by IPPs and cross-border imports. It also includes new power stations and high-voltage transmission lines being constructed under our new build programme, together with projects aimed at delivering customer and IPP connections, refurbishing existing assets and ensuring environmental compliance.

## MANAGING SUPPLY AND DEMAND

Our world-class System Operator maintains the frequency of the power system at around 50Hz to balance electricity supply and demand in real time, by managing dispatchable generation capacity to compensate for variations in energy supplied by renewable generation, which is non-dispatchable. The system frequency is maintained within a dead band of 49.85Hz to 50.15Hz.

Loadshedding is implemented to maintain the supply/demand balance, and to ensure sufficient reserve capacity to respond to significant unplanned breakdowns or disruptions to supply, in order to protect the power system. This usually occurs when high levels of unplanned generation unavailability are combined with low diesel fuel levels at OCGT stations and/or low water levels at pumped storage stations, leading to a need to conserve and/or replenish emergency resources.

We continue to test the various defence systems to maintain our ability to respond effectively to protect against a major event, such as a regional or national blackout.

#### SYSTEM PERFORMANCE

Yet again, our generation plant availability reached the lowest levels ever, due to unprecedented levels of unplanned unavailability. On average, around 15 700MW was not available for generation at total unplanned unavailability of 33.58%, with close to 4 900MW unavailable due to planned maintenance, leaving around 26 000MW capacity available for generation. This required extensive use of both Eskom- and IPP-owned OCGTs to meet demand during periods of poor base-load generation availability. Furthermore, the challenge of managing non-dispatchable capacity such as wind and solar energy when the sun is not shining or the wind not blowing should not be underestimated, as it can lead to huge shifts in available capacity from day to day.

# Operational, system performance and environmental data can be accessed on our Data Portal at www.eskom.co.za/dataportal/

A factor that contributed to the supply constraints is the fact that IPP capacity – both renewable and other programmes, such as DMRE's Risk Mitigation IPP Procurement Programme – has not come online as expected under the IRP 2019, with an energy shortfall of more than 5 100GWh for the year, requiring increased levels of loadshedding and "overproduction" of around 2 000GWh for the year. It bears repeating that additional dispatchable capacity of 4 000MW–6 000MW is required immediately, to support the stability of the power system, create space for maintenance and reduce the need for loadshedding. At an assumed average load factor of 30% for renewables, it would require renewable capacity of I3 000MW–20 000MW.

A total of 4 II6GWh was supplied by Eskom-owned and IPP OCGTs during the year (2022: 2 725GWh) at a cost of R29.7 billion (2022: R14.7 billion), a situation which is clearly not sustainable. However, we utilise the OCGTs to the extent possible within our financial constraints, as we are acutely aware of the debilitating cost of loadshedding to the country.

# (IR) Refer to "Use of open-cycle gas turbines" on the next page for a discussion of how the overspend on the OCGTs was funded

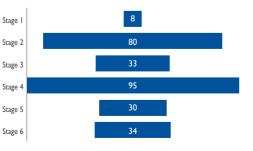
We again saw record levels of hydro generation, due to good rainfall associated with the La Niña weather phenomenon. Our hydro plant produced 3 060GWh for the year (2022: I 943GWh), which is about 2 000GWh more than the average for the preceding decade. Without this, higher levels of loadshedding would have been required throughout most of the year.

Renewable IPP generation continued to support the power system throughout the year, producing 16 859GWh (2022: 15 073GWh), with wind generation in particular supporting the evening peaks. The highest wind generation supplied over the past year was 3 028MW on 2 December 2022 (2022: 2 639MW). The average load factor for wind generation over the evening peak was 42.4% for the year (2022: 42.6%), or 1 434MW (2022: 1 174MW). Wind generation had to be curtailed on 25 occasions over the night minimum period (2022: 16), due to the low demand between 1:00 and 4:00.

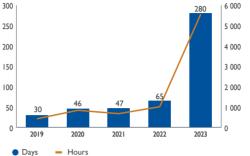
# SYSTEM FORECAST AND LOADSHEDDING IMPLEMENTED DURING THE YEAR

Loadshedding was required on 280 days during the year (2022: 65 days), with the split between the various stages shown below.

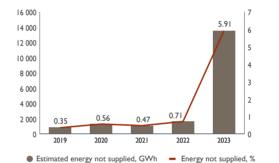
#### Loadshedding during the past year







## Estimated percentage of contracted demand not supplied due to loadshedding



The 2022 Winter Plan covered the period from 1 April to 31 August 2022. The plan considered three scenarios of unplanned unavailability, namely 12 000MW, 13 500MW and 15 000MW. Further uncertainty of approximately 4 000MW exists due to the volatility of the system. At unplanned unavailability of 13 500MW, the Winter Plan showed a possible 37 days of stage 2 loadshedding. However, for the entire Winter Plan period, 77 days of loadshedding up to stage 6 were required due to much higher than anticipated levels of unplanned unavailability. The high stages of loadshedding were brought on by industrial action affecting multiple power stations during June and July 2022, mostly due to a lack of operators reporting for duty. This resulted in a lack of routine maintenance, inability to address minor defects on operating plant, as well as delays in returning units to service.

The 2022/23 Summer Plan ran from 1 September 2022 to 31 March 2023. Again, three scenarios of unplanned unavailability were considered, namely 13 000MW, 14 500MW and 16 000MW – these levels are higher than those in the Winter Plan due to higher levels of unplanned unavailability during the summer period – generation plant tends to perform better during winter than summer, with heat negatively impacting performance and plant availability. The Summer Plan showed a possible 126 days of stage 3 and higher loadshedding at unplanned unavailability of 14 500MW. However, loadshedding up to stage 6 was required on 203 days during the Summer Plan period, with actual unplanned unavailability exceeding the maximum assumption of the Summer Plan almost 50% of the time. As a result, levels of loadshedding were much more severe during the summer period. This was largely due to the shutdown of three units at Kusile due to a flue gas duct failure towards the end of October 2022, which had not been catered for in the plan.

# (R) Refer to "Generation performance – Unplanned losses" on page 103 for more information

#### USE OF OPEN-CYCLE GAS TURBINES

Utilisation of Eskom's open-cycle gas turbines (OCGTs) reached unprecedented levels this year, due to the dismal performance of Eskom's coal-fired plant, resulting in a shortfall of 4 830GWh against plan. This was exacerbated by a shortfall of 5 167GWh in energy supplied by renewable IPPs as well as the Risk Mitigation IPP Procurement Programme (RMIPPPP), due to delays in bringing projected capacity online.

An amount of R8.6 billion in unutilised budget was redirected from these programmes to Eskom-owned and IPP OCGT spend to offset the reduced production from these cheaper sources. In total, R13.1 billion of additional funds was allocated to Eskom-owned OCGTs, funded from the IPP budget and other cost savings, while an extra R4.1 billion was directed towards IPP OCGTs.

Eskom's OCGT load factor increased to 14.3% (2022: 8.7%) against a target of 7%, to ensure system stability during periods of generation supply constraints.

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
OCGT production, GWh	5 494	2 539	I 466	•	3 018	I 826	I 457
OCGT diesel usage, R million <sup>1</sup>	43 953	19 609	8 327	•	21 355	10 033	4 075

 The OCGT cost includes diesel storage and demurrage costs of R104 million (2022: R108 million; 2021: R79 million) incurred when not utilising the OCGTs. The budget figure for 2023 was net of an anticipated diesel levy refund of R1.9 billion which had to be written off due to a dispute with SARS. Actual amounts exclude any diesel levy refund.

2. The 2026 target is the cumulative target over the next three years.

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The average unit production cost increased in line with the increase in the diesel price, and increased further due to an inability to recover diesel rebates.

Utilisation of the two IPP-owned OCGTs also increased during the year, producing I 098GWh (2022: 899GWh) at a cost of R9.9 billion to Eskom (2022: R6.2 billion), which includes a fixed capacity charge of R1.6 billion (2022: R1.5 billion). The IPP OCGTs recorded a load factor of I2.5% (2022: 10.2%).

For the coming year, we have catered for a load factor of about 12% on both the Eskom and IPP-owned OCGTs, reducing to 9% in the 2025 financial year, as EAF improves and more IPP capacity comes online.

#### **GENERATION PERFORMANCE**

We operate 30 base-load, mid-merit, peaking and renewable power stations, with a total nominal capacity of 46 788MW to meet the country's electricity demand by providing electricity at a reasonable price. The median age of our coal-fired stations is over 40 years.

We also operate four small hydroelectric stations, as well as the 100MW Sere Wind Farm, which are not considered for capacity management purposes.

(IR) Detailed information on the installed and nominal capacity of each of our power stations, as well as IPP capacity, is set out on pages 166 to 167

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
	70.00	65.00	65.00	•	56.03	62.02	64.19
Planned capability loss factor (PCLF), %	10.50	10.50	10.50	•	10.39	10.23	12.26
Unplanned capability loss factor (UCLF), %	18.00	28.00	23.00	•	31.92	25.35	20.04
Other capability loss factor (OCLF), %	1.50	1.50	1.50	•	1.66	2.40	3.51
Partial load losses, average MW <sup>1</sup>	n/a	n/a	3 695	•	6 057	4 851	4 109
Post-philosophy outage UCLF, % <sup>sc</sup>	14.00	14.00	14.00	•	35.75	29.74	21.23
Boiler tube failure rate (12-month moving average), number <sup>sc</sup>	1.80	1.80	1.80	•	2.17	2.44	2.31
Unplanned automatic grid separations (UAGS trips), number <sup>i</sup>	n/a	n/a	392	•	736	697	527

I. Future targets shown as n/a are dependent on system performance.

#### **TECHNICAL PERFORMANCE**

We measure the performance of our generation fleet through a number of indicators. EAF or energy availability factor denotes overall plant availability. PCLF or planned capability loss factor is an indication of the level of planned maintenance, while UCLF or unplanned capability loss factor signifies unplanned losses, whether through full breakdowns or partial unavailability of plant. OCLF or other capability loss factor refers to those losses outside of a station's control – together with UCLF, it makes up the unplanned unavailability of the fleet.

EAF was significantly lower than the previous year, and also significantly worse than target. The decrease in EAF compared to the previous year is largely due to the significant increase in unplanned losses. However, due to the success of addressing the new build design defects, the Medupi units (excluding Unit 4, which is in extended inoperability from 1 October 2022 until its expected return in the second quarter of the 2025 financial year) recorded an EAF of over 75% for the year.

Coal-fired stations recorded an average energy utilisation factor (EUF) of 95.59% for the period, with EUF over 90% at all 15 coal-fired stations. Compared to expected average EUF performance of around 75% over the long term, and considering the age of Eskom's fleet, the actual EUF remains substantially above the international norm. This has negative technical implications, which is reflected in the rising plant breakdowns, thereby leading to the declining EAF. The high EUF can be alleviated by adding additional capacity and improving Generation plant reliability. We are striving to reach average EAF of 60% for the 2024 financial year, and 65% for the 2025 financial year, in conjunction with reducing EUF within international norms.

Medupi Unit I achieved commercial operation on 31 July 2021 and has been contributing to the official KPIs from I August 2022, one year after being declared commercial. The unit has achieved 90.88% EAF for the year. Kusile Unit 4 achieved commercial operation on 31 May 2022 and achieved 78.57% EAF during its first 10 months of operation.

#### Planned maintenance

Planned maintenance has improved slightly year-on-year, and almost achieved the target.

At the start of the financial year, 79 outages were scheduled for the financial year. By the end of the year, 45 of those outages have been completed, 17 were in execution, eight were cancelled and nine have been deferred to the 2024 financial year. Furthermore, an additional 30 short-term outages have been completed. In this case, short-term refers to corrective maintenance to avoid an increased risk of availability loss, and does not depend on the duration of the outage.

When scheduling outages, consideration is given to system capacity constraints, plant risks, and the availability of spares and resources.

We use a number of measures to track the performance on outages, such as outage readiness, due date performance and post-outage UCLF.

Outage readiness is tracked three months before the planned execution of an outage, and is reliant on timeous and adequate release of funds. The late release of funds has a ripple effect on the T-3 performance when it comes to activities such as the ordering of spares, issuing of task orders and finalising the integrated schedule.

The average performance of the outage readiness indicator at T-3 over the past five years was approximately 65%, although it has seen an improvement over the past year to 70.25% (2022: 67.45%), against a target of 80%. It should be noted that Deloitte has qualified this KPI, as they were not able to substantiate the value reported due to a lack of adequate supporting documentation.

# (IR) Refer to the qualification contained in the independent sustainability assurance opinion on page 174 for further information

The release of funds has been jeopardised by the constrained liquidity position due to the lack of cost-reflective tariffs and the inability to predict allowed revenue or the effective tariff path, which has forced reductions to capital expenditure as the easiest response mechanism. Adding to this is the reliance on significant borrowing activities to fund the capital programme, and when market sensitivity results in delays in signing facilities, especially for coal projects, it results in a need to protect liquidity by controlling cash outflows, with reducing capital expenditure being the easiest lever. Uncertainty creates a stop-start effect to capex projects, hampering the ability to plan successfully and order long-lead materials. Current generation plant performance and significant cash pressures, exacerbated by high fuel oil and OCGT fuel consumption, further hinder the ability to release funds for all requirements.

Several strategic initiatives are addressing challenges that have a significant impact on outage readiness. These challenges include the unavailability of spares, placement of contracts and the quality of outage scoping. The Reliability Maintenance Recovery team is looking at improving the quality and accuracy of outage scope by developing a holistic approach. A budget of R9.9 billion has been approved for outages in the 2024 financial year and funds have been released for execution.

Due date performance is calculated for units that were on outage for more than 2I days and for reliability outages longer than 14 days. For the year under review, only 33.33% of outages met their due date (2022: 50.94%), significantly below the target of 80%. Once an outage slips against the due date, it is then measured as UCLF. Outage slips contributed 3.18% to UCLF for the year (2022: 39.99%).

Post-outage UCLF is a key measure to track outage effectiveness on units that undergo general overhauls, mini overhauls and interim repairs, and is measured up to 60 days after a unit synchronises to the grid after maintenance. Post-outage UCLF has deteriorated further compared to the previous year.

#### Unplanned losses

UCLF has deteriorated significantly compared to the previous year, due to an increase in both partial and full load losses.

Full load losses remain high, with major incidents, unit trips, outage slips and boiler tube failures being some of the main reasons.

The coal fleet recorded 712 UAGS trips for the year (2022: 681), which contributed 3.13.% to UCLF for the year (2022: 2.67%). Kriel, Duvha and Tutuka account for approximately 31% of the Generation coal fleet trips for the year, with the turbine, boiler, feed water, generator and electrical plant collectively accounting for 83% of trips.

There were 171 boiler tube failures for the year, which contributed 2.56% to UCLF (2022: 189 failures contributed 2.45%). The upward trend in the boiler tube failure rate over the last five years was caused by the maintenance backlog due to outage deferrals and deferred midlife refurbishments caused by reduced capital investment. Since 2018, Komati, Grootvlei and Hendrina stopped doing philosophy maintenance (due to cost-cutting and shutdown plans). As a result, these three stations incurred a significant increase in their boiler failure rate, with an increase from 2.11 in March 2018 to 4.38 in March 2023. Nevertheless, five stations recorded outstanding performance at the end of March 2023 (based on a failure rate of less than 1), namely Kusile, Medupi, Matimba, Kendal and Tutuka.

Following the extensive damage to the Medupi Unit 4 generator in August 2021, the plant has been successfully preserved and the property damage assessment on the generator stator has been concluded. The severity of the damage to the stator core necessitates a complete replacement of the generator stator. The damaged stator has been removed.

The option to procure a secondhand stator was assessed as an interim solution. An array of tests was performed on the secondhand stator prior to purchase. The final report on the condition of the stator has been received. Given the favourable outcome of the tests, the unit is expected to be returned to service in the second quarter of the 2025 financial year.

The procurement of a new generator stator from the OEM (original equipment manufacturer) is in progress. The planned completion of manufacturing of a new stator is during the third quarter of the 2026 financial year, including shipping and delivery to Medupi. The new stator is planned for installation six years after the return to service date of Unit 4 during a planned general overhaul.

The incident accounted for 0.78% UCLF for the year.

A flue gas duct failure was experienced at Kusile Unit I on 23 October 2022 while the unit was offline for repairs. Units 2 and 3 were also affected. The incident has made around 2 100MW unavailable to the power system, worsening the already constrained system performance. On 18 March 2023, we received approval from the Department of Forestry, Fisheries and the Environment (DFFE) to commence construction of temporary stacks. However, approval to operate the temporary stacks is dependent on a favourable outcome of the Minimum Emission Standard (MES) postponement and atmospheric emission licence (AEL) variation process.

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The temporary stacks have been completed, with the FGD bypassed. This allows us to return the units to the grid in line with the approved national environmental exemptions and conditions. During this time, the necessary steps will be implemented to mitigate the impact of  $SO_2$  emissions on air quality. Two of the units have been returned to service, with the last expected to return in November 2023. The return of the units should reduce grid constraints and have a positive impact on reducing loadshedding to the country, although the units' output may be lower while utilising the temporary stacks. This is to comply with environmental restrictions associated with operating the temporary stacks.

The permanent repair of the damaged stack is expected to be completed by December 2024. Once completed, the units are expected to operate at the full load of 799MW each, with the FGD reintroduced.

The incident accounted for 1.79% UCLF for the financial year.

It should be noted that since commercialisation, Kusile Unit 4 has been operating with an average of about I58MW not being available, due to absorber clogging (which also caused the flue gas duct failure at the other three units). This is being addressed by planned interventions, with the output remaining constrained until a permanent solution is identified. The current unit loss is below 100MW.

It is anticipated that the unit will continue to deliver constrained output in the immediate future; it will only deliver the full load of 799MW, confirmed by the commissioning test results, once a permanent solution has been implemented. As part of the operation and maintenance regime of operating generation units, management makes informed decisions on the amount of energy that a unit sends out, depending on the management of various unit and station factors, such as transient factors, load demand, station requirements, primary inputs, reliability maintenance plans, continuous plant improvements and plans to correct plant defects (whether latent and/or operational).

Partial load losses have increased significantly compared to the previous year and are worse than target. Partial load losses contributed 13.12% UCLF for the year (approximately 41% of total UCLF). Kendal, Majuba, Kriel, Tutuka and Duvha contributed 60% of total partial load losses for the year. Draught plant, mills, turbine, gas cleaning and feed water plant were the areas with the highest contribution to partial load losses, accounting for 80% of partial losses. Disappointingly, most stations have not been able to clear their partial load losses as planned during outages. Of the 18 outages that were planned to reduce partial losses, only five units have shown tangible gains.

Stations continued to experience challenges with plant redundancy (especially mills, feed pumps, air heaters and condensers). The impact of common plant unreliability (such as coal and ash/dust plant, and cooling towers) has stabilised after a number of recovery measures were put in place to address the root causes, such as outsourcing critical maintenance, procuring spares and executing recovery plans. Efforts continue to sustain performance gains.

#### **KOEBERG PERFORMANCE**

Koeberg Nuclear Power Station continues to operate within the required safety parameters, at the lowest marginal primary energy cost of our base-load stations.

The Nuclear Safety Review Board (NSRB), comprising experienced senior nuclear executives from various countries, conducts independent bi-annual safety reviews. The NSRB conducts a review of all aspects of Koeberg's operations, with particular emphasis on those activities which may affect the safe operation of the station and the protection of the staff, public and the environment. It also provides recommendations on priorities and areas for improvement based on members' professional experience.

Koeberg Unit 2 returned to service on 7 August 2022 from its last refuelling outage, but was manually shut down on 19 August 2022 due to a control rod slipping, associated with the reactor pressure vessel head replacement. After returning to service six days later, the unit was automatically shut down again on 3 September 2022 when one of the control rods slipped during a further scheduled reactor control rod manoeuvrability test, resulting in an automatic reactor scram and grid separation. Following extensive troubleshooting with the OEM, the unit returned to service on 25 September 2022 with National Nuclear Regulator (NNR) approval.

Koeberg Unit 2 had been online for 145 days when the turbine tripped on 17 February 2023 during the replacement of a failed electronic module on the turbine protection system. The unit was resynchronised and back at full power within 20 hours.

Koeberg Unit I had been online for 408 days when it was shut down on I0 December 2022 for the start of outage 126, a planned long-duration refuelling outage that includes the replacement of the three steam generators, but excludes the reactor vessel head replacement, which was done previously. The scope of work for the steam generator replacement was rigorously scrutinised by two independent teams to optimise the outage duration in the months prior to commencement of the outage.

The old steam generators have been removed and were transported to on-site storage by early April 2023, where they will be packaged and dismantled for final disposal at a national nuclear waste repository. The three new steam generators were fitted into their final location during April, ready for welding activities and support structures that still need to be erected around them.

The outage has been significantly delayed due to resourcing challenges and unexpected technical challenges experienced as part of the steam generator replacement project. Due to ongoing delays the unit is only expected to be back on full load during November 2023.

Unit 2 will undergo a similar long outage to replace its three steam generators at the end of its next refuelling cycle, rescheduled to start after Unit 1 returns from outage. The last replacement steam generator was delivered to Koeberg during December 2022.

#### Koeberg long-term operation project

The long-term operation (LTO) activities to enable Koeberg to operate its 1 854MW capacity for another 20 years beyond 2024 continue according to schedule, in line with the IRP 2019 expectations for continued energy security beyond 2024.

Extending the station's operating life is an investment into sustainable and low-carbon electricity generation infrastructure, with nuclear producing no greenhouse gas emissions during operation. Over its lifecycle, nuclear produces about the same amount of carbon dioxide-equivalent emissions per unit of electricity as wind, and one-third of the emissions per unit of electricity when compared to solar.

The replacement of the steam generators was identified in the licence application for long-term operation of Koeberg that was submitted to the National Nuclear Regulator (NNR) as being a prerequisite for the station to operate safely beyond its original licensed operating period of 40 years beyond 2024. The NNR accepted the licence modification for further processing. Should the NNR award the licences to Koeberg to operate beyond 2024, the station will continue to operate safely and reliably for another 20 years.

The LTO safety case was submitted on schedule to the NNR for their evaluation in July 2022. As expected, no safety concerns that would preclude long-term operation were identified. The NNR is assessing the safety case to ensure that it meets national and international regulatory requirements, standards and practices for LTO, to enable them to issue an amendment to the current licence.

The NNR has completed the first round of public engagement and will determine if further engagement is needed. In the interim, Eskom is focusing on public awareness activities aimed at communicating the safety of Koeberg to the South African public and completing the commitments that were stipulated in the safety case. These commitments are being monitored to ensure that emerging risks to timeous completion are identified as early as possible to enable mitigative actions to be taken.

#### Benchmarking

Eskom remains a member of the World Association of Nuclear Operators (WANO) and the Institute of Nuclear Power Operations (INPO). South Africa remains a member of the International Atomic Energy Agency (IAEA). These affiliations facilitate the definition of standards, sharing best practice, conducting periodic safety reviews, training personnel and benchmarking performance. The most recent routine WANO peer review of Koeberg was carried out from 16 August to 2 September 2021, the outcome of which was favourable.

For the review period, Koeberg's benchmarked performance has deteriorated due to the impact the recent outages have had on the availability of the units. This was driven mainly by the refuelling outage on Unit 2 during 2022, followed by the Unit I long-duration refuelling and steam generator replacement outage, which commenced on 10 December 2022.

The previous Generation recovery plan aimed to address critical pain points to allow for fast-tracked improvement in

generation performance and plant availability. During the latter half of the year, based on the input of the new Board, the recovery plan was refocused.

Following engagements with Exco, the Business Operations Performance Committee (BOPC) and the Board, Generation consolidated the recommendations and will better manage the recovery programme going forward. This includes the people, process and plant actions that need to be executed to realise the plan.

The purpose of the recovery plan is to:

- Drive the implementation of key enablers to expedite plant recovery and ensure that recovered performance is sustained
- Evaluate risks and ensure timely implementation of risk mitigation measures
- Track implementation plans of emerging plant risks and station recovery plan progress at the six priority and two additional stations
- Perform analysis and assessments of issues affecting recovery, and expedite plans accordingly
- Evaluate recovery plan effectiveness and strategy optimisation and realignment
- Integrate the response to Generation operational fleet–level risks, such as finance, procurement, HR and the like
- Optimise and enhance business processes, and drive innovation

We recognise that the unreliable and unpredictable performance of our coal fleet is not acceptable and one of the main causes of loadshedding, together with the lower-thanexpected IPP capacity being available. We acknowledge the negative impact this has on the South African economy and the lives of South Africans.

Nevertheless, it is important to recognise the causes of the current situation. Although there are many factors, both within and outside our control, the root cause is the late decision to allow Eskom to build new capacity, coupled with the slower pace of bringing online IPP capacity compared to the IRP 2019. This necessitated running the plant at exceptionally high load factors over an extended period while the lack of maintenance space, as well as funding constraints due to a lack of cost-reflective tariffs over many years, meant that safety and statutory maintenance enhancement work, together with mid-life refurbishment that is essential to ensure the performance of ageing plant.

We are committed to turning around the performance if the fleet, led by the new Board and the newly appointed Minister of Electricity. Our recovery relies on three levers:

- EAF recovery
- Additional capacity
- Government enablers

EAF recovery will be achieved by improving the generation fleet's EAF performance through effective implementation of the EAF recovery programme to achieve an EAF level of 65% at the end of March 2024, in support of average EAF of 60% overall for the 2024 financial year, moving towards an average of 65% EAF for the 2025 financial year.

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The EAF recovery plans rely on several focus areas, including plant condition, capacity, skills and experience, reducing fraud and corruption, policies and procedures, funding, environmental compliance, coal and new build defects. Improvement in plant condition, in particular, requires augmented maintenance, and each site has identified projects envisaged to reduce load losses.

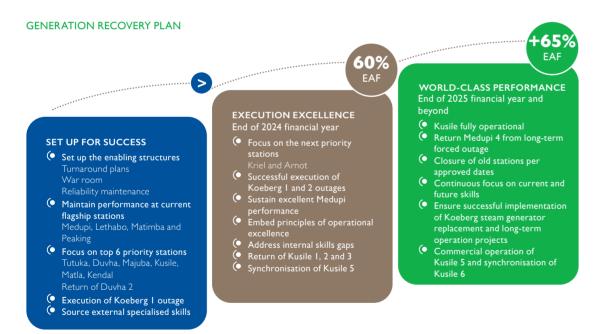
Although all stations are driving this improvement, the focus is on the six priority stations that would provide the biggest benefit to the system with an improved EAF, namely Duvha, Kendal, Kusile, Majuba, Matla and Tutuka, as well as Arnot and Kriel. Station-specific plant-related actions are being consolidated to allow continuous tracing and monitoring. These include capacity recovery projects and critical projects to sustain performance.

Approximately I 522MW has been recovered at Duvha, Kendal, Matla and Tutuka in the latter half of the 2023 financial year against a target of I 862MW. The shortfall was a result of outages that slipped and did not return in time, or outages being deferred to after March 2023. Unfortunately, due to the inherent unreliability and unpredictability of the coal units, other challenges at these stations resulted in other losses, therefore the net gain was minimal.

Approximately 5 400MW is expected to be recovered over the next 24 months; based on an EAF level of around 60%, this translates to about 3 242MW. All these projects and the associated gains are centrally tracked and are being verified by an external service provider reporting directly to the Board.

We have to repeat that we cannot resolve loadshedding on our own. At least 4 000–6 000MW of additional dispatchable capacity is required urgently.

Financial constraints remain a concern, but the situation will be significantly improved the debt relief measures announced by National Treasury. Our recovery also relies on several external concessions, levers and enablers required to support the turnaround.



Continuous execution of culture transformation and strategic levers including operational excellence

#### ENERGY SUPPLIED BY IPPS

We procure renewable energy from IPPs under ministerial determinations, under DMRE's RE-IPP Programme. Since inception of the Renewable Energy IPP (RE-IPP) Programme in 2011, a total of 89 renewable IPP projects with capacity of 6 106MW are already in operation (2022: 5 826MW). All projects under bid window 1, 2, 3, 3.5, 4 and 4B projects are connected to the grid. We also procure energy from two IPP OCGT peakers, with capacity of 1 005MW.

Eskom is looking to procure energy under a number of IPP programmes to add to the available generation capacity. However, the delays in bringing capacity online under the various IPP programmes continue to add pressure on the need to run our ageing plant at unsustainable levels, often requiring the use of expensive OCGTs to make up the shortfall.

#### **RE-IPP PROGRAMME**

Preferred bidders for the RE-IPP bid window 5 were announced on 28 October 2021, with 25 projects identified totalling 2 583MW (comprising I 608MW wind and 975MW solar photovoltaic). The Board approved the conclusion of power purchase agreements (PPAs) with the preferred bidders subject to stipulated conditions. Nineteen projects totalling I 759MW have reached legal close. Of these, nine projects have reached financial close and are in the construction phase; these are anticipated to achieve financial close by December 2023, with the scheduled commercial operations dates expected to be achieved by June 2025.

Preferred bidders for RE-IPP bid window 6 were announced on 8 December 2022. Initially only five photovoltaic projects were identified (totalling 860MW), with no wind projects having been selected due to constraints in connecting these to the grid. Another eligible bidder was announced as preferred, bringing the total capacity awarded to 1 000MW. At the time of bid submission, the projects had received cost estimate letters from Eskom for grid connection, but with no commitment of grid capacity required under the cost estimate letters. By the time of bid evaluation, the grid capacity had been taken up by other projects (with firm commitments under budget quotations) intended to supply private offtakers, with Eskom supplying the grid capacity. Commercial close for the bid window 6 projects will be staggered in line with anticipated issuance of budget quotations.

#### **RISK MITIGATION IPP PROCUREMENT PROGRAMME**

The bid evaluation for the Risk Mitigation IPP Procurement Programme (RMIPPPP) resulted in 11 preferred bidders being identified for total capacity of 1 996MW. Eskom concluded PPAs with three of the projects on 2 June 2022. The remaining PPAs are expected to be concluded as and when the projects are able to achieve legal and financial close, given various challenges faced by the bidders, such as cost increases after bid submission and delays in obtaining environmental and other authorisations.

#### STORAGE PROGRAMME

The RFP for the procurement of 513MW of battery energy storage under the Energy Storage IPP Programme was released to the market on 7 March 2023. The closing date for bid submissions was 2 August 2023, although the preferred bidders have not been announced.

The Transmission board has approved Eskom as the buyer of the capacity and ancillary services based on the risk allocation as contained in PPA, subject to certain conditions.

#### SHORT-TERM PURCHASE PROGRAMMES

In response to the energy crisis, two programmes were launched for short-term energy purchases from domestic generators, namely the Standard Offer and Emergency Generation programmes.

The Standard Offer provides a mechanism for Eskom to purchase energy from customers with their own generation or other independent generators at the avoided cost of Eskom generation (including power purchase commitments). We are targeting 1 000MW, and budget is available to run the programme until July 2028. Approvals for the mechanism were required from government departments and NERSA, all of which have been obtained. The first contract for 100MW under the Standard Offer has been signed and went into operation on 1 May 2023. Additional applications have been received but none of these have achieved legal close yet.

The Emergency Generation Programme allows for the purchase of energy from existing generators where additional capacity would be available at an appropriate price. We are targeting 800MW, and budget and cost recovery mechanisms are in place until 31 March 2025. Even though the cost of production could exceed the Eskom standard tariff, the cost of this generation would still be lower than Eskom's marginal cost of generation (mostly from OCGTs) and would mitigate against loadshedding. The programme has received internal and external government and regulatory approvals. Contracts have been finalised and awarded. Contracts have been awarded to five participants, of which one project of 60MW has signed a PPA, commencing operation on 31 July 2023.

The difference between the two programmes is that in the Standard Offer, Eskom sets the price – either dynamically day-ahead or for a year – and customers can choose whether to supply at that price. Under the Emergency Generation Programme, suppliers bid a price and volume – either month-ahead, week-ahead or day-ahead – and Eskom chooses whether to take up the energy.

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#### ENERGY CAPACITY AND PURCHASES

IPP capacity available and the energy procured under various IPP programmes for the year to 31 March 2023 is set out in the following table.

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Total capacity, MW	17 326	11 080	9 144	•	7 110	6 831	6 083
Total energy purchases, GWh	108 478	28 538	22 622	•	17 957	15 972	13 525
Total spent on energy, R million Lease accounting adjustment, R million <sup>2</sup> Total expenditure, R million	228 555 (16 588) 211 968	61 837 (2 392) 59 445	49 221 (2 886) 46 335	n/a	43 400 (1 635) 41 765	36 714 (1 511) 35 203	32 470 (1 638) 30 832
Weighted average cost, c/kWh <sup>3</sup>	211	217	218	•	242	230	240

1. The 2026 target is the cumulative target over the next three years.

2. For accounting purposes, the capacity charges for the Avon and Dedisa IPP gas peakers are treated as arrangements that contain a lease in terms of IFRS 16. Refer to note 2.8 in the annual financial statements for the related accounting policy. For future targets, the assumption is that the RMIPPPP projects will be treated on the same basis.

3. The weighted average cost is calculated on the total amount spent on energy, before the IFRS 16 lease adjustment.

The IPP OCGT peakers continue to contribute to system stability to minimise or avoid loadshedding during periods of generation capacity constraints. Utilisation of the peakers increased 22% year-on-year, to produce I 098GWh (2022: 899GWh), while renewable IPPs provided I6 859GWh of non-dispatchable energy (2022: I5 073GWh) against a target of I9 399GWh. This, together with 2 627GWh from the RMIPPPP programme that was not available, led to a shortfall of 5 167GWh for the year, which had to be made up through the use of Eskom and IPP-owned OCGTs.

The IPP OCGT peakers recorded an annual load factor of 12.5% (2022: 10.2%) against a contractual minimum obligation of 1%; renewable IPPs recorded an average load factor of 29.8% (2022: 29.8%).

#### (IR) Refer to "Our interaction with the environment - Investing in renewable energy" on page 124 for the breakdown of energy supplied by renewable IPPs

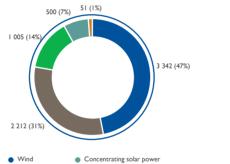
IPP capacity of 279MW of wind-based energy was commissioned during the year, against a target of 580MW for the RE-IPP Programme and I 733MW from other expected programmes. We expect 100MW of renewable capacity and 3 796 MW from other programmes to be commissioned during the coming year.

#### INTERNATIONAL SALES AND PURCHASES

GWh	Target	Target	Target	Target	Actual	Actual	Actual
	2026	2024	2023	met?	2023	2022	2021
International sales	31 661	10 673	11 306	•	11 437	13 298	13 497
International purchases	32 205	10 753	8 678		8 654	8 500	8 812
Net (purchases)/sales	(544)	(80)	2 628	٠	2 783	4 798	4 685

I. The 2026 target is the cumulative target over the next three years.

#### IPP operational capacities by type at 31 March 2023, MW



Solar PV
 Biomass, hydro and landfill
 Diesel

## CROSS-BORDER SALES AND PURCHASES OF ELECTRICITY

The Southern African Power Pool (SAPP) supports reliable and economical electricity supply to member countries by coordinating the planning and operation of the electric power system among member utilities. Nine of the 12 SAPP member countries are interconnected. International sales volumes decreased by 14% year-onyear, primarily due to load curtailment implemented on firm power supply agreements and suspension of non-firm supply agreements. Sales were further affected by improved performance of some customers' own generation performance, as well as others purchasing more of their required power from SAPP markets at rates lower than ours.

International purchases increased by 2% year-on-year, due to increased offtake from Cahora Bassa, coupled with higher purchases from the SAPP markets to mitigate against system constraints.

#### POWER IMPORTS

Given Eskom's generation constraints, the focus has shifted from growing export sales to developing a bilateral power import strategy to supplement capacity. Furthermore, a New Generation Regulation exemption has been obtained from DMRE, with Eskom being designated procurer and buyer of capacity and energy. While NERSA concurrence of DMRE's section 34 determination is awaited, we are developing a request for proposal. Our Corporate Plan makes provision for the successful sourcing of this power from the 2025 financial year.

#### NETWORK PERFORMANCE

Our network is made up of transmission infrastructure, with high-voltage lines evacuating energy from our power stations, and our distribution network, which distributes electricity from the transmission network and IPPs to customers. Redistributors (municipalities and metros) supplied by Eskom manage their own distribution networks.

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Measure and unit	Target	Target	Target	Target	Actual	Actual	Actual
	2026	2024	2023	met?	2023	2022	2021
Number of system minutes lost <1, minutes <sup>SC, 1</sup>	3.53	3.53	3.53	•	4.71	2.88	3.48
Number of major incidents >1 minute, number	2	2	2		I	2	2
System average interruption duration index (SAIDI), hours <sup>sc</sup>	38.0	38.0	38.0	•	35.5	35.5	35.4
System average interruption frequency index (SAIFI), events	17.0	18.0	19.0	•	11.8	12.3	13.2
Restoration time, %²	91.8	91.3	90.0	•	92.2	93.4	92.5
Distribution energy losses, % <sup>sc</sup>	9.77	9.48	9.44		9.74	9.62	10.11

I. One system minute is equivalent to interrupting the whole of South Africa at maximum demand for one minute.

2. Restoration time analyses the time it takes to restore supply during an unplanned outage by measuring the percentage of dispatched work orders where power is restored within 7.5 hours.

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Transmission system reliability performance has deteriorated since September 2022, with an abnormal number of interruptions occurring due to several factors: switchgear failures arising from frequent operation for loadshedding, control cable theft at substations, increased line faults, protection maloperations as well as restoration delays. The focus is on a review of maintenance practices given loadshedding operating requirements, sustaining high levels of maintenance execution, restoration response, line fault reduction, as well as replacement of assets in poor condition. The aim is to maintain system reliability below 3.53 system minutes lost per year over the medium term.

The transmission network suffered a major incident interruption at a substation in October 2022 due to a surge arrestor failure, thereby impacting customers in Emalahleni. Furthermore, the improvement in line fault performance attained in the first half of the year was eroded due to a substantial increase in bird-related faults since October 2022, to 2.70 faults per 100km (2022: 2.56). This is attributed to changing rainfall patterns due to the La Niña weather phenomenon which increased bird-associated risks due to bird streamers as well as nesting on towers. The installation of bird guards is being pursued in identified risk areas, resulting in positive improvements. Transmission is increasing the asset renewal investment progressively over a five-year period to the required sustainability level to mitigate the risk of equipment failures. The increased capital budget allocation will advance the implementation of the 2022 Transmission Development Plan as well as asset renewal, which forms part of the Transmission sustainability improvement initiatives. Transmission is targeting the installation of 3 184km of high-voltage lines and 15 395MVA in transformer capacity over the next five years. The focus is on project development and expanding supplier capacity to enable the delivery of the increased asset creation objectives.

Distribution network performance remained resilient despite increased levels of loadshedding, theft and vandalism, and notwithstanding capital constraints. Loadshedding has a negative impact on the health and reliability of plant, due to increased duty cycles and associated switching currents, which lead to premature equipment failures. Although loadshedding events are excluded from availability measures, failures outside the designated blocks are not excluded, thereby negatively impacting performance measures. Furthermore, not only do theft, vandalism and overloaded equipment result in interruptions, they also deplete resources at the expense of funding required to attend to normal events.

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### Our infrastructure continued

There are ongoing concerns regarding network failures caused by illegal connections, overloading of the network, theft and vandalism of electrical equipment, as well as difficulty in restoring power to unsafe areas. Despite these setbacks, operational efficiencies and execution of the maintenance programme have resulted in customers experiencing fewer incidences of supply interruptions and sustained network availability (after accounting for loadshedding and major event exclusions per NERSA standards). However, significant grid investment is required to sustain and improve network performance going forward. The business continues to focus on enhancing the restoration of supply process and feedback to customers using technology. As envisaged, the rollout of upgraded enterprise digital assistant devices to field staff has contributed to productivity and efficiency gains in scheduling and work order management.

In future, Distribution will focus on three areas of operations, namely network or grid services, retail services and distribution system operations with energy trading.

### ENERGY WHEELING IN THE FUTURE

The energy crisis has precipitated significant opportunities for customers, distributed energy resource (DERs) operators and IPPs to establish power generation facilities of varying sizes. This shift will lead to further sales losses due to the reduction in volumes supplied by Eskom. Consequently, a new energy trading economy is emerging, and the distribution grid will play a crucial role in facilitating it.

The grid will provide traders, prosumers, DERs and IPPs with a means of transporting energy under their contracts of sale. In exchange for this service, the distribution company will charge a system use or "wheeling" fee. Wheeling is available on high-, medium- and low-voltage networks; it can be likened to a courier fee for transporting goods (in this case, energy) that do not belong to the transporter.

The initiative is expected to be revenue-neutral, as it aims to provide the distribution business with a secure source of income even as Eskom's energy sales volumes decline. By offering wheeling services, the distribution company can generate revenue, while helping to facilitate the growth of a new energy trading economy. The final design of the energy market depends on a number of factors, including the type of dispatch (centralised or decentralised), the pricing structures used, and the regulatory frameworks in place, all of which will impact distribution wheeling.

Distribution already has a wheeling framework in place, but plans to refine and improve the framework and pricing structure (subject to NERSA's approval) to ensure that the distribution business revenue remains stable in future.

Given the significant challenges in adequately balancing the national supply and demand of electricity, we are frequently forced to implement loadshedding to protect the power system. To mitigate these risks, we have launched the Distribution Demand Management Programme (DDMP) to assist in this regard. Through the DDMP, the energy efficiency demand-side management programme has been reactivated and the demand response programme is being up expanded to include mid-segment customers and residential smart metering.

The role of demand-side management is to influence the electricity demand profiles of end-use customers for the benefit of local, regional and national power system needs. Demand response provides the System Operator with flexibility and reliability to maintain adequate daily operating reserve margins to cater for unforeseen circumstances that could affect the stability of supply.

The intended benefits of the DDMP are to:

- Reduce the usage of expensive OCGTs, especially during evening peak times
- Minimise the impact of loadshedding
- Optimise the national system profile through load
  management/peak clipping and energy efficiency measures
- Create system flexibility and provide additional reliability services to the Transmission System Operator

The DDMP intends to achieve 1 450MW demand reduction capability through the demand-side management and demand response interventions over the next three years.

#### ENERGY LOSSES AND EQUIPMENT THEFT

We experience both technical and non-technical losses on our networks. Technical energy losses are an inherent consequence of electricity network operation, arising from power flows through equipment such as cables, overhead lines, transformers and substation equipment used to transfer electricity.

Transmission lines experience energy lost as heat when electricity is transmitted, which is classified as technical losses. Distribution lines also experience technical losses, together with non-technical losses in the form of electricity theft, illegal connections, tampering and bypassing of electricity meters, as well as the purchase of electricity tokens from unregistered or illegal vendors. Non-technical losses account for approximately 70% of total losses, and include meter reading and billing errors.

Energy losses on our networks have increased to 11.76% overall (2022: 11.43%), with 9.74% relating to the distribution environment (2022: 9.62%) and 2.32% to transmission lines (2022: 2.31%). Nevertheless, the level of distribution losses is low in comparison to other prominent African economies, where figures range from 20%–30%. Distribution energy

losses amounted to 19.2TWh for the year (2022: 19.8TWh), continuing the reduction mainly in non-technical losses due to our continued interventions.

Network constraints and overloading contribute to technical losses on our ageing networks. To better manage technical losses, the impact of voltage and phase imbalances are evaluated to determine feeders where potential reductions in technical losses may be achieved by investigating and correcting imbalances, among other initiatives.

Theft of copper cable, overhead aluminium conductor as well as pylon tower members resulted in financial losses and impacted operations. Effective risk management, intelligence gathering, stakeholder engagement and the deployment of innovative security technologies are being pursued to mitigate security threats. A pilot project has yielded positive results. The socio-economic challenges in the country contribute to the increase in theft and vandalism of network equipment, illegal connections and customers' inability to pay for services, with conductor theft constituting the highest number of incidents. The focus remains on proactive and effective risk management, intelligence gathering, stakeholder engagement, arrest and successful prosecution, as well as the deployment of new technologies to help combat these incidents.

Losses due to conductor theft, cabling and related equipment amounted to R197 million for the year (2022: R316 million), arising from 2 522 incidents (2022: 3 226 incidents). We continue to collaborate with SOCs that are similarly affected, industry role players, the South African Police Service and the National Prosecuting Authority, to combat these losses. These actions led to 167 arrests (2022: 244).

The cost of non-technical losses is estimated at R5 607 million (2022: R5 343 million) for the year, which has a significant financial and operational impact on Eskom. The increase is due to a revised model being applied to calculate non-technical losses. Previously, non-technical losses were estimated to be 30% of total losses while in the revised model, the nontechnical portion is estimated at almost 70%.

As a result of the sustained high levels of non-technical losses, innovative strategies are required to manage losses while ensuring financial sustainability. Distribution is executing its losses curtailment strategy through various initiatives to limit non-technical energy losses. These include carrying out meter refurbishments and performing meter audits on all customer categories, installing smart and prepaid meters, as well as exploring options for a new vending platform and enhancing controls around the platform. We also pursue legal action against those who supply illegal prepaid meters or tokens.

#### DELIVERING CAPACITY EXPANSION

We commenced our capacity expansion programme in 2005 to increase installed generation capacity by 17 134MW by building new power stations and reinstating mothballed stations. Furthermore, the programme aimed to strengthen the transmission network, by building high-voltage power lines totalling 9 756km and increasing transformer capacity by 42 470MVA.

Since inception to 31 March 2023, installed generation capacity has increased by 15 529MW, transmission lines by 8 548km and transmission substation capacity by 39 505MVA. The programme is expected to be completed by the 2028 financial year.

To date, the Medupi project has incurred capital expenditure of R127.8 billion (2022: R125.4 billion) against the revised approved value of R145 billion, excluding the cost of the flue gas desulphurisation (FGD) retrofit at Medupi, estimated at a further R38.4 billion. The Kusile project has incurred capital expenditure of R150.8 billion to date (2022: R146.1 billion) against the revised approved value of R161.4 billion, including the FGD plant being installed during construction. These values exclude capitalised borrowing costs.

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Generation capacity installed and commissioned (commercial operation), MW <sup>sc</sup>	I 600	800	800	•	799	794	598
Transmission lines installed, km <sup>sc</sup>	841.0	166.0	140.0	•	326.1	180.5	65.6
Transmission transformer capacity installed and commissioned, $MVA^{SC, I}$	6 790	160	-	n/a	-	065	750

1. No target was set for transformer capacity for the 2023 financial year due to the unavailability of the local factory, and the long lead times associated with procurement overseas.

2. The 2026 target is the cumulative capacity or lines to be commissioned and/or installed over the next three years.

Kusile Unit 4 achieved commercial operation on 31 May 2022, earlier than the scheduled date of January 2023, following first synchronisation of the unit to the grid on 23 December 2021; the unit was successfully handed over to Generation to form part of the commercial fleet. Although the final rated capacity of the unit is IMW lower than planned, the unit is considered to have been delivered in line with the shareholder compact expectation, despite not operating at full capacity until a permanent solution is implemented, as indicated earlier.

Transmission lines installed by far exceeded the target, due to excellent contractor performance on the Namaqualand Juno-Gromis line. Furthermore, construction was completed on a number of projects, with minor works in progress.

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### Our infrastructure continued

#### Group funded capital expenditure (excluding capitalised borrowing costs) per division

Division, R million	Target 2026	Target 2024	Target 2023	Actual 2023	Actual 2022	Actual 2021
Generation	80 902	29 528	19 929	24 517	22 093	17 823
Transmission	34 792	5 960	4 666	3 543	3 028	I 866
Distribution	14 498	2 297	2 636	2 603	2 433	2 388
Subtotal	130 192	37 785	27 231	30 663	27 554	22 077
Future fuel (coal and nuclear)	13 291	3 227	1 515	2 861	2 418	I 495
Other areas including subsidiaries and intergroup eliminations	7 491	2 246	1 590	425	251	374
Total Eskom group funded capital expenditure <sup>1</sup>	150 974	43 258	30 336	33 949	30 223	23 946

 Capital expenditure includes additions to property, plant and equipment, intangible assets and future fuel, but excludes strategic spares, construction stock and capitalised borrowing costs. Figures noted above are based on internal reporting, and do not necessarily align to the IFRS movement on property, plant and equipment as disclosed in the annual financial statements.

 The 2026 target is the cumulative capital expenditure targeted over the next three years. An amount of R43.3 billion is targeted in 2024, with R47.6 billion in 2025 and R60.1 billion in 2026.

Capital expenditure for the period was R3.6 billion higher than budget. The Generation overspend relates mainly to the battery energy storage systems project, which was not originally budgeted to commence in the 2023 financial year, as well as higher than expected spend on outages, critical spares and refurbishment projects to address poor plant performance. The future fuel overspend relates to deferral from the previous year of projects at Matla and Kriel power stations.

#### MEDUPI AND KUSILE PROJECT PERFORMANCE

At Medupi, five units are in full commercial operation, connected and supplying energy to the national grid, with Unit 4 expected to be offline until the second quarter of the 2025 financial year, following the generator explosion in August 2021. The sixth and last unit achieved commercial operation on 31 July 2021. The focus is on completing the remaining balance of plant (outside plant) scope of works, remedial works, the resolution of claims and project close-out.

Kusile is fitted with wet FGD technology plant as an atmospheric emission abatement technology to make it more environmentally responsible. The FGD plant removes oxides of sulphur, in line with current international practice, to ensure compliance with air quality standards.

At Kusile, four units have achieved commercial operation. However, Units I to 3 are offline due to the flue gas duct failure in October 2022; Unit 4 is the only unit online. Optimisation of the FGD plant to support Unit 4 was completed in February 2023, although the unit will not operate at full capacity until a permanent solution is implemented.

Units I to 3 have been offline since 23 October 2022, following the failure of the flue gas duct that supports the three units and is part of the west chimney stack.

(R) Refer to "Generation performance – Unplanned losses" on page 103 for a discussion of the repairs

At Kusile Unit 5, seven key commissioning milestones have been achieved successfully to support first synchronisation of the unit. However, the gas air heater (GAH) fire incident on 17 September 2022 resulted in a discontinuation of all commissioning activities, negatively impacting the commissioning schedule by about a year. Detailed inspections revealed that the fire had damaged about 25% of the GAH rotor heat transfer packs. The GAH OEM was contracted to assist with identifying the root cause and to repair the GAH.

To date, the OEM has completed various tests and measurements, and removed the burnt material and opposite element packs to maintain the balance of the GAH rotor. The replacement phase involves cutting out the damaged rotor sections and welding in new sections, which will be followed by the reinstatement of the element packs and associated auxiliaries. Given the delays, first synchronisation of the unit is forecast for November 2023, with commercial operation expected by May 2024.

Steady progress has been made in executing the commissioning activities on Unit 6. Four key commissioning milestones have been achieved successfully to support first synchronisation of the unit. However, schedule slippage has been experienced due to the long lead-time for spares ordering and delivery from Mitsubishi Heavy Industries (MHI). Treatment actions are in place to deal with these challenges. Commercial operation of Unit 6 is forecast for February 2025.

The target for full project completion of Kusile is May 2027.

#### CORRECTING MAJOR DESIGN AND CONSTRUCTION DEFECTS AT MEDUPI AND KUSILE

We continue to track a number of major defects at both Medupi and Kusile. The effective correction of the major plant defects will ensure that the units achieve contractual levels of performance. Since inception, the completed interventions to correct the major plant defects have resulted in a steady improvement in the availability and reliability of units at Medupi and Kusile. At Medupi, the EAF is at 85%, measured over 12 months (excluding the impact of Unit 4 that is offline for turbine repairs following the incident in August 2021). This is an improvement of at least 20% since the effective correction of the major plant defects, with some units running close to full load.

A major defect correction programme was established in collaboration with the original boiler contractor, Mitsubishi Heavy Industries (MHI), to test, develop and implement technical solutions at all the Medupi and Kusile units. Medupi Unit 3 was used as a pilot for the initial implementation of boiler modification solutions that required an extended unit outage for execution. The major plant defect modifications required unit outages of 75 days on average to allow the engineering teams to implement the plant modifications safely without interruption.

Rollout of the major boiler plant defect solutions for Medupi and Kusile, agreed with the contractor in 2020, have been completed. At Medupi, the gas air heater (GAH), pulse jet fabric filter (PJFF) and milling plant modifications by the boiler contractor have been implemented on all six units, except for the long-lead milling modifications done during mill rebuild outages, with 22 of 30 completed. At Kusile, GAH, PJFF and milling plant modifications have been completed on Units I to 5. Modifications on Unit 6 are being rolled out during construction before commercial operation. Additional modifications on the GAH and PJFF are being developed to further increase the plant performance.

Further technical discussions on improving solutions to all plant areas agreed between Eskom and MHI management are progressing well, with seven additional solutions for testing on the gas air heater formulated and planned for evaluation. Rollout of the solutions will commence after successful evaluation.

The implementation of upgrades and hardware modifications of the distributed control system (DCS) on Medupi Units 4 to 6 and balance of plant by Eskom and General Electric have sufficiently resolved the repeated card failures defect. The forecast for the completion of the first phase of the effective correction of the major plant defects at Medupi and Kusile is December 2023, mainly to make provision for the Medupi milling plant rollout. Additional plant defect corrections, undertaken by Eskom with or without third party involvement, is forecast for completion after 2027, depending on the extent of technical solutions and outage availability.

The latest total estimated cost for the defects correction of all Medupi and Kusile units, based on the best available information, ranges from R3.7 billion to R5.3 billion, excluding Eskom costs for DCS defects correction. The cost of executing the major defects correction plan is managed within the Board-approved Medupi and Kusile project budgets. The liable parties/contractors will be held to account within the provisions of the relevant contracts and will be fully responsible for the related major plant defect costs once liability has been determined. Eskom has incurred R417 million on correcting boiler plant defects at Medupi and Kusile, which is being funded from operational maintenance expenditure.

#### OTHER PROJECTS

# DEDICATED RAILWAY FOR RAILING COAL TO MAJUBA POWER STATION

The coal tippler facility at Majuba Power Station has been commissioned and is scaling up deliveries, with two trains delivering 8 400 tons each day, the equivalent of 247 road truckloads. Generation is in the process of repairing the vandalised overhead traction equipment (OHTE) on the Palmford rail line, whereafter the number of trains can be increased to six trains per day. Construction work on the yard automation was completed in November 2022 and the yard automation was energised and the line commissioned on 12 April 2023.

Site infrastructure vandalism by criminal elements continues, although Eskom security mitigation measures are in place to prevent this vandalism.

Due to delays caused by infrastructure vandalism, the Boardapproved commercial operation date of the project is now March 2024, from the original target date of December 2022.



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#### BATTERY ENERGY STORAGE SYSTEMS (BESS)

The distributed battery storage project supports transformational aspects by demonstrating large-scale deployment in support of the South African renewable energy strategy and addresses local system challenges. The project is co-financed by the World Bank, New Development Bank and African Development Bank. The World Bank loan facility was extended to December 2023, due to Eskom demonstrating commitment and good progress towards project execution.

The contracts for the first three packages under the 800MWh Phase I were signed in May and June 2022. Construction activities at Pongola and Elandskop began in September and October 2022 respectively, and at Hex in November 2022. Construction at Hex was completed in June 2023, with completion of Elandskop and Pongola targeted for the third quarter of the 2024 financial year. Construction at Skaapvlei, Graafwater and Paleisheuwel commenced during October 2023.

The tender for the last package closed in September 2023 and bid evaluations have commenced. Since Package 4's forecast completion of December 2023 is beyond the loan facility date of June 2023, the World Bank will not fully fund this package; however, the New Development Bank and African Development Bank will fund the shortfall.

The NERSA licences for the Phase 1 packages have been awarded.

Phase 2 at Distribution substations is on hold, due to the suspension of funding for new capital projects as part of Government's debt relief conditions. However, the Komati PV and BESS projects of 600MWh will continue, as there is approved funding and financing for Komati.

#### MEDUPI FGD RETROFIT

The initial business case for Medupi Power Station was approved based on a commitment to install six units of fully operational FGD equipment, to be retrofitted within six years of commissioning each unit during general overhaul outages.

Implementing the proposed FGD project supports:

- Eskom's air quality strategy to reduce environmental emissions as well as compliance with atmospheric emissions standards
- The conditions of the lenders linked to the Medupi loan agreement of 2010

Given the risks associated with the preferred strategy of being technology agnostic, the market will be approached using a single-stage procurement strategy with a main option of wet FGD. The contracting strategy of a single Engineering, Procurement and Construction (EPC) contract remains the same as previously approved. This allows for technology and project execution risk allocation or transfer to the EPC contractor.

The change in strategy was conditionally approved by IFC in March 2023, pending confirmation of funding availability. The request for proposal will be issued to the market by December 2023, whereafter tender evaluations will commence. The current approved project cost/execution release approval (ERA) for wet FGD, approved in 2018, is R38.4 billion, excluding interest during construction (IDC). However, the 2018 wet FGD cost will be revised and updated after conclusion of the RFP to cater for escalations and market dynamics.

The 2018 approval indicated full project completion by March 2031. However, the latest proposed schedule, pending Board approval, indicates a forecast date for first unit CO during the second half of 2027 and final unit CO during the latter half of 2029, with full project completion targeted for March 2032. However, the project schedule is highly dependent on the technology chosen after the anticipated RFP process, and the power station outage plan.

The World Bank approved the extension of the Medupi FGD implementation deadline from 30 June 2025 to 30 June 2027 and has also been sensitised to the revised date of February 2030. Updates are submitted to the World Bank on a regular basis.

Meeting the atmospheric emission license (AEL) conditions and lender timelines remains at high risk. We continue to engage with the DFFE, DPE, DMRE and other stakeholders in respect of a possible extension.

#### **RT&D PROJECTS**

Our strategic context

The Research, Testing & Development (RT&D) Department is focused on operational recovery of our three line divisions in the short term. In the medium term, the strategy seeks to assist the business in transitioning away from coal, and in the long term, to assist the business in being a leading clean and green energy company to enable competitiveness, sustainability, profitability and new growth areas.

Progress on some of our high priority projects is set out below.

#### COAL SULPHUR REDUCTION

Testing of raw coal samples utilising an X-ray transmission sorting technique was conducted on coal from two sources, one from Medupi and another from Mpumalanga. Both samples tested have produced promising conceptual results, in terms of pyrite sulphur reduction and minimal yield loss. The successful completion of the conceptual phase recommends more detailed assessment of representative samples to support a business case to demonstrate the technology application.

#### UTILISATION OF COAL FINES

A contract was placed in December 2022 with a supplier to compress coal fines into briquettes and supply it to Eskom for a full-scale plant demonstration of co-firing. The processing of the 25kt sample will be done by mini-batch production, with supply of the full volume expected during the 2024 financial year, after which full-scale testing will commence.

#### FLEXIBILITY OF COAL-FIRED UNITS

The baseline testing of existing coal-fired units to benchmark minimum generation and ramp-rates to accommodate renewable energy penetration is critical. To this end, Medupi Unit I, Duhva Unit 5, Kusile Unit 3 and Kriel Unit 6 have been evaluated. Given the constrained state of the system, approval to operate at minimum generation levels has not been easily obtainable, however, the remainder of the coal-fired fleet is scheduled for assessment during the 2024 financial year.

#### CONTAINERISED MICROGRIDS

The project entails the deployment of smart microgrid solutions which are quickly deployable, require low maintenance and are self-sustaining at the lowest cost possible. These are smart rural microgrids with battery, PV and inverter technology for the supply and storage of electricity. The work is being integrated with the Komati repurposing initiatives to commission a microgrid assembly line on site. For the year, Distribution installed 21 containerised microgrids. A total of 216 microgrid installations are targeted over the next five years.

#### CRITICAL PEAK DAY PRICING (CPDP)

The proposed solution targets the curtailment of demand through critical peak day pricing. The benefit to Eskom is an initial reduction of 50MW, with the potential for greater reduction in future. A pilot study has been concluded and analysis of the data is in progress to inform the way forward.

#### REMOTELY PILOTED AIRCRAFT SYSTEMS (RPAS)

RPAS (drones) can be used for power line inspection in conjunction with traditional inspection methods. Twelve RPAS can conduct inspections equivalent to that by one helicopter, thereby lowering the cost of these inspections. The units can also be used for sinkhole monitoring where ground-based patrols cannot easily obtain access, as well as for fault finding and conductor inspection.

The research work on RPAS line inspection demonstrated a cost saving compared to ground-based inspection operations. RT&D is continuing with the research on RPAS focusing on data analytics. However, RPAS inspections have their limitations, such as being unable to detect certain issues that require closer visual inspection, such as damaged hardware or worn-out nuts and bolts that need to be tightened, which can lead to failure and outages. As a result, a combination of RPAS and foot patrols by existing staff will be necessary to ensure that all components are inspected, and that the line inspection standard is met.

#### **FUTURE FOCUS AREAS**

- Continuing to execute the legal separation programme in Transmission, Distribution and Generation, focusing on legal, regulatory and policy issues
- Pursuing additional dispatchable generation capacity of 4 000MW-6 000MW to support the stability of the power system, create space for reliability maintenance and reduce the need for loadshedding
- Driving execution of the refocused Generation recovery plan to recover plant performance over the medium to long term
- Successfully executing the Koeberg steam generator replacement outages and the LTO project to extend the life of the station
- Ensuring improved environmental performance, with specific focus on water use, emissions and environmental legal contraventions
- ( Using generating plant approaching end-of-life to lead the Just Energy Transition (JET), using repurposing and repowering as an alternative to full decommissioning of power station sites. Thereafter, JET will be used as the key enabler to set the course for a Generation of the future in line with the approved Corporate Plan
- Contracting additional capacity under the Emergency Generation and Standard Offer programmes, and developing other programmes to alleviate short-term capacity constraints
- (• Facilitating financial and legal close for projects in the Risk Mitigation IPP Procurement Programme and bid windows 5 and 6 of the RE-IPP Programme
- Supporting DMRE's IPP Office to execute additional programmes such as the battery storage programme and bid window 7 of the RE-IPP Programme

- Concluding the cross-border bilateral power import programme, to increase exports and grow revenue and profitability by retaining and increasing profitable electricity exports to neighbouring countries
- Improving transmission system reliability and reducing line faults, while executing the Transmission Development Plan and Transmission sustainability improvement initiatives
- Prioritising investment in distribution network infrastructure and executing maintenance and operational plans to ensure the sustainability of network performance and available capacity in future years, to enable indiscriminate grid access to embedded IPPs and other energy resources to facilitate energy exchange in the evolving energy market
- Installing smart meters for all new customer connections and converting existing small power meters to smart meters, to enable customers to manage consumption and support the business in reducing energy losses
- Driving demand-side management initiatives to support the constrained power system
- Completing the Medupi and Kusile power stations within the Board-approved revised full project completion dates of the 2026 and 2028 financial years respectively, together with effectively correcting all major plant defects on new units at Medupi and Kusile to enable technically acceptable new plant performance
- Effectively executing the Generation emission-control and technical plan projects
- Driving completion of the battery energy storage (I 440MWh of storage capacity), subject to funding constraints given the debt relief conditions, and Medupi FGD projects

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# Dur interaction with the environment

#### VALUE CREATED

Coal optimisation savings in support of the turnaround plan exceeded the target Distribution Division has converted 4 303 poles to bird-friendly poles (target of 2 190) The Birdlife Science and Innovation Programme continued a variety of conservation projects sponsored by Eskom and other sponsors

#### VALUE PRESERVED

- ( The year-on-year coal unit cost increase performed within target
- Eskom's CO<sub>2</sub> emissions declined by 9.5% from 2022 in line with the decline in EAF, dipping to below 200Mt for the year for the first time since 2004, after peaking around 233Mt in 2014
- ( The water consumption target for the year was achieved
- No environmental legal contravention incidents reported in Distribution and Transmission divisions for the year. Transmission recorded no legal contravention incidents for the last five years
- Transmission and Eskom Rotek Industries have successfully phased out polychlorinated biphenylcontaining equipment and materials (PCBs) ahead of the global phase-out date of 31 December 2023. Eskom Rotek Industries has been PCB free since 2011

As an electricity utility, the focus is on effective environmental management and compliance. We are also conscious of the need to diversify our energy mix in terms of the resources that we use to meet supply, as well as the related technologies that are being deployed, the waste and emissions that we discharge, and the impact of our operations on the communities surrounding our infrastructure. Not least, "environmental" encompasses our carbon emissions as well as taking the lead in climate change initiatives and ensuring that we manage risk and our ability to recover from disaster incidents.

We have initiatives in place to reduce our environmental footprint in several areas, such as projects to reduce particulate emissions; less efficient units being taken out of service when possible to reduce water use; and utilising dry-cooled technology in our newer coal-fired stations, namely Matimba, Kendal, half of Majuba, Medupi and Kusile. To improve air quality, units at Medupi and Kusile are commissioned with fabric filter plants to reduce NO<sub>x</sub> emissions. Kusile is also commissioned with flue gas desulphurisation (FGD) technology to reduce SO<sub>2</sub>, while Medupi will be retrofitted with FGD after completion. Koeberg Nuclear Power Station uses very little fresh water, and nuclear is considered a low-carbon technology.

### VALUE ERODED

and at optimal cost.

station fleet.

COAL SUPPLY STRATEGY

- High coal demand from more expensive power stations due to generation performance challenges
- Reduction in production at certain cost-plus mines due to delays in capital expansion projects and production challenges
- Lack of new mining investment and execution of current mining rights, with minimal funding for carbon-intensive technology, thereby signalling disinvestment by multinationals in the South African coal industry
- Recorded the worst relative emissions performance for local air pollutants since 1995

SECURING OUR RESOURCE REQUIREMENTS

We mainly use coal, nuclear fuel, fuel oil, diesel and water as

procure and deliver these resources to our power stations in

the necessary amounts, at the required quality, at the right time

As one of the most significant items on the income statement

and given that our generation capacity is still fossil fuel-driven, coal management – in terms of an affordable price, sufficient volumes and appropriate quality – are key focus areas that

influence both our financial and operational sustainability. Our

Primary Energy Department is engaging mines to ensure that

correct guality and guantity of coal is delivered to the power

Our long-term coal strategy favours dedicated long-term coal

the quality specification of coal for the various power stations

contracts with coal delivered by conveyor, which must also take

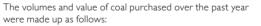
into account and be aligned with the 2035 station shutdown plan.

delivery and assurance controls are in place to ensure the

primary energy to generate electricity. We have to source,

SECURING OUR COAL REQUIREMENTS

- Criminal charges related to Kendal Power Station's particulate emissions remain, with preparation ongoing for postponed court proceedings
- (• Environmental legal contraventions and failure of business systems far exceeded internal tolerance levels, with most related to water and air quality regulations
- Open and overdue actions for environmental compliance notices received from the authorities, together with incidents recorded, continue to place Eskom at risk for criminal sanction



30%

Short-/medium-term contracts

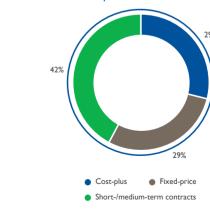
Cost-plus

Fixed-price

Coal volumes

369

## Value of coal purchased



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### Our interaction with the environment continued

We continued the move away from more expensive short- and medium-term contracts to cost-plus and long-term fixed-price contracts. This resulted in the year-on-year increase in the average cost per ton of coal being limited to 9.2% (2022: 2.1%).

Our top 10 coal suppliers are set out below. There is one new entrant to the list since last year.

Supplier	Contract type
Exxaro Coal	Mix of cost-plus and fixed-price
Seriti Coal	Mix of cost-plus and fixed-price
Universal Coal	Fixed-price
Wescoal	Fixed-price
Glencore	Fixed-price
HCI Coal	Fixed-price
Mbuyelo	Fixed-price
African Exploration Mining and Finance Corporation	Fixed-price
Mwelase Mining	Fixed-price
Sudor Coal (new)	Fixed-price

Under our long-term coal procurement strategy, we issued requests for proposal (RFPs) to the market for supply to Arnot. Camden, Duvha, Kriel, Kusile, Matla and Tutuka, with some contracts being awarded. Implementation of the long-term strategy is progressing, with coal requirements largely secured for the next 18 to 24 months. The shortfall, considering updates to both supply and demand, has been reduced to 0.7 billion tons of uncontracted coal to cover the projected remaining life of all coal-fired power stations.

#### TECHNICAL PERFORMANCE

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Coal burnt, Mt <sup>i</sup>	n/a	99.52	101.96	n/a	102.38	110.30	104.87
Coal purchased, Mt	n/a	106.08	102.30	n/a	98.42	108.70	109.96
Coal purchase R/ton, % increase <sup>sc</sup>	10.0	10.0	10.0		9.2	2.1	3.0
Coal stock days	92	96	79	•	65	76	82
Normalised coal stock days, budgeted standard daily burn <sup>2</sup>	31	31	31	•	29	42	50
Road-to-rail migration (additional tonnage transported on rail), Mt <sup>sc, 3</sup>	n/a	n/a	4.7	•	2.5	2.5	3.6

1. From 1 April 2022, pre-commissioning burn is no longer capitalised to the asset and instead recognised in primary energy cost. However, pre-commissioning burn is still excluded from the figures reported above. The current year coal burnt figure excludes 492kt burnt during the commissioning of Kusile Unit 4 (2022: 811kt). Normalised coal stock days exclude coal at Medupi

The road-to-rail target indicates the amount of coal to be transported by rail for the year. Given the poor performance of the rail network, the shareholder has decided to no longer target this as a shareholder compact KPI, starting from the 2024 financial year.

4. Future targets shown as n/a are dependent on system requirements.

#### Coal quality

Coal-related load losses accounted for 0.73% OCLF for the year (2022: 0.64%), due to factors such as poor guality coal from cost-plus mines or coal contaminated by stones. combined with heavy rainfall in the Moumalanga region during the final guarter of the year. Matla contributed 74% of the total coal-related losses, while Camden and Majuba contributed another 12% and 8% respectively.

Initiatives such as verification sampling and coal contamination monitoring have led to an improvement in coal quality, specifically for short- and medium-term suppliers across the system. We keep working with coal suppliers to reduce coalrelated losses. In the long term, the goal remains determining coal quality at the point of delivery.

#### Investment in cost-plus mines

Where necessary, we will invest in cost-plus mines to support achievement of contractual supply, to ensure optimal cost of coal and security of coal supply from dedicated coal resources. We will only consider recapitalising mines where long-term benefits can be demonstrated through increased volumes of acceptable quality coal, thereby limiting the amount of coal required on more expensive short- and medium-term contracts.

Negotiations on the extension of existing cost-plus agreements for Lethabo, Kendal, Matla and Tutuka continue.

The average coal purchase price increase was mainly due to contractual price escalations, largely linked to double-digit increases in mining input costs due to higher diesel costs and the weakening currency. Coal stock days have declined due to lower than planned deliveries from short- and medium-term contracts which can be attributed to supplier underperformance and logistics challenges.

At year end, six power stations – Arnot, Camden, Hendrina, Grootvlei, Kriel and Tutuka - had stock below their individual minimum stockholding levels (2022: two). This was mainly due to higher coal burn than planned; lower than anticipated rail deliveries due to poor Transnet Freight Rail (TFR) rail performance; undersupply from existing suppliers due to stoppages brought on by high rainfall in January and February 2023; and community protest action around the Delmas area, which negatively impacted coal deliveries in the last guarter.

#### IMPLEMENTING COAL HAULAGE AND THE **ROAD-TO-RAIL MIGRATION PLAN**

Three power stations are partially supplied by coal on rail, namely Majuba, Tutuka and Grootvlei.

We were unable to achieve the shareholder target for coal delivered by rail, due to several factors:

- At Majuba, rail capacity was reduced from six to three trains per day due to vandalism and cable theft on the railway line supplying Majuba, necessitating the use of diesel locomotives. However, the weekly delivery performance has not yet reached 21 trains per week. Majuba received 14 to 17 trains per week on average
- Due to low coal demand at Tutuka, the tied colliery can meet the station's coal demand via conveyor, resulting in no rail deliveries to Tutuka since May 2022
- · Grootvlei has received no deliveries by rail since April 2022, as TFR failed to appoint a new offloading contractor after expiry of the previous contract on 31 March 2022

Rail operations to Arnot Power Station were planned to start during the financial year. However, additional repair work is required on the Eskom portion of the rail line leading to the power station. The station is busy with the commercial process to appoint a contractor to assist with the repairs.

Regrettably, coal haulage by road resulted in one public fatality during the year (2022: 20), and no contractor fatalities were recorded (2022: three). Given the impact of our coal haulage operations on road safety and road conditions, we continue to promote road safety and participate in road safety awareness campaigns in collaboration with the Mpumalanga government.

#### SECURING OUR WATER REQUIREMENTS

Coal generation, as well as nuclear, gas, hydro and renewables will continue to be reliant on a high assurance of water supply, high availability of water infrastructure and appropriate quality of water to maintain security of supply. Existing water supply agreements ensure security of supply to existing coal-fired generation power stations. These agreements, where required, will be modified or renewed in accordance with the lifespan of our power stations.

We will continue to engage the Department of Water and Sanitation (DWS) and Rand Water on options to meet and secure water requirements for:

- Long-term water security including the implementation of bulk water supply infrastructure such as the Lesotho Highlands Water Project Phase 2 and the Mokolo Crocodile Water Augmentation Project Phase 2
- Existing and new power generation, including renewables, hydro and gas-fired power stations requiring water-use licences and allocations
- Emissions abatement technologies requiring water, including flue gas desulphurisation (FGD) retrofits
- Water supply asset lifecycle management to improve plant performance, to ensure that the network of water infrastructure and inter-basin transfer infrastructure and assets are adequately operated and maintained to meet our daily water needs and maintain the long-term assurance of supply level at 99.5%
- Water supply contract renewals to meet the end-of-life of existing power stations
- Repurposing of decommissioned power stations and the Just Energy Transition, including the tied coal mines
- Optimisation of the variable water costs and water quality from multiple sources within the annual operating rules set by DWS
- · Climate change adaptation and risk
- Drought risk mitigation projects

Total water usage is expected to decrease over the next decade and beyond as wet-cooled coal-fired power stations shut down, the dispatch of dry-cooled stations increases, and the transition towards renewable, nuclear and gas energy supply takes place. An overall decrease in water use is projected in line with the decommissioning plans of coalfired power stations. However, the retrofitting of emissions abatement technology will increase the water use of the remaining coal fleet. We have provided water demand inputs to DWS to allow for its water catchment planning and water reallocation strategy. These water scenarios will be updated when needed

As our water use decreases into the future, the unit cost of water may increase due to the fixed costs of managing the water supply infrastructure.

#### For a discussion of our water usage, refer to "Reducing water consumption" on page 123 in this section

The Integrated Vaal River System (IVRS) storage was above 100% at 27 March 2023 (28 March 2022; 100.8%). The IVRS level continues to remain high due to good rainfall in the catchment areas, but it is likely to remain in deficit until Phase 2 of the Lesotho Highlands Water Project is commissioned by 2027. The project was officially launched in May 2023, and construction of the Polihali Dam is under way. Other initiatives such as water conservation and water demand management are required to mitigate against future water security risks in the IVRS.

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The Mokolo River System supplies raw water to Matimba and Medupi power stations. The Mokolo Dam level stood at 101.5% at 27 March 2023 (2022: 100.8%). Therefore, the likelihood of water curtailments to Eskom remains low, although the risk remains until the Mokolo Crocodile Water Augmentation Project Phase 2A is commissioned. The project will augment water supply to Lephalale, as well as to Matimba and Medupi and Exxaro's Grootegeluk mine. The earliest water delivery date from MCWAP Phase 2A remains October 2028 due to delays in securing project funding and subsequent procurement delays by DWS. At this stage, the delay is not expected to affect the Medupi FGD project, which is also delayed.

#### SECURING OUR NUCLEAR FUEL REQUIREMENTS

Existing contracts with Westinghouse and Framatome for the supply of nuclear fuel fabrication services and the delivery of fabricated nuclear fuel are sufficient to meet Koeberg's nuclear fuel demand until 2025. We also hold contracts valid until 2028 for the supply of enriched uranium product, which is used in nuclear fuel fabrication.

The recent threat to Westinghouse's ability to supply nuclear fuel for use at Koeberg from the USA to South Africa via Sweden has been negated by the reissuing of the licence to Westinghouse by the US Nuclear Regulatory Commission.

(AFS) For further information on nuclear fuel balances, refer to note 10 on future fuel supplies and note 13 on inventories in the consolidated annual financial statements

# REDUCING OUR ENVIRONMENTAL FOOTPRINT

We measure our environmental performance through a number of KPIs, including relative particulate emissions, atmospheric emission licence compliance, specific water consumption and the number of reported legal contravention incidents as a result of significant failures of business systems, and red data bird mortalities on our infrastructure.

## (IR) Refer to page 170 for information on the environmental implications of using or saving electricity

Measure and unit	Target	Target	Target	Target	Actual	Actual	Actual
	2026	2024	2023	met?	2023	2022	2021
Relative particulate emissions, kg/MWh sent out <sup>sc</sup>	0.26	0.30	0.30	•	0.70	0.34	0.38
Atmospheric emission licence (AEL) compliance, % <sup>sc</sup>	93.00	91.00	90.00		87.40	89.00	n/a
Specific water consumption, ℓ/kWh sent out <sup>sc,  </sup>	1.36	1.38	1.39	•	1.39	1.45	1.42
Net raw water consumption, Mℓ	n/a	n/a	n/a	n/a	256 430	283 610	270 736
Environmental legal contraventions reported as a result of significant failure of business systems, number <sup>2</sup>	I	I	I.	•	10	7	7
Carbon dioxide (CO <sub>2</sub> ), Mt <sup>3</sup>	n/a	n/a	n/a	n/a	187.5	207.2	206.8
Nitrous oxide (N <sub>2</sub> O), t <sup>4</sup>	n/a	n/a	n/a	n/a	438	56	527
Methane (CH <sub>4</sub> ), t	n/a	n/a	n/a	n/a	483	466	442
Carbon dioxide equivalent (CO <sub>2</sub> e), Mt <sup>3</sup>	n/a	n/a	n/a	n/a	87.9	207.7	207.3
Sulphur dioxide (SO <sub>2</sub> ), kt³	n/a	n/a	n/a	n/a	449	I 671	I 604
Nitrogen oxide (NO <sub>2</sub> as NO <sub>2</sub> ), kt⁴	n/a	n/a	n/a	n/a	743	822	804
Particulate emissions, kt	n/a	n/a	n/a	n/a	29.32	66.65	71.35

 Relative particulate emissions values and specific water consumption include Medupi Units 2, 3, 4, 5 and 6 as well as Kusile Units 1 and 2. Units are only included one year after achieving commercial operation, therefore Kusile Unit 4 is still excluded. Kusile Unit 3 has been included since 1 April 2022 and Medupi Unit 1 since 1 August 2022 when the units became official.

 These relate to specific cases of environmental legal contravention incidents that are of very high significance in terms of the impact on the environment and/or on Eskom in that they have a material business impact and illustrate a significant failure of business systems.

 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, as well as oil consumed during power station start-ups.

4. N2O and NOx reported as NO2 are calculated using average station-specific emission factors (which are measured intermittently) and tonnages of coal burnt.

5. No target is set for net raw water consumption or for emission volumes. Therefore, the target for these measures is shown as not applicable.

#### PARTICULATE AND GASEOUS EMISSIONS

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 (NEM:AQA) requires the installation of technology to reduce emissions. We have implemented pollution reduction technology since the early 1980s to substantially reduce particulate matter emissions.

 $\label{eq:IR} $$ Further details of particulate and gaseous emissions are available in the technical statistical table on pages 160 to 161 $$$ 

# COMPLIANCE WITH ATMOSPHERIC EMISSION LICENCES

Atmospheric emissions include any emissions that result in air pollution; it includes particulate and gaseous emissions. The authorities issue atmospheric emission licences (AELs) to power stations, which allow us to emit atmospheric pollutants within certain limits.

Coal-fired stations operate in general compliance with emission limits in their AELs. However, non-compliance with these limits occurs; these are reported to the authorities as required. Our AELs require us to report emergency incidents (referred to as NEMA section 30 incidents) to the authorities. A total of 71 section 30 incidents were reported during the year (2022: 76).

It is estimated that all coal-fired units have operated in non-compliance with their allowable daily particulate matter emission limits on 1 109 operating days (for all units) combined during the year (2022: 174 days). The substantial increase is due to deteriorating plant performance at multiple stations, especially Kendal, as well as system constraints, which forced stations to choose between running units to meet demand and thereby reduce loadshedding, or operating in compliance with particulate matter emission limits.

Kendal operated in non-compliance with its daily limit on 733 operating days (for all units) in the year, primarily due to dust handling plant challenges, which cause the electrostatic precipitators to operate at reduced efficiency, resulting in more particulate matter being emitted. Tutuka operated in non-compliance on 191 operating days due to multiple unit shutdown and startups, with the limited availability of spares affecting the ability to complete the required maintenance on the emission control plant. Matla operated in non-compliance on 74 operating days: the station has struggled with poor coal guality, dust handling plant issues and an unreliable slurry/ash removal plant. Kriel has a monthly emission average which was exceeded for three months, resulting in 72 days of operation in non-compliance to an indicative daily limit. Kriel also had a damaged ash conveyor which caused ash backlogs in the dust handling plant. Duvha operated in non-compliance on 19 operating days, Matimba on 12 operating days, and Lethabo on 8 operating days.

At year end, 13 coal-fired units were operating in noncompliance with indicative average monthly particle matter emissions limits (2022: eight units), placing 7 691MW at risk of censure or closure by the authorities (2022: 4 766MW). Some notable reasons for operating in non-compliance were malfunctions at the dust handling, slurry and ash plants, as well as excessive emission exceedances during unit start-ups.

In the prior year, we developed a new KPI for inclusion in the 2023 shareholder compact to track AEL compliance in terms of (i) average emission limit compliance; (ii) number of NEMA section 30 submissions; (iii) emission monitor status; (iv) gaseous monitor reliability; and (v) general AEL compliance based on internal reviews and assessments completed. We have assessed our overall AEL compliance at power stations at 87.40% (2022: 89%). The KPI did not meet the target of 90%, due to the poor emissions performance and challenges with managing emission monitoring systems.

#### MINIMUM EMISSION STANDARDS

Minimum Emission Standards (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 matter. These aim to protect people and the environment by providing reasonable measures for the prevention of pollution and ecological degradation, and to ensure ecologically sustainable development while promoting justifiable economic and social development. In the past, we committed to retrofitting several power stations with emission reduction technologies, such as fabric filter plant (FFP), low NO<sub>x</sub> burners and/or FGD, to reduce emissions under postponement applications granted by the then Department of Environmental Affairs. Full compliance with the new plant standards would cost in the region of approximately R340 billion, which Eskom, and the country, simply cannot afford, given the lack of appetite for funding of coal-based technologies and Eskom's existing debt burden and reliance on Government support.

Our revised Emission Reduction Plan confirms that we will focus on emission reduction projects in respect of particulate matter at seven power stations (Kendal, Matimba, Lethabo, Tutuka, Duvha, Matla and Kriel); nitrogen oxide reduction projects at three stations (Majuba, Lethabo and Tutuka); and sulphur dioxide reduction at Medupi and Kusile. The emission projects are undertaken in the context of the 2035 strategy and existing JET plans which will see the shutdown of nine stations by 2035 with a reduction in total emission load, supporting a Just Energy Transition; it should be noted that these plans are under review, given the response to the electricity crisis. We will also continue to implement the air quality offset programme.

Eskom applied to the Department of Forestry, Fisheries and the Environment (DFFE) in August 2020 for suspension, alternative limits and/or postponement under the Minimum Emission Standards (MES). We received a decision in November 2021 which, if implemented, would result in the closure of power stations and an equivalent loss of capacity of 16 000MW immediately and a further 10 000MW after 2025. This lost capacity cannot be supplied by the remaining fleet, requiring an unsustainable increase in loadshedding.

We submitted an appeal to the authorities in December 2021 for those stations that received unfavourable decisions, requesting the Minister of DFFE to consider our motivation for a balanced and sustainable way forward. In March 2022, the Minister agreed to invoke a consultative process in accordance with the provisions of section 3A of the National Environmental Management Act, 1998, allowing all appellants, stakeholders and interested and affected parties to participate. The Minister also established a National Environmental Consultative and Advisory Forum to review the MES decisions and make recommendations on the matter, after consultation with a range of stakeholders.

Based on our initiatives, we requested legal indulgence from full MES compliance; a fleet approach to emissions load reduction; and consideration of various other factors, such as the JET, ambient air quality and other contributors to health impacts, water use, increased production of waste, funding constraints, security of supply, and the tariff impact of full compliance.

The forum has held public consultations for all stations. We made a formal submission to the forum in January 2023 based on the Eskom 2035 JET and approved Emission Reduction Plan. The forum was expected to issue a report in February 2023, but the Minister has granted an extension to August 2024. After receiving a recommendation, the Minister will rule on the appeal and DFFE will issue revised decisions to Eskom where needed. Until then, stations continue to operate under existing licence conditions.

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### Our interaction with the environment continued

#### Emission reduction projects

Work continues to implement the emission reduction projects to improve MES compliance. After multiple delays, funding for projects at Tutuka and Medupi have been confirmed. Several projects will be delivered after 2025, and work to optimise units for delivery before this date continues. Units may be required to shut down if they do not comply with the required standards by 31 March 2025.

Good progress has been made on particulate matter (PM) projects, and it is foreseen that all of these projects will be completed by 2025.

We have installed various emission abatement technologies at our stations. These include:

- Electrostatic precipitators (ESPs) at Duvha, Kendal, Komati, Kriel, Lethabo, Matimba, Matla and Tutuka
- SO, flue gas conditioning plants to improve the efficacy of ESPs at the stations mentioned before, except at Tutuka
- Fabric filter plant at Arnot, Camden, Duvha, Grootvlei, Hendrina, Kusile, Majuba and Medupi
- Boilers with low NO, design at Kendal and Matimba
- · Low NO, burners at Camden, Kusile and Medupi
- Flue gas desulphurisation at Kusile (FGD at Medupi will be retrofitted)

#### **RELATIVE PARTICULATE EMISSIONS**

Initially, relative particulate emission performance improved since March 2022 due to the completion of focused maintenance of generating plant. However, performance deteriorated due to damage suffered during the industrial action during June and July 2022, coupled with poorly performing plant. Performance has not shown a turnaround by the end of the year, given that system constraints increased. The year-end performance at 0.70kg/MWhSO is worse than similar performance seen in the late 1990s, prior to the implementation of emission upgrades at stations like Duvha, Matla, Matimba and Lethabo.

The poor performance is mainly attributed to the dismal performance at Kendal, accounting for almost 40% of the emissions for the year. The station experienced several challenges, including the dust handling plant and SO<sub>2</sub> plant issues, and was allowed to continue to operate to minimise loadshedding given the severe system constraints. Other significant contributors to the poor performance were Tutuka, Matla, Duvha and Lethabo. However, six of the 15 coal-fired power stations – Arnot, Hendrina, Kusile, Majuba, Matimba and Medupi – achieved their emission targets at year end. Without the excessive emissions at Kendal, the performance is estimated at 0.46kg/MWhSO.

#### Kendal emission challenges

Kendal experienced multiple challenges, for example ash build-up inside the electrostatic precipitator (ESP) casings. The station also experienced ash removal constraints resulting in an ash backlog, leading to all units at Kendal operating in non-compliance at different times throughout the year.

Kendal continues to implement the emission recovery plan agreed to as a condition of the AEL compliance directive issued in 2019. Repairs have been completed on Units 1, 2, 5 and 6, although the ESP on Unit 5 has been damaged again.

Unit 4 underwent an outage to replace the ESPs, and a planned outage on Unit 3 commenced in August 2023. Kendal contributes significantly to Eskom's poor emissions performance. The station reports on progress to the authorities monthly as required.

The criminal case against Eskom in respect of the AEL noncompliance between April 2015 and April 2019 is ongoing. At the latest hearing in February 2023, the matter was postponed for a pre-trial hearing that was held on 12 May 2023, at which a request was made to move to the Middelburg High Court. Eskom appeared in court on 7 July 2023 for this request. The matter has been set down to commence trial on I November 2023

#### Offset programmes

After extensive delays, good progress is being made in implementing the air quality offset programme, which aims to reduce particulate matter emissions in communities adjacent to our power stations and thereby improve ambient air quality, by insulating homes with ceilings, switching households from coal to electricity and liquid petroleum gas, and addressing the burning of waste.

To date, I 250 out of the planned 3 700 households have been completed in KwaZamokuhle near Hendrina. The project is expected to be completed by July 2024.

The programme in Ezamokuhle near Majuba started later, where 178 out of a planned 2 100 households have been completed. The project is expected to be completed by March 2024.

On 23 October 2022, Kusile Power Station experienced a failure on the west stack, which limited the power station's ability to operate three already commissioned generating units: Units 1, 2 and 3. These units can each provide around 720MW to the national grid and potentially reduce loadshedding by multiple levels. We have implemented a number of measures to reduce the impact of this loss of capacity. Key to these efforts is the construction of three temporary stacks which will operate without the already constructed FGD plants causing a predicted increase in SO<sub>2</sub> emissions in the area around the station.

In June 2023 we received the necessary approvals from DFFE and the Nkangala District to operate the temporary stacks at increased sulphur dioxide emissions levels while repairs to the west stack are under way. The environmental approvals were issued on condition that we implement measures to minimise the impact of the increased emissions on public health, which we will comply with. The decision was appealed, but the postponement decision was upheld. We returned Kusile Units 3 and 1 to service by October 2023 using the temporary stacks, with Unit 2 to follow in November 2023, thereby alleviating pressure on the power system. Permanent repairs to the west stack are planned to be completed by December 2024.

In the Sharpeville area, where a waste project is planned, ERI has been appointed to undertake the work, which should begin by March 2024.

Funding for partially implementing phase 2 of the project was obtained with an initial focus on two settlements near Tutuka and Kendal

#### GASEOUS EMISSIONS SO, emission limits

Five non-compliances with daily SO, limits were recorded, all at Tutuka, caused by coal and combustion issues. Medupi and Matimba complied fully with their monthly SO, limit during the year.

#### NO emission limits

No non-compliances of NO, limits were recorded during the year (2022: 66).

#### ASHING FACILITIES AND ASH UTILISATION

The largest source of physical waste from our operations is ash produced from the combustion of coal by our power stations. Our power stations produced 30.20Mt of ash (2022: 32.90Mt), with Lethabo and Matimba the biggest contributors. Ash sold from six stations in terms of our ash utilisation strategy is used in the manufacture of bricks, cement, soil amelioration, road construction and mine backfilling. Ash sold reduced slightly to 2.6Mt for the year (2022: 2.8Mt).

#### **REDUCING WATER CONSUMPTION**

Eskom is classified as a strategic water user. As such, our water supply is assured in the short to medium term. We continue to implement comprehensive strategic water management action plans at all coal-fired power stations to reduce water use and ensure compliance, given the significant quantities of water we consume, mostly in our generation operations.

#### SPECIFIC WATER USAGE

Water performance has shown some improvement year-onyear, and met the shareholder target for the year. Despite this, water performance across the generation fleet remains negatively affected by leaks and overflows of tanks from units; lower or lack of water recovery from on-site dams for reuse due to poor water quality, as a result of contamination with ash and oil; ashing with cooling water to control cooling water chemistry; slow progress in correcting malfunctions; and long lead times to address root causes of spillages and losses through discharge of polluted water into the environment (dam overflows). We are not achieving our intent of achieving zero liquid effluent discharge and compliance with legislation.

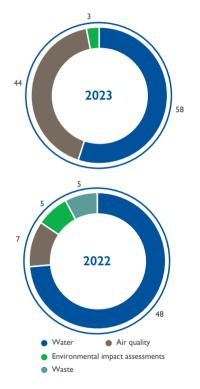
A significant contributor to water performance challenges is the poor technical performance of coal-fired stations, thereby limiting the opportunity to implement corrective measures, together with ageing plant.

Regrettably, 58 water-related legal contravention incidents were registered during the year, in non-compliance with the National Water Act, 1998 (2022: 48). Focused monitoring of the effective implementation of water management action plans, both at power station level and by the Generation

Environmental Compliance Steering Committee, has not yet led to the envisaged decrease in such events.

#### REDUCING ENVIRONMENTAL LEGAL CONTRAVENTIONS

A total of 105 environmental legal contravention incidents were recorded against a tolerance level of 17, with the reasons indicated below (2022: 65). Generation was responsible for 97 of the incidents (2022: 58), with seven recorded in Group Capital and one in ERI.



Of the environmental legal contravention incidents, 10 were escalated as being a result of significant failure of business systems (2022: seven). Eight of these incidents were waterrelated, due to dam overflows caused by excessive rainfall, and two related to emissions exceedances by Kendal and Tutuka; Generation Division was responsible for nine of the incidents.

Eskom has made progress towards meeting DFFE's legislative requirement for Eskom to phase out PCB-containing equipment and material by the deadline of 31 December 2023. Transmission Division and Eskom Rotek Industries no longer have any PCB-containing equipment or materials. Generation Division is finalising the disposal of the last two units, while Distribution Division has concluded the disposal of the final three units.

Detail on the disposal of ash, asbestos, PCB-containing ( IR ` material, as well as used nuclear fuel and nuclear waste is set out in the technical statistical table on pages 160 to 161

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PROVISIONS FOR ENVIRONMENTAL

**RESTORATION AND REHABILITATION** We provide for the environmental obligations related to the decommissioning of:

- Nuclear plant and rehabilitation of the associated land, as well as managing spent nuclear fuel assemblies and radioactive waste
- Other generating plant and rehabilitation of the associated land
- Cost-plus mines, where we have a contractual or constructive obligation to reimburse coal suppliers. It covers the estimated closure cost, including pollution control and rehabilitation of the associated land

We have raised the following provisions relating to environmental rehabilitation and restoration:

R million	Actual 2023	Actual 2022	Actual 2021
Power station-related environmental restoration – nuclear plant	21 824	18 269	17 317
Power station-related environmental restoration – other generating plant	15 863	16 293	4 8
Mine-related closure, pollution control and rehabilitation	13 113	15 303	15 259
Total	50 800	49 865	47 387

AFS Refer to note 28 in the consolidated annual financial statements for more information

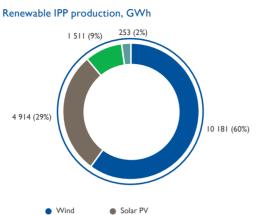
#### INVESTING IN RENEWABLE ENERGY

Our own investment in renewable generating capacity is modest, with just one wind facility and six hydroelectric stations. However, through the Just Energy Transition, we aim to introduce more renewable capacity, mainly through repowering and repurposing of our end-of-life stations, to reach our long-term objective of attaining net zero emissions by 2050, with an increase in sustainable jobs.

# (IR) For information on the capacity of our power stations and a breakdown of capacity supplied by IPPs, refer to pages 166 to 167

During the year, Eskom's Sere Wind Farm contributed 214GWh to the national grid (2022: 253GWh), at an average load factor of 23.54% (2022: 27.54%), which aligns to expectations for wind-based renewable plant. It attained an average availability factor of 67.48% (2022: 77.84%), influenced by operational challenges which have since been resolved.

Furthermore, we continue to purchase renewable energy from IPPs, with the main sources being wind and solar power, although biomass, landfill gas and small hydro technologies also contribute. Renewable IPPs contributed 16 859GWh during the year (2022: 15 073GWh), which constitutes 7.8% of energy available for distribution for the year.



CSP
 Biomass, hydro and landfill

We will be leasing land at power stations, or in close proximity to them, to IPPs to establish new PV and wind generation capacity, specifically in Mpumalanga where grid access is available. There are also a number of projects under development in the Eastern, Western and Northern Cape.

#### **RESPONDING TO CLIMATE CHANGE**

Many believe that climate change remains the greatest challenge facing humanity right now. The world has seen record-high temperatures recently, coupled with more frequent and severe weather events. If nothing is done, climate change will endanger the lives and livelihoods of hundreds of millions of people around the world and have a devastating impact on ecosystems.

One of the key initiatives being driven worldwide is phasing out coal-fired electricity production. In South Africa, the speed at which coal-fired production can be phased out depends on the rate at which replacement generation capacity – renewable generation with battery storage – can be rolled out, as well as the support required to enable that, be it funding, skills, regulations or logistics.

#### OUTCOMES OF COP27

The outcomes of the 2022 United Nations Climate Change Conference (COP27) have significant implications for South Africa, particularly in terms of transitioning away from coaldependent electricity generation. One notable decision from COP27 is the establishment of a fund aimed at supporting developing countries in addressing loss and damage caused by climate change. This provides an opportunity for South Africa to access funding for its own mitigation and adaptation efforts.

The \$8.5 billion Just Energy Transition Partnership (JETP) was announced at COP26, followed by the release of a JET Investment Plan (JET-IP) immediately before COP27.

The JETP has been formulated as an investment plan to guide the allocation of funds provided by partner countries such as the United Kingdom, the United States, Germany and France. These funds are intended to facilitate South Africa's transition away from coal and towards cleaner energy sources. For Eskom, a key aspect of the JETP is the allocation of 70% of the funds to commissioning renewable energy projects, upgrading the country's transmission grid and improving municipal distribution systems. This allocation is crucial as it supports the planned decommissioning of many of our coal-fired power stations by 2034. By prioritising renewable energy and investing in infrastructure upgrades, Eskom can facilitate a smoother and more sustainable energy transition.

The JET-IP is managed by Government at the Presidency level, and there is uncertainty at this stage on how the funds will be disbursed, whether they will be project specific, and whether Eskom will be allocated a portion of those funds. The allocation of funds to Eskom would allow for the delivery of Transmission and Distribution development plans, as well as continued delivery of planned repurposing and repowering initiatives.

#### SOUTH AFRICA'S RESPONSE TO CLIMATE CHANGE

In response to the Paris Agreement, which requires governments to put forward pledges and targets to cut carbon emissions to limit warming by 2030, South Africa has set its own nationally determined contribution, which sets out the target range for carbon emissions in the medium to long term, aiming for a pathway based on an average temperature increase of  $1.5^{\circ}$ C above pre-industrial levels. The target range is between 398–510Mt CO<sub>2</sub>e by 2025, and between 350-420Mt CO<sub>2</sub>e by 2030, based on a "peak, plateau and decline" trajectory to 2050.

As part of our JET strategy, we have committed to reaching net zero emissions by 2050, while promoting net job creation.

#### CARBON TAX

Under the Carbon Tax Act, 2019 (CTA), carbon tax is levied on greenhouse gas (GHG) emissions, to encourage consumers to reduce consumption of carbon-intensive products and shift the country onto a low-carbon pathway. However, generators of electricity from fossil fuel are allowed a deduction equal to the renewable energy premium incurred through RE-IPP purchases in the same tax period.

To achieve electricity price neutrality as envisioned in the National Budget Speech, Generation's GHG emitting activities (code IAIa) will need to claim the renewable energy premium from the RE-IPP contracts once the National Transmission Company South Africa commences operation. We provided comments on the draft Taxation Laws Amendment Bill to ensure that the transitional provisions would cater for this.

The deduction of the renewable premium against the IAIa liability has been extended to 31 December 2025. This would result in the first carbon tax liability to Eskom arising in the 2026 financial year, with the first cash payment expected the following year.

From 1 January 2023, our transmission and distribution GHG emitting activities attract carbon tax.

#### POLLUTION PREVENTION PLANS

We submitted our 2022 annual progress report for the implementation of the GHG pollution prevention plan to DFFE by the deadline of 31 March 2023. This progress report highlighted the risk to planned station shutdown dates because of the shortage of generation capacity and the resulting loadshedding, which may require shutdown dates to be deferred.

#### **CLIMATE FUNDING**

As part of the debt relief measures announced in the 2023 National Budget Speech, National Treasury set out conditions that affect Eskom's role in South Africa's JET. Among others, capital expenditure is restricted to transmission and distribution activities. No greenfield generation projects will be allowed during the debt relief period. Furthermore, Transmission should allow for extensive private sector participation in the development of the transmission network.

As a result, Eskom's JET capex need for 2023 to 2030 has been reduced from around R383 billion to around R76 billion.

There are many questions regarding spend on repurposing and repowering, the potential for public-private partnerships, establishing partnership structures to prepare for build after the debt relief period, and whether the embargo is likely to extend beyond 2026.

The Climate Investment Funds (CIF) has allocated \$350 million of concessional funding for the potential repurposing and repowering of the Hendrina, Grootvlei and Camden power stations. The World Bank has approved a \$497 million concessional loan for Eskom to implement the Komati repurposing and repowering project, which is under way. The World Bank has pledged a further \$411 million to develop Camden, Hendrina and Grootvlei as public-private partnerships; fund microgrids (although the amount is yet to be specified); and provide a \$215 million concessional loan to fund battery energy storage projects. New Development Bank has approved a facility of R6 billion for phase I and 2 of the battery energy storage project. The RI.4 billion for phase I has been negotiated and approved by National Treasury.

We're engaging with the Development Bank of Southern Africa (DBSA) on our pipeline of JET projects. To date, DBSA has supported Eskom with R13 billion in direct funding and has invested over R19 billion in the RE-IPP Programme. Furthermore, DBSA has committed R6.8 billion for the Risk Mitigation IPP Procurement Programme. DBSA has communicated interest to fund up to R20 billion worth of JET projects.

#### ESKOM'S RESPONSE TO CLIMATE CHANGE

Our climate change strategy is an integral component of our overarching environmental strategy and has evolved since 2005, and was recently integrated into our JET strategy. Our climate change initiatives are focused on compliance with evolving climate change legislation and ensuring sustainable development best practices to maintain our social licence to operate.

We are guided by national and international best practice, frameworks, legislation and regulations that inform our climate change response, which embodies the JET strategy aspirations to reduce our carbon footprint and implement adaptation initiatives to ensure the continued resilience of our systems, infrastructure and assets.

In this regard, a number of areas are important:

- Greenhouse gas reporting and implementation of pollution prevention plans
- Carbon tax and the carbon budget
- Effective implementation and monitoring of our adaptation
   plans

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- Socio-economic impact assessment studies to understand the impact of power station shutdown on affected communities, supporting our social licence to operate
- Shaping decision-making based on climate change and sustainable development best practices through effective reporting and disclosure

We have proactively started the process of complying with the emerging requirements from the proposed Climate Change Bill for state-owned companies to prepare adaptation plans. To date, Generation Division and Eskom Rotek Industries (ERI) have developed adaptation plans and are implementing these plans. Transmission has developed a draft climate change and adaptation framework which is under development. The Distribution adaptation plan is expected to be completed during the 2024 financial year.

The JET Office has been established to drive the JET strategy in leading, directing, and enabling the transition towards net zero carbon emissions by 2050 while managing Eskom's socioeconomic impact and contribution towards South Africa's just energy transition. In collaboration with Eskom's Clean Energy Unit, the JET Office will lead and partner on projects and initiatives speaking to:

- Just elements: doing better for people and the planet, and growing localisation and industrialisation
- Energy elements: cleaner, sustainable, reliable electricity provision
- Transition elements: transformational change of business models, attracting green financing
- Enablers supporting collaboration

# (IR) Refer to "Our role in communities – Just Energy Transition" on page 145 for more information on our JET initiatives, including the repowering and repurposing of Komati Power Station

Approximately 22GW of installed coal-fired capacity will be retired by 2035 in line with Eskom's focus on pursuing the JET. This will result in additional strain on the system and the need for new generating capacity. The shutdown of coal-fired stations is aligned with our climate change policy and JET. The shutdown of coalfired stations will be supported by the development of new, less carbon-intensive generating capacity such as gas and renewables. Generation has adopted a position that recommends pursuing a progressive business model, allowing it to continue pioneering the JET and participating in the IRP 2019 for renewable and nuclear energy as well as gas, while focusing on a structured approach to the shutdown of the coal fleet.

Beyond 2035, only six coal-fired power stations and one nuclear station will continue to operate. Four additional coal-fired power stations will be shut down by 2050, while the remaining two coal-fired stations may be shut down prior to the 50-year design life being realised.

### OVERVIEW OF TASK FORCE ON CLIMATE-

**RELATED FINANCIAL DISCLOSURES** We are committed to continually improving the understanding of the financial impacts associated with climate change. We further recognise the critical importance of Eskom's role in implementing the United Nations' Sustainable Development Goals (SDGs). Our focus on the long-term sustainability of the company addresses climate change risks, opportunities and constraints facing the business. Our commitment to the United Nations Global Compact further strengthens our dedication to sustainable and socially responsible practices in the context of the global crisis and South Africa's developing socio-economic environment.

Eskom's long-term objective is to strive for net zero emissions by 2050 with an increase in sustainable jobs, through participation in the Just Energy Transition, which will position the company at the forefront of the global effort to combat climate change.

#### GOVERNANCE

The Board is responsible for oversight and implementation of Eskom's business strategy, which incorporates the objective to strive for net zero emissions by 2050. The Board is supported by the Audit and Risk Committee (ARC) and the Social, Ethics and Sustainability Committee (SES), which regularly review and evaluate the company's progress on climate-related issues through regular reports from the management and discussions with experts in the field. This process ensures that the Board and its committees are kept abreast of the latest developments and are equipped to make informed decisions on climate-related matters.

The Board and its committees are responsible for considering the impact of climate-related issues when evaluating and guiding the organisation's overall strategy, key initiatives, risk management policies, annual budgets and business plans. This includes ensuring that performance objectives are aligned with the organisation's goal of achieving net zero emissions by 2050 and monitoring the implementation and progress towards meeting these objectives, including those related to reducing emissions. The Board and its committees also play a crucial role in monitoring and managing climate-related risks and opportunities.

# (IR) For more on the roles and responsibilities of the various committees, refer to "Governance, leadership and ethics – Board and its committees" from page 58

Furthermore, Exco plays a critical role in governing, supporting and regularly engaging in discussions surrounding the management of JET initiatives and climate change-related matters. The progress and implementation of these initiatives are regularly assessed through the monthly JET Steering Committee, as well as Exco and Board meetings, ensuring that the organisation remains on track towards its climate goals. Priority climate-related risks are actively tracked and monitored to ensure they are being effectively addressed. To ensure effective management of climate-related issues, several subcommittees/positions have been established, including the Risk Subcommittee, which is part of Exco, the Risk and Resilience Governance Committee, the JET Office and the Climate Change and Sustainable Development (CCSD) senior manager.

SR For more on how we govern climate-related risks and opportunities, please refer to the sustainability report

#### STRATEGY

We recognise the potential short-, medium- and long-term impacts of climate-related risks on our business, strategy and financial planning. In response, we have developed a comprehensive 2035 strategy that guides us through the changing energy landscape and ensures our position as a sustainable power utility. Our 2035 strategy has three primary objectives: to foster a competitive energy industry, modernise our power system, and strive for net zero carbon emissions by 2050 while increasing sustainable job creation. To achieve these goals, we adopt a sustainable development approach that aligns with our strategic framework across various sustainability dimensions, including climate change and environmental issues. These dimensions are an integral part of our key strategic imperatives, supporting our national framework for sustainable development.

To balance immediate and long-term risks and opportunities, we consider various time horizons when making strategic decisions that benefit the organisation, our stakeholders and the environment.

Given the useful lives of our infrastructure, and the fact that climate-related issues often manifest over the medium to longer term, we apply the following timeframes in managing climate-related risks and opportunities:

SHORT TERM > 1-3 years	This horizon focuses on the current situation and immediate future scenarios. During this timeframe, immediate actions and decisions that need to be taken to address the most pressing risks and opportunities in the short term are prioritised
MEDIUM TERM >> 3-7 years	The medium term includes the scenarios that may materialise by 2030, which includes the reassessment of the JET. During this period, Eskom will focus on medium-term investments and strategic initiatives that will shape our future and address the risks and opportunities that are likely to emerge in the next decade
LONG TERM > 7-30 years	The long-term horizon refers to the long-term goals of the JET strategy (2030–2050) and the life span of Eskom's assets

We recognise that climate change is not just an environmental issue but also a business issue with far-reaching effects on the electricity grid. Our operations – from generation, transmission and distribution – to end-user demand, are at risk of incurring significant financial losses due to climate-related risks. The impacts of these risks are location- and sector-dependent.

Eskom is exposed to a range of physical climate risks, which include extreme weather events.

Physical risk	Description	Risk types considered	Financial impact
Inability to safeguard assets and operations against extreme weather events	Inability of the line divisions to implement divisional adaptation plans to ensure the resilience of assets and operations to extreme weather events (Priority II risk rating)	Physical risks Risk drivers Increased severity and frequency of extreme weather, cyclones and floods	Increased direct costs Associated costs to manage and monitor the adverse impacts of climate change Damage to infrastructure, with supply interruptions resulting in increased cost

In order to mitigate physical risks associated with climate change, we have developed a strategic approach. The Integrated Risk and Resilience Management Procedure for Adaptation to Climate Change Planning guides the development of adaptation plans for Eskom's line divisions and Eskom Rotek Industries (ERI) to ensure resilience and adaptation. These adaptation plans are closely monitored and integrated into daily operations to ensure that they remain effective.

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Eskom is also exposed to transition risks across its value chain.

Transitional risk	Description	Financial impact
Failure to meet the 2030 JET targets Eskom faces the transitional risk of inadequate transition from a coal-based power system to a lower-carbon and climate-resilient company due to market changes, as well as regulation and policy compliance. Failing to meet these targets could have adverse effects on Eskom's reputation, financial performance, and competitiveness in the evolving energy market (Priority I risk rating)		Decreased access to capital: The increased demand for a faster transition away from fossil fuels is restricting access to funding, which is needed to transition to low-carbon energy sources Increased debt: Eskom may need to explore debt funding, private sector partnerships and green financing with concessional financiers offering potentially favourable terms to manage debt and ensure uninterrupted power supply during the shift to cleaner energy sources
Climate change legislation	The changing legislation, such as national regulations around energy transition and resilience, has the potential to impact Eskom's activities. These include the Climate Change Bill, Carbon Tax Act, carbon budgets and GHG reporting regulations	The financial impact of climate change legislation includes increased direct costs for Eskom, such as the expected rising costs for coal, environmental abatement capital expenditures, and taxes on fossil-based generation. The long-term projected escalation poses a threat to the long-term viability of coal generation as renewable energy becomes more cost-effective
Operational stability	The ageing coal fleet poses a transition risk to Eskom's operations, including economic trade-offs between maintenance and decommissioning; lack of capital for new plant, upgrades and delayed maintenance; and the impact of environmental authorisations on coal supply and costs Carbon tax and carbon budgets create additional financial risks The use of OCGT technology as peaking plant and for grid stability also pose transitional risks due to	These risks may be quantified in future
Grid instability	pressure to eliminate GHG emissions and the high associated operational costs The high penetration of intermittent renewable energy sources in the grid has the potential to cause grid instability	These risks may be quantified in future
Grid defection	Customers with their own generation capacity may choose to leave the grid. While Eskom provides backup services to these users, Eskom is not compensated for this service, which may lead to financial losses	These risks may be quantified in future

While we do not currently report the quantified financial impact of climate-related risks on our business, we are committed to improving in this area.

We also recognise numerous climate opportunities and have integrated those into our business strategy. It is critical that we manage these opportunities to address long-term sustainability risks. To seize the opportunities that come with transitioning to a low-carbon economy, we are actively pursuing the connection between electrification and decarbonisation. We have identified various short- and medium-term climate-related opportunities that we can tap into.

Opportunity	Description	Financial impact
Pursuit of partnerships and funding solutions (short term)	The opportunity to expand Eskom's renewables presence through public-private partnerships and leverage available technical and funding solutions in response to the global climate crisis is exemplified by the South African Just Transition deal reached at COP26	Increased access to capital: Forming partnerships and harnessing available funding solutions (concessional or grant) to enable the transition
The large-scale rollout of cleaner and greener technologies (short term)	Accelerated investment in clean and renewable energy technologies, such as solar PV, energy storage and microgrids, is crucial for creating a credible, green electricity sector that powers South Africa's economic recovery	Increased access to capital: The availability of green financing to support the rollout of cleaner and greener technologies is indicative of the global support for decarbonisation and enables us to add significant capacity to address our generation shortfall at affordable costs
		Increased revenues resulting from increased demand for products and services: increase in customers demanding cleaner and greener electricity
Repowering and repurposing existing coal-fired power stations that will be shut down (medium term)	Accelerate the closure of less efficient and higher emitting stations, and use existing land to support green energy generation, ancillary services and related community-orientated projects	Increased access to capital: To fund the repowering and repurposing of the existing Eskom fleet, we will require financial capital through either debt funding or equity. Eskom will need to either borrow from the markets or leverage green financing and/or public-private partnerships
Re-energise the manufacturing sector (medium term)	Established Special Economic Development Zones and Renewable Energy Development Zones are key to reigniting industrialisation and the local manufacture of renewable components	Decrease in direct costs: Eskom will need to leverag public-private partnerships for skills development (upskilling or reskilling), job creation and local manufacturing opportunities
Operational stability (medium term)	The opportunity to establish a stable grid with a high penetration of intermittent renewable energy sources and upgrade combined-cycle gas turbine (CCGT) plants presents a significant opportunity for Eskom to reduce carbon emissions and enhance operational efficiency in the South African electricity sector	These may be quantified in future

We are actively quantifying the financial implications of climaterelated risks and opportunities on our long-term sustainability and performance while expanding our understanding of how these factors will affect our financial planning processes and overall performance. Through climate-related scenario analysis, we assess the impact of climate change on our financial position, including revenues, costs, assets and liabilities. This information helps us identify strategic impacts and necessary management actions, as well as informing our long-term strategy and financial planning.

#### **RISK MANAGEMENT**

We prioritise risk management, also in relation to climate change, and have established risk structures within each division to ensure a comprehensive and integrated approach. Our robust process for managing climate-related risks follows our Integrated Risk Management Standard that encompasses all risk types impacting our strategic objectives. Climate change is recognised as a Priority 1 risk, prompting regular reviews to assess the effectiveness of risk treatments, including our JET strategy and climate measures. We quantify the impacts arising from environmental aspects of our business activities undertaken within different divisions, including the generation, transmission and distribution of electricity, through our environmental management systems. In doing so, we determine environmental materiality. Key material climate change topics include GHGs, particularly carbon dioxide emissions; JET and the move away from coal; renewable energy; water and waste.

Risk accountability lies with owners across divisions and corporate functions, ensuring risk management is integrated into decision-making processes. Divisions align their Risk and Resilience Management Plans with business plans, supported by a unified risk management information system. Appropriate treatment plans with due dates are in place for climate-related risks. The implementation of treatment plans is expected to reduce risk ratings to more acceptable levels given our risk appetite. The implementation of these treatment plans is monitored and tracked at Exco and Board level.

(IR) For further detail on risk management, refer to "Our strategic context – Integrating risk and resilience" from page 46

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### Our interaction with the environment continued

#### METRICS AND TARGETS

Aligned with the goals of the Paris Agreement, Eskom has intensified efforts to mitigate and adapt to climate change, utilising metrics and targets as indicators of progress. Performance is measured through various metrics, including GHG emissions data, legislative compliance, and Eskom Factors I and 2, which track energy sold and generated respectively. Water consumption and ash utilisation are also important metrics reflecting waste management efforts.

# (IR) Refer to "Information on the environmental implications of using or saving electricity" on page 170 for information on Factors I and 2

Eskom acknowledges the significant impact of climate change on the energy sector and is committed to driving decarbonisation and facilitating transformation. As a key player, Eskom aligns its aspirations with international and national frameworks such as the Paris Agreement and the SDGs, while fulfilling its mandate as a state-owned entity. Efforts are under way to improve GHG data quality, identify feasible mitigation measures and enhance disclosure of the financial impact of climate-related risks.

#### **GHG** emissions

We continue to submit an annual GHG report to DFFE based on their technical guidelines for scope 1 emissions. These are based on the 2006 Intergovernmental Panel on Climate Change (IPCC) GHG Guidelines and 2019 IPCC Refinements.

GHG emissions by source, tCO <sub>2</sub> e	2022 calendar year	2021 calendar year	2020 calendar year
Scope I			
Stationary combustion <sup>2</sup>	193 157 386	207 230 321	201 260 329
Eskom fleet vehicles	71 623	78 138	37 810
Fugitive emissions	65 712	52 841	73 904
Waste disposal	81 972	3 366	3 820
Non-combustion product use	9 689	3	12
Scope 2			
Electricity and heat purchased <sup>3, 4</sup>	85 171	-	-
Scope 3			
Electricity purchased from IPPs <sup>3</sup>	494 263	-	-
Coal delivery to site – road	264 993	252 743	238 338
Coal delivery to site – rail <sup>3</sup>	4 635 759	-	-
Generation Division waste <sup>3</sup>	35	-	-
Business travel – use of employee vehicles	8 598	6 003	6 669
Business travel – air travel	3 621	937	1 008
Business travel – vehicle rental	627	1 216	2 225
Total <sup>5</sup>	198 879 449	207 625 568	201 624 115

I. Years refer to calendar years, and not financial years as indicated elsewhere in the report.

2. For coal, an Eskom-specific annual weighted average net calorific value of 0.01901TJ/ton fuel was used based on the actual measured value for 2022.

3. Not calculated in previous years due to the limitations of the tool used at the time.

4. As electricity generation is Eskom's main activity, scope 2 emissions are in principle accounted for as scope 1 direct emissions under the GHG Protocol. However,

in 2022 we have included estimated energy losses on the transmission and distribution grids relating to electricity purchased from IPPs as scope 2.

5. Due to different scopes and input assumptions, the results are not directly comparable with our CO<sub>2</sub> emissions reported in the table on page 160.

#### Carbon footprint

A carbon footprint estimates the total GHG emissions (including scope 2 and 3) caused by an organisation expressed in tons of carbon dioxide equivalent (tCO<sub>2</sub>e). This provides insights into the sources and magnitude of GHG emissions, thereby allowing us to improve the management thereof.

We calculated our annual carbon footprint for the 2022 calendar year, using the same methodology as the carbon footprint study conducted for 2021. The footprint was calculated in line with the globally recognised GHG Protocol: A Corporate Accounting and Reporting Standard. Since the calculation of our carbon footprint covers a different scope and may utilise different assumptions to the regulated reporting requirements, the results are not directly comparable.

The results of the carbon footprint study for the 2022 calendar year, compared to the results for the two previous years, are presented in the table below. Fossil fuel combustion, including coal, diesel and kerosene consumption, accounted for more than 97% of the emissions.

The decrease in Eskom's overall carbon footprint is due to lower production, as well as the shutting down of Komati Power Station when it reached its end of life in October 2022.

The primary source of GHG emissions from Eskom is the stationary combustion of fossil fuels, mainly coal, at our power stations to generate electricity. The emissions from coal-based power plants vary, with higher emissions at stations like Matimba and lower emissions at Komati. Peaking stations have relatively low emissions due to their smaller size and limited usage during peak times. As part of our continual improvement in reporting, efforts are under way to update our carbon footprint calculations, including plans to incorporate additional data in the future.

In 2022 we have incorporated delivery of coal to site by rail, which is the second highest source of emissions, with purchased electricity being the third highest source of emissions (also not included previously). We have noted a significant increase in emissions from waste disposal and non-combustion product use, due to improvement in reporting and data collation.

Electricity purchased from IPPs is accounted for as scope 3 emissions, because it is not produced by Eskom. However, the purchased electricity being transmitted and distributed along our infrastructure incurs some losses before reaching the end user. These losses are therefore reported as scope 2 emissions.

#### CDP disclosure

The Carbon Disclosure Project (CDP) provides the global financial sector with the most complete source of selfreported corporate environmental data from more than 7 000 of the world's largest companies. It considers the impact and management of issues related to climate change, water security and deforestation. The information assists investors, corporations and regulators in making informed decisions on investing in particular industries, sectors and countries.

We continue to voluntarily disclose our climate change performance on the Carbon Disclosure Project (CDP), a global platform for investors, companies, cities, states and regions to manage their environmental impacts.

#### **FUTURE FOCUS AREAS**

- Extending cost-plus contracts to match power stations' useful lives and utilising dedicated coal reserves for supply to other stations, including reinvesting in cost-plus mines to enable contractual supply and more. This will ensure optimal cost of coal and security of coal supply from dedicated coal resources
- Extending existing long-term fixed-price contracts for designated power stations, with the option to supply other power stations
- Sourcing uncontracted coal for the remaining life of power stations using the open tender process
- Striving to move coal as economically as possible, leaning towards a tied colliery model delivering coal by conveyor, with rail and road transportation being the less preferred options
- Engaging with DFFE and the MES Forum, to facilitate an optimal outcome for the availability of generation capacity to meet the needs of the country, now and into the future
- Continuing to drive a combination of focused interventions, such as increased training; assurance reviews on risk assessment and root cause analysis; non-conformity management; skills assessments; priority waste management practices; and biodiversity processes
- Influencing operational practices at power stations to reduce raw water use and to lower emissions, thereby improving legal compliance through visible functional leadership and improved oversight
- Addressing instances of non-compliance and shortcomings to ensure full compliance with licences and permits
- Leading the Just Energy Transition by using generating plant approaching the end-of-life, through repurposing and repowering as alternatives to full decommissioning of power station sites. The priorities are to fast-track the repowering project implementation at Komati Power Station, and to work with the Presidential Task Team to finalise the financing deal announced at COP26

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#### VALUE CREATED

Contributed to Government's youth employment service (YES) programme through fixed-term employment of 523 black youth Launched a renewable energy training facility at Komati Power Station to begin upskilling and reskilling employees to support the Just Energy Transition (JET) Implemented two talent development programmes to create a future-fit talent pool and build leadership skills Developed and implemented a crowdsourcing platform to source skills to support Eskom's operational recovery For the 2023 financial year, implemented cost-of-living adjustments of 7% for all employees up to senior management level

For the 2024 to 2026 financial years, concluded a three-year collective agreement with trade unions, with

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annual cost-of-living adjustments of 7% for non-managerial employees, to ensure organisational stability while we focus on the turnaround plan

#### VALUE PRESERVED

- Optimised employee benefit costs and headcount, with salaries and benefits of R32.3 billion provided to 39 601 employees by year end (2022: R33 billion to 40 421 employees)
- (• Completed an organisation-wide skills audit with over 50% participation, to develop a fit-for-purpose skills strategy
- (• Revised the strategic workforce plan in September 2022 in line with Eskom's 2035 strategy
- Invested in learning and development of staff, with training spend of R1.1 billion (2022: R0.9 billion)
- ( Achieved learner intake targets, with 474 new learners entering the learner pipeline (2022: 335)
- Continued the focus on diversity, thereby meeting most transformation targets despite financial constraints

#### **VALUE ERODED**

Our strategic context

- Recorded four fatalities among employees and contractors, as well as an increase in lost-time incidents
- Experienced a wage dispute with organised labour during the 2022 salary negotiations, leading to unlawful and unprotected industrial action which negatively impacted the already constrained power system
- Lack of financial incentives for high-performing employees over several years, leading to skills and leadership retention risks
- Loss of institutional knowledge and risk to succession planning due to high staff turnover
- Significant leadership changes, creating potential organisational instability and negatively impacting employee morale

Our people are critical to achieving our mandate and strategic objectives. Eskom requires a multi-skilled, capable, efficient, flexible, innovative, passionate, motivated and engaged workforce to deliver on its turnaround plan.

The Board has identified several human capital challenges that need to be addressed, such as low staff morale, lack of skills in some areas, leadership quality and instability, lack of trust, employees operating in a climate of fear, crisis fatigue and burnout.

Addressing these challenges, amid the restructuring of the electricity supply industry and the operational and financial challenges that we are facing, has informed the five thrusts of our human resources strategy:

Thrust I	►	<b>Driving a high-performance ethical culture</b> through Eskom's 1:1:6:10 culture transformation programme, which is characterised by the six culture cornerstones of accountability, operational excellence, people prioritisation, financial prudence, a values-driven culture and customer centricity, as well as through leadership that can competently execute Eskom's strategy
Thrust 2	►	<b>Building critical capabilities</b> through a comprehensive skilling, upskilling and reskilling framework, to produce a multi-skilled, flexible and innovative workforce that can easily adapt to future market demands and the new world of work
Thrust 3	►	<b>Increasing employee productivity</b> by optimising the organisational structure, utilising technology and data analytics, and creating a compelling employer brand to nurture a culture of engaged, committed and responsive employees
\$0 Thrust 4	►	<b>Managing employee-related costs</b> by addressing people inefficiencies, reviewing the approach to rewards and benefits, employing flexible work practices and job redesign, as well as incentivising productivity
Thrust 5	►	<b>Realising the diversity dividend</b> by creating a multi-gender, ethno-cultural, multi-generational and racially diverse workforce in a responsible and sustainable manner, aligned to shareholder targets

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### Our people continued

#### OUR WORKFORCE

COMPOSITION OF OUR WORKFORCE

Group headcount, including permanent staff and fixed-term contractors, reduced to 39 601 at year end (2022: 40 421), against a budget of 42 595. A total of 2 705 employees exited the organisation during the year, mainly through natural attrition, resulting in a gross staff turnover rate of around 6.7% (2022: 7.9%), which is higher than the industry norm of 4%. We recruited I 885 new employees from the external market to replace natural attrition, particularly core and critical skills in Generation.

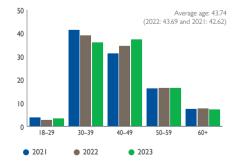
The movement in our headcount over recent years is shown below, along with the age, occupational and divisional breakdown of our workforce at year end.

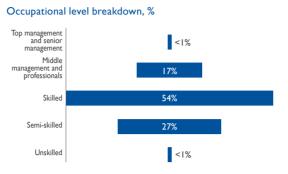
#### Change in group headcount



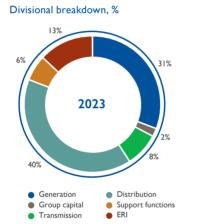
We have reviewed our workforce plan to ensure that staffing requirements support our strategic objectives. The workforce plan accommodates an increase in headcount over the next five years, in line with benchmarking and to capacitate Eskom in becoming a future-fit organisation in support of the legal separation, the implementation of clean energy technology and Just Energy Transition.

#### Age breakdown, %





Succession planning and talent development programmes are in place to support the organisation in maintaining leadership continuity, particularly at top and senior management levels. In addition, the learner pipeline programme continues to balance out the ageing workforce.



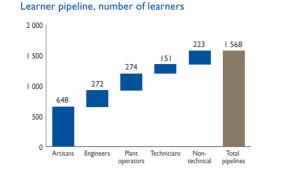
Over three-quarters of employees (including direct support staff) are involved in the generation, transmission and distribution of electricity to customers. As the new build programme comes to an end and ageing coal-fired power stations are decommissioned, repurposed and repowered, employees are being upskilled, reskilled and redeployed to other areas of the business to limit job losses.

### DEVELOPING OUR WORKFORCE

#### LEARNER PIPELINE

Our learner pipeline programme aims to address some of our future skills needs and create a foundation for balancing the ageing workforce profile with an appropriate talent pipeline. It also contributes to the national objectives of poverty reduction, economic transformation and job creation in terms of the National Skills Development Plan 2030.

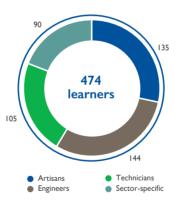
The pipeline comprised 1 568 learners at year end (2022: 1 238), representing 4.6% of the permanent Eskom company workforce (target: 2.5%).



Excluding youth employment service (YES) programme learners who are externally funded.

We enrolled 474 new learners during the year, against a shareholder compact target of 290. To reinforce our learner pipeline and contribute to broader social responsibility needs, a further 523 fixed-term contractors were employed through the youth employment service (YES) programme, focusing on providing work experience to previously unemployed black youth in entry-level and non-professional roles.

#### Learner intake, number of learners



#### LEARNING AND DEVELOPMENT

The changing world of work, JET and the evolving energy industry have necessitated the upskilling and reskilling of our workforce. In July 2021, we commenced with a skills audit to identify skills and competency gaps against existing and future requirements. Despite experiencing initial delays due to low participation, the skills audit was concluded in October 2022, with participation from over 50% of the workforce.

An upskilling and reskilling framework has been created, which, together with the results of the skills audit, is being used to develop an implementation plan to address the identified skills and competency gaps through future-fit career paths, redeployment strategies and training interventions. Divisional learning committees are revising their training plans to prioritise critical training needs over the next financial year, which will be captured into employees' individual development plans. Existing learning and development initiatives include internal and external training interventions, internal transfers and promotions, opportunities for further studies as well as on-thejob training for our people. Further studies enable employees to obtain qualifications related to their line of work, with the aim of building skills and expanding the leadership potential within our workforce, particularly at lower occupational levels.

#### TRAINING SPEND

R1 077 million on training, comprising 3.57% of gross employee benefit costs (2022: R855 million and 2.7%)

#### FURTHER STUDIES

795 employees enrolled, of which 55% are women and 2% are persons with disabilities

Includes 708 bargaining unit employees and 87 managerial employees

Over two-thirds pursuing a bachelor degree or higher qualifications

INTERNAL RECRUITMENT

2 595 internal hires and promotions, to support the redeployment, upskilling and reskilling of staff

In September 2022, the Eskom Academy of Learning (EAL) launched an accredited renewable energy training facility at Komati Power Station, in partnership with the South African Renewable Energy Technology Centre and the Global Energy Alliance for People and Planet. The facility aims to develop skills and capabilities in the renewable energy sector in South Africa, and support the implementation of the JET strategy.

The EAL has commenced with its flagship *Introduction to renewables* course at Komati, together with courses for welding and soft skills training. To date, twenty community members have been trained and accredited as solar PV installers, with further training and accreditation of Eskom employees planned for the next round.

The upskilling and reskilling of employees at ageing power stations, together with the training of beneficiaries from the surrounding communities, is critical for enabling a just transition in line with Eskom's repowering and repurposing plans.

Two new talent development programmes have been implemented to strengthen our talent pools, build and retain leadership skills, and improve succession planning and leadership continuity. The top talent programme is focused on general and executive management positions, while the millennial talent programme is aimed at middle and senior management positions. A total of 39 participants were selected, based on nominations from divisional talent boards. The programmes commenced in October 2022 and will run until March 2024, whereafter the next cohorts will be selected. In addition, management development programmes for senior and middle management and supervisors continue to be implemented, with over 600 employees completing these courses to date.

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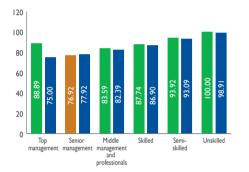
### Our people continued

In November 2022, a crowdsourcing digital platform was launched to attract a talent pool of highly skilled and experienced candidates to assist in Eskom's operational recovery. By year end, 16 individuals were appointed in the first intake to resolve specific technical challenges in the Generation business and enable the transfer of knowledge and skills to employees in existing teams. A second round of shortlisting is under way to place additional candidates based on business needs.

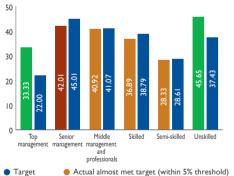
#### TRANSFORMING OUR WORKFORCE

We remain committed to building a more diverse and inclusive workforce which reflects the demographics of the country, in line with our employment equity plan. Targets for employment equity are negotiated with organised labour for a period of three years, with the most recent targets set for 2023 to 2025.

#### Racial equity by level of employment, %



#### Gender equity by level of employment, %



Actual met target
 Actual did not meet target

#### Our group and company employment equity performance (IR)at senior management level, as well as at professional and middle management levels, is set out in the statistical tables on pages 162 to 165

Group racial equity at senior management level, as well as racial and gender equity at middle management/professionally qualified levels have improved over the past year, although gender equity at senior management level has worsened. Improving gender equity and representation of persons living with disabilities across all occupational levels remain areas of focus.

The achievement of transformation targets continues to be hindered by attrition and ongoing financial challenges. Based on our estimates, it would have cost approximately RI40 million to address the transformation gaps for the year.

The overall gender ratio of our workforce has improved slightly to 65% male and 35% female (2022: 66% and 34%), with the aim to achieve 50:50 representation by 2030. Female representation in Exco remains a highlight, with five out of the nine members at year end being female. Further improvement in employment equity performance is expected to be achieved through the implementation of learning and development programmes targeted at women, delivered through partnerships with academic institutions. We are also developing a Women Accelerator Programme, which will aim to broaden female leaders' understanding of the Eskom value chain, create a networking platform and provide practical work opportunities for women to acquire leadership skills.

We are committed to ensuring equitable representation of persons with disabilities across all occupational levels. Group disability equity has improved slightly to 2.96% (2022: 2.94%), although this was a result of the reduction in overall headcount as the number of employees with disabilities reduced to 1 171 (2022: | 188). The national target prescribed by the Department of Employment and Labour is 2%, although our internal target is 3.3%, in line with the White Paper on the Rights of Persons with Disabilities. Initiatives to improve awareness and accessibility, including the use of virtual platforms and physical equipment for persons with disabilities, are being implemented to improve performance in the coming year.

#### OUR EMPLOYEE VALUE PROPOSITION

REMUNERATION AND BENEFITS

We want 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.

Managerial employees receive a guaranteed package, including benefits such as medical aid, pension, dread disease cover. group life and death benefits.

Bargaining unit employees receive a basic salary, which includes a thirteenth cheque (referred to as an annual bonus but structured as part of the guaranteed cost to company) as well as other benefits, such as pension, medical aid, death benefits, as well as housing, cell phone and car allowances, subject to qualifying criteria. Around 82% of our workforce is covered by collective bargaining agreements with trade unions.

Given Eskom's poor financial results over recent years, no incentive bonuses have been paid to employees since 2018. Furthermore, the conditions attached to the Government support we've received have limited our autonomy around decisions related to remuneration and benefits, which may affect our ability to attract and retain talent. No incentive bonuses were allowed to be paid in the 2023 financial year. The conditions allow for market-related remuneration adjustments, provided that they do not negatively impact Eskom's financial position.

During the year, a 1.5% salary adjustment backdated to I July 2021 was awarded to bargaining unit employees based on an arbitration award from the Commission for Conciliation, Mediation and Arbitration (CCMA). The adjustment related to the 2021 Central Bargaining Forum (CBF) negotiations.

Regrettably, a deadlock was reached with organised labour during the 2022 CBF negotiations, leading to Eskom declaring a dispute with the CCMA in June 2022. Consequently, unlawful and unprotected industrial action was experienced at many power stations from 22 June to early July 2022. After recommencing negotiations, an increase of 7%, along with the

Processes are under way to institute disciplinary measures against 1 864 Generation employees and 254 Distribution employees who participated in the unprotected industrial action, were absent from work without leave or committed other forms of misconduct during the strike action.

A total of 99% of Generation disciplinary cases have been completed, with 144 employees found not guilty and charges against 10 employees dropped. Most scheduled hearings in Distribution have been delayed due to objection by organised labour regarding the disciplinary process. Altogether, Eskom has concluded disciplinary measures against over 90% of employees involved, with sanctions ranging from written warnings valid for six months to a final written warning valid for 12 months. The principle of "no work no pay" was implemented where applicable.

Generation employees per power station

reinstatement of previous conditions of service, was accepted

by the trade unions and implemented for bargaining unit

A 7% salary adjustment was also implemented for middle

management/professionally gualified employees and senior

(R) Executive remuneration is discussed under "Governance,

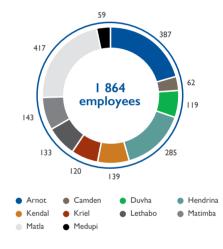
leadership and ethics – Remuneration and benefits" on

management from 1 October 2022. Top management received

employees from 1 July 2022.

no adjustments.

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The 2023 CBF negotiations with organised labour commenced in April 2023, to conclude salary adjustments and changes to the conditions of service, effective from 1 July 2023.

In the first round, NUM and NUMSA requested a 15% increase in basic salary, while Solidarity requested an increase of CPI (average of 7.1%) plus 3%. The unions also requested additional benefits which would increase the overall cost of employment. Eskom proposed an offer of 3.75%, which was rejected by all trade unions.

Following three rounds of negotiations, we reached a collective agreement with our trade unions for a period of three years to provide stability while we focus on the turnaround plan. The agreement includes a 7% cost-of-living adjustment per year for all bargaining unit employees, which shall apply from

I July 2023 to 30 June 2026. In addition, the parties agreed to a 7% increase in the housing allowance per year over the threeyear period, as well as a once-off taxable payment of RI0 000 for the first two years. This is the first time in a more than a decade that all parties have reached a collective agreement during the CBF negotiation process and is testament to the strengthening of partnerships with our trade unions.

Eskom subsequently approved a 7% increase in managerial remuneration costs from 1 October 2023, of which a 4% cost-of-living adjustment was guaranteed for all managerial employees and the remaining 3% was made available for managers to utilise their discretion and award to employees based on performance, correcting income differentials and retaining high performers.

#### ORGANISATIONAL EFFECTIVENESS

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We aim to drive organisational effectiveness and a sense of belonging and connectedness to Eskom by fostering a highperformance ethical culture, engaging with employees and offering a rich employee value proposition (EVP).

Our strategic context

ESKOM CULTURE TRANSFORMATION PROGRAMME

Culture

cornerstones

People prioritisation

Financial prudence

Values-driven

culture

Accountability

Operational excellence

1:1:6:10

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### Our people continued

**Purpose** Powering growth

sustainably

Our comprehensive EVP focuses on retention levers beyond rewards and recognition, including providing market-related remuneration packages and competitive benefits in terms of leave, health and death benefits, learning and development opportunities within South Africa and abroad, diverse career opportunities and exposure to large-scale projects and new technologies. To support employee wellbeing, flexible work practices have been implemented to allow qualifying employees to work remotely with occasional on-site requirements, depending on operational needs and the type of work performed. EVP wellness offerings include psychosocial programmes and resources to help employees and their families prioritise physical and mental health as well as adapt to the new way of work. Loyalty and reward programmes have also been made available to employees to unlock financial savings with partnering companies.

Employee engagement initiatives continue to be delivered through various platforms, including leadership site visits, executive interviews and communiqués, together with employee events to promote recognition and celebrate success across the organisation. Internal communication platforms, including digital publications and surveys, enable employees to stay up to date with business developments and engage with our leadership. Employees' views and perceptions are valuable for informing our people management strategies as we drive our turnaround plan. These engagement initiatives all play a key role in rebuilding morale by improving the sense of employees' connection to the business and one another.

(SR) Refer to Eskom's 2023 sustainability report for further information on our employee engagement initiatives

10 Key levers of

Teamwork

Wellness

Technology

Celebration

Leadership

Strategy

Change agility

Engagement

Empowerment

Governance and ethics

organisational culture

Effective performance management practices are important for enabling our aspirational culture and improving employee morale. We are developing an integrated system of incentives and consequence management, linked to key performance indicators, to foster a high-performance ethical culture. We continue to prioritise performance management to support a high-performing, productive workforce.

#### HEALTH AND WELLNESS

The health and wellbeing of our people are important to us. Our health and wellness programmes are intended to empower employees to make healthy and safe choices through prevention, treatment, care and support, education and partnership. The early detection and prevention of occupational and lifestyle diseases and injuries is managed through periodic medical surveillance, fitness-for-duty assessments and other wellness initiatives.

Levels of sick leave across the organisation remain well within our tolerance levels. All employees with high absenteeism rates are referred to Eskom clinics for assessment and support.

Our response to the COVID-19 pandemic has been integrated into normal business operations, following the relaxation of South Africa's lockdown measures in June 2022.

The employee assistance programme (EAP) continues to add value through counselling and psychosocial support programmes. Over the past year, mental health was identified as the most common problem affecting employees who contacted the EAP. In response, we launched a digital application, LiveWell, in March 2023 to aid employees in dealing with mental health and stress-related challenges. An EmpowerU initiative was implemented from April 2023, to support employees with the stresses related to the changes taking place in the organisation, and was subsequently expanded to provide psychosocial support to employees in preparation for the constrained winter months. The initiative is focused on leadership support and coaching, enhancing employee assistance programmes as well as strengthening of workplace relations, particularly with trade unions.

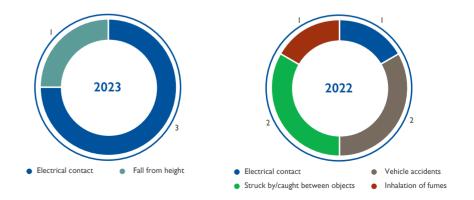
#### FOCUS ON SAFETY

We remain committed to entrenching a culture of Zero Harm and continue to pursue various initiatives, such as training and awareness, safety assessments, contractor workshops and public safety campaigns, to address safety risks. Our operations are subject to strict legal, regulatory and licence conditions relating to occupational health and safety.

We use the lost-time injury rate (LTIR) to assess our safety performance, together with the number of fatalities among employees and contractors. The LTIR target reflected in the table below indicates our tolerance level, as our true target is zero, in line with our value of Zero Harm.

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Fatalities (employees and contractors), number Fatalities (public), number	-		-	•	4 16	6 21	11 20
Lost-time injury rate, index (including occupational diseases) – group <sup>SC</sup>	0.30	0.30	0.30	•	0.26	0.24	0.22

Sadly, we recorded one employee fatality (2022: four) and three contractor fatalities (2022: two) during the year, despite our commitment to safety. The causes of these fatalities are shown below.



Customer centricity

**Aspirational** 

High-performance

culture

culture

In February 2022, we launched Eskom's 1:1:6:10 culture transformation programme, which is a key enabler for delivering a high-performance ethical culture to drive our turnaround plan.

As Eskom, we have one purpose – to power growth sustainably – which can only be achieved by adopting a high-performance ethical culture. Our cultural aspiration is supported by six cornerstones which should be reflected in everything we do, including how employees interact with one another, and with our customers, suppliers, business partners, key stakeholders and the public. These cornerstones are supported by 10 culture levers that will foster our aspirational high-performance culture over the medium to long-term.

Since June 2022, Exco has adopted culture commitment KPIs for each division, in line with the six culture cornerstones. Progress against these commitments is being tracked and reported monthly through divisional culture dashboards.

Over the past year, the majority of divisions have made significant progress in adopting the 1:1:6:10 culture transformation through the Eskom change agent network, which includes over 170 divisional change champions who are actively driving change management processes in each division. The 1:1:6:10 culture transformation has also been embedded into our learning and development programmes and strategic initiatives, including Eskom's 2035 strategy, turnaround plan and the Just Energy Transition. We have held a total of 87 leadership engagement sessions and 14 culture workshops to drive greater awareness, accountability and alignment across the organisation.

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Our people continued

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# Look out

#### IN MEMORIAM

We offer our sincere condolences to the families, friends and colleagues of the following persons who lost their lives in service to Eskom and our customers:

Malusi Hutchinson Mabhude

Thozamile Abram Malothani

Xolile Mvelase

Gideon Jacobus Johannes Diederiks van Metzinger

The main causes of lost-time incidents are falls from the same level, occupational diseases, vehicle accidents and incidents related to being struck by or caught between objects. A total of 23 occupational diseases were confirmed for the year (2022: 15). As in the past, these relate mainly to noise-induced hearing loss incidents, which account for more than 70% of cases.

(IR) Public fatalities are discussed under "Our role in communities – Public safety" on page 145

#### FUTURE FOCUS AREAS

- Driving a high-performance ethical culture through Eskom's culture transformation programme
- Implementing talent development programmes to improve leadership continuity, quality and stability as well as succession planning
- Improving consequence management and accountability to address non-compliance with procedures, poor operational practices and discipline
- Becoming an employer of choice by improving processes and practices linked to remuneration and benefits, employee wellbeing and transformation
- Improving employee morale and reviewing performance management principles, while aligning to the conditions attached to the Eskom Debt Relief Act
- Building critical capabilities for a multi-skilled, flexible, innovative and diverse workforce, informed by Eskom's skills audit
- (• Fostering a future-fit and productive organisation that can adapt to future market needs and support the Just Energy Transition
- Managing employee benefit costs, in particular overtime
- Employing data analytics and digitisation to enhance employee productivity, reduce costs, enable more effective decision-making, and improve monitoring and reporting of human resource matters

# Zero Harm means looking out for myself and my

co-workers.

Be aware. Take care.

Zero injuries. Zero fatalities. Zero environmental incidents.

CEskom Powering your world

Performance review



# 🕲 Our role in communities

#### VALUE CREATED

Recorded total measured procurement spend (TMPS) of R206.2 billion, of which 72.8% was spent with B-BBEE compliant suppliers (2022: R176.8 billion and 75.89%) Connected 102 590 previously disadvantaged households and farm dweller houses to the grid (2022: 97 947) Approved 22 projects, grants and donations to the value of R63 million, assisting 438 094 beneficiaries through CSI programmes Undertook socio-economic impact assessment studies and launched a pilot project for repowering and repurposing of Komati Power Station to deliver on the Just Energy Transition

#### VALUE PRESERVED

- Continued to exceed target customer service levels
- ( Maintained a B-BBEE score of level 4, exceeding the shareholder target of level 6
- Contributed R3.67 billion to supplier development through subcontracting to small and medium-sized enterprises (SMEs), against a shareholder target of R5 billion

Eskom adds value to the lives of ordinary South Africans through our commercial mandate, to provide electricity supply in an efficient and sustainable manner. We also have a duty to deliver on our developmental responsibilities through economic empowerment, skills development and transformation.

We are committed to protecting members of the public from exposure to the hazards of our operations and infrastructure.

A company's reputation affects its social licence to operate, its access to customers and the support it receives from its stakeholders. We acknowledge that Eskom's reputation has declined significantly over the past decade and are striving

## VALUE ERODED

Our strategic context

- Failed to meet customer needs at times due to poor generating plant performance affecting reliability of supply
- Recorded 16 public fatalities, with electrical contact incidents being the primary cause
- Experienced a decline in customer numbers across most categories
- Failed to achieve procurement equity spend targets for most supplier categories

to improve transparency and enhance our engagement with stakeholders as we transition to a Just Energy future, to rebuild and strengthen the public's confidence and trust in Eskom.

#### CUSTOMER CENTRICITY

We aim to enhance customer value and the customer experience by embracing customer centricity through our 1:1:6:10 culture transformation programme. This entails understanding customer needs, preferences and behaviours and utilising technology to deliver solutions that meet or exceed our customers' expectations.

Customer service delivery is measured on a continuous basis using a range of perception-based surveys.

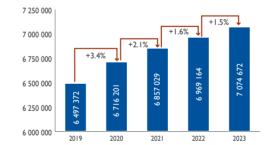
Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Key Customer Delight, %	80.0	80.0	80.0	•	88.4	85.0	86.2
Customer Delight, index	3.6	3.0	3.0		3.6	3.6	3.5

Key Customer Delight performance, which measures the satisfaction of large industrial customers, remains above target. Regrettably, poor generating plant performance continues to impact reliability of supply for key customers.

The Customer Delight index is a composite customer perception measure, based on customer satisfaction following interaction with customer care channels, and operational performance metrics related to billing accuracy, planned outages and the resolution of customer issues or queries. We are pleased to have achieved our customer service targets and continue to enable ease of access by promoting the use of customer self-service channels.

Chat to Alfred, our friendly customer chatbot, at any time at https://alfred.eskom.co.za/chatroom/





The growth in customer numbers has been steadily slowing in recent years. The number of residential customers increased during the year due to Eskom's electrification programme, together with other new connections, although every other local customer category has experienced a decline year-onyear given the poor economic conditions being experienced.

#### IR Detailed customer information, including sales per customer category, is set out in the supplementary information on page 169

Customers are seeking greater energy independence by supplementing their energy needs with renewable and other selfgeneration options. Eskom intends to diversify its product and service offering to meet customer needs and remain relevant, competitive and sustainable amid an evolving energy industry.

sechaki ne-school

We are exploring the implementation of demand response programmes for customers willing to reduce energy usage during peak hours, electric vehicle charging programmes, as well as digitalisation, energy management and smart grid services to empower customers and allow them to better manage overall energy usage.

Effective tariff structures that meet both our and our customers' needs will also have to be developed. A pilot programme has been running since 1 April 2021, to offer a "green" tariff to customers interested in purchasing renewable energy from Eskom at a premium. A pool of 300GWh of renewable energy was offered per year. The pilot programme concluded on 31 March 2023; pricing structures and specifics of the planned offer are being developed based on findings from the pilot.

Refer to https://www.eskom.co.za/eas/renewable-energy/

# OUR CONTRIBUTION TO SUPPLIER DEVELOPMENT

We support sustainable supplier development, localisation and industrialisation by leveraging procurement spend to deliver on Government's policies and transformation objectives. Regrettably, our contribution has been negatively impacted by a lack of funding for socio-economic programmes, together with spend with suppliers who are not B-BBEE compliant. Leadership reports

(IR)

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Group and company procurement equity performance is

set out in the non-technical statistical tables on pages 162

Procurement spend with black-owned and black youth-owned

suppliers declined to 42.48% (2022: 47.08%) and 4.26% (2022:

5.40%) of TMPS respectively, but achieved the targets of 40%

spend with black women-owned suppliers, black persons living

enterprises were not met due to previously compliant suppliers

Furthermore, Eskom's TMPS includes procurement spend on

compliant, which affects overall performance on procurement

equity measures. These contracts were concluded in terms

of DMRE's Renewable Energy Independent Power Producer

We are seeking to resolve the classification of IPP expenditure

Competition or to reduce procurement equity targets in line

(RE-IPP) Programme, over which Eskom had no control.

with DMRE and the Department of Trade, Industry and

with the planned growth of IPPs.

renewable IPP contracts with entities that are not B-BBEE

and 2% for the year. Regrettably, targets for procurement

with disabilities, qualifying small enterprises and exempted

choosing not to renew their B-BBEE certificates.

Performance review

## Our role in communities continued

Eskom's B-BBEE certificate was renewed in January 2023. We maintained a B-BBEE recognition level of 100% and a B-BBEE status of level 4, which is an affirmation of our commitment to South Africa's transformation agenda despite our challenges.

Our contribution to nation building includes enterprise and supplier development initiatives agreed with the shareholder. Enterprise development was negatively impacted by a lack of funding to implement meaningful interventions, such as incubations for SMEs. The only initiatives we could deliver during the year were supplier workshops, most of which were held online. Supplier development is largely dependent on subcontracting by main suppliers to SMEs; performance was negatively affected by limited subcontracting opportunities. We have developed an enterprise and supplier development plan to address performance going forward.

#### LOCAL CONTENT

#### Awarded I 424 contracts worth R70.1 billion Eskom-wide local content contracted of R61 billion (87.02%)

217 contracts contributed local content and local manufacturing in designated sectors Local content for designated sectors of R41.4 billion (59.09%)

#### MAXIMISING OUR SOCIO-ECONOMIC CONTRIBUTION

Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Total electrification connections, number <sup>sc</sup>	266 174	85 474	101 899	•	102 590	97 947	106 669
Corporate social investment committed spend, R million <sup>SC</sup>	425.0	137.3	131.0	•	63.0	75.1	67.4
Corporate social investment, number of beneficiaries	3 106 250	750 000	725 000	•	438 094	785 085	802 635

I. The 2026 target is the cumulative target over the next three years.

#### ELECTRIFICATION

Since 1991, we have connected approximately 5.9 million previously disadvantaged households and farm dweller houses in our licensed areas of supply through DMRE's Integrated National Electrification Programme. This programme enables Eskom to provide a direct contribution to delivering universal access to electricity in South Africa.

Several challenges prevent the electrification of rural parts of the country, including the high cost of extending the electricity network to remote areas, mostly due to difficult terrain and the low density of rural populations.

Based on the success of our containerised microgrid pilot projects in Ficksburg, Free State and Lynedoch, Western Cape, we are planning the deployment of microgrids to provide electricity to rural and remote areas which are difficult to reach or expensive to electrify through conventional means. In July 2023, we successfully commissioned a microgrid in Swartkopdam, Northern Cape, providing clean and reliable electricity to 39 households. A total of 216 microgrid installations are targeted over the next five years.

#### CORPORATE SOCIAL INVESTMENT

The Eskom Development Foundation NPC (the Foundation), our wholly owned subsidiary, is responsible for delivering key developmental objectives in the communities in which we operate and maximising the impact of our socio-economic contribution. CSI initiatives focus on improving quality of life through rural infrastructure development, skills development, business incubation, education, social upliftment, health, philanthropy and welfare programmes.

Unfortunately, inadequate technical oversight on infrastructurerelated initiatives and insufficient resources continue to prevent us from executing all of our planned initiatives on time. The Foundation remains committed to optimising the value, impact and sustainability of its programmes given financial constraints.

 $(SR) \begin{tabular}{ll} A selection of our flagship CSI projects is highlighted in Eskom's sustainability report, which is available online the set of the second secon$ 

#### JUST ENERGY TRANSITION

We define our Just Energy Transition as a transition towards a low-carbon, climate-resilient economy and society in a manner that secures the future and livelihoods of workers and their communities. To do so in a manner that is "just" requires us to ensure socio-economic development is not eroded and that sustainable jobs are created throughout this transition.

# Refer to "Our strategic context – Our strategy and turnaround plan" on page 42 for more information

In support of this strategy, we have commissioned socioeconomic impact assessment (SEIA) studies to understand the impact of the decommissioning, repurposing and repowering of power stations on the economy and society within surrounding communities. The initial studies were conducted at Komati, Hendrina and Grootvlei power stations in Mpumalanga. The Komati SEIA was published and public consultations on the outcomes concluded, while the draft reports for the Hendrina and Grootvlei studies have been prepared but are not yet published. Studies for Camden, Arnot, Kriel, Matla, Duvha, Tutuka and Kendal have been completed.

## The Komati Power Station SEIA study can be accessed online

The proposed socio-economic solutions are multi-faceted and seek to mitigate the negative effects of the energy transition through upskilling and reskilling of staff and qualifying beneficiaries from surrounding communities, together with the development of local enterprises and value chains to support South Africa's renewable energy and alternative green industries. Altogether, we are targeting the upskilling of 2 400 beneficiaries from surrounding communities in Mpumalanga through various initiatives over the next three years.

#### KOMATI REPOWERING AND REPURPOSING

With the shutdown of Komati Power Station's last coal-fired unit in October 2022, the station is serving as a pilot for the repowering and repurposing of a power station on Eskom land using existing infrastructure. The pilot includes the installation of agrivoltaic plant, to demonstrate the simultaneous use of land for power generation and agriculture, a microgrid assembly plant, as well as a renewable energy training facility. The training facility was launched in September 2022, while development of the strategy for the microgrid assembly plant is in progress. Construction of the 500kW agrivoltaic plant was completed in the second quarter of the 2024 financial year and is now awaiting commissioning. Completion of the aquaponics system, together with community training on the use of the system, is targeted for February 2024.

The establishment of community-based agricultural small, medium and micro enterprises is also under way, with up to 100 community members being screened to participate in the pilot. The community will undergo training on enterprise development, ethics, basic finance and small business operations. By 2030, the Komati repowering and repurposing project is expected to create approximately 430 full-time jobs, 7 700 temporary jobs and train 200 people annually. In total, 370MW of renewable energy – including wind and solar – and battery storage is planned to be deployed at Komati.

#### PUBLIC SAFETY

We are committed to entrenching a culture of Zero Harm, which includes the safety of the public. Sadly, we recorded 16 public fatalities, excluding coal haulage incidents, during the year (2022: 21), with 13 due to electrical contact.

We continue to conduct nationwide public safety campaigns to educate the public on how to use electricity safely and correctly, including raising awareness about the hazards of illegal connections and overloading electrical plugs, and the risk of purchasing prepaid electricity from ghost vendors. Our safety campaigns also encourage the public to report and avoid low-hanging power lines, meter tampering and vandalism of electrical infrastructure in their communities.

With support from the Department of Basic Education, Eskom made electricity safety material available on the *E-Classroom* website for teachers, parents and learners to access as a free resource.

#### **FUTURE FOCUS AREAS**

- Restoring our reputation and the public's confidence and trust in Eskom
- Diversifying our product and service offerings to adapt to changing customer needs
- Improving reliability of supply, restoration time and billing accuracy to aid in customer retention
- Implementing an enterprise and supplier development strategy for industrialisation initiatives
- Improving procurement equity performance with designated groups by reducing B-BBEE non-compliant spend
- Expanding electricity access to rural and remote areas through containerised microgrids
- Leveraging strategic partnerships to achieve greater CSI impacts
- Establishing a grant funding process to enable crowdsourcing of low-cost, sustainable energy solutions for communities
- Delivering on the Komati repurposing and repowering project and concluding socio-economic impact assessments in support of our JET strategy
- Continuing to raise awareness and educate the public on the safe and correct use of electricity



# Abbreviations

AEL	Atmospheric emissions licence
ARC	Audit and Risk Committee
B-BBEE	Broad-based black economic empowerment
BOPC	Business Operations Performance Committee
CAGR	Compound annual growth rate
ССМА	Council for Conciliation, Mediation and Arbitration
COGTA	Department of Cooperative Governance and Traditional Affairs
CSA	Coal supply agreement
CSI	Corporate social investment
DFFE	Department of Forestry, Fisheries and the Environment
DFI	Development finance institution
DWS	Department of Water and Sanitation
DMRE	Department of Mineral Resources and Energy
DoA	Delegation of authority
DPE	Department of Public Enterprises
EAF	Energy availability factor (see glossary)
EBITDA	Earnings before interest, taxation, depreciation and amortisation and fair value adjustments
ECA	Export credit agency
ERI	Eskom Rotek Industries SOC Ltd
ESP	Electrostatic precipitator
EUF	Energy utilisation factor (see glossary)
Exco	Executive Management Committee
FFP	Fabric filter plant
FGD	Flue gas desulphurisation
GCE	Group Chief Executive
GCFO	Group Chief Financial Officer
GCOO	Group Chief Operating Officer
GDP	Gross domestic product
GE	Group executive
GW	Gigawatt = 1 000 megawatts
GWh	Gigawatt-hour = 1 000MWh
GSC	Governance and Strategy Committee (formerly Board Strategy Committee)
HCR	Human Capital and Remuneration Committee (formerly People and Governance Committee)
IEA	International Energy Agency
IFC	Investment and Finance Committee
IFRS	International Financial Reporting Standards
IPP	Independent power producer (see glossary)
IRP	Integrated Resource Plan
King IV™	King IV Report on Corporate Governance for South Africa, 2016
kl	Kilolitre = 1 000 litres
KPI	Key performance indicator
kt	Kiloton = 1 000 tons
kV	Kilovolt = 1 000 volts
kWh	Kilowatt-hour = 1 000 watt-hours (see glossary)
kWhSO	Kilowatt-hour sent out

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# Supplementary information



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## Abbreviations continued

# Glossary of terms

Arrear debt as percentage of revenue	Gross arrear debt written off (relating to electricity receivables only) divided by gross electricity revenue multiplied by 100
Base-load plant	Largely coal-fired and nuclear power stations, designed to operate continuously
Cash interest cover (ratio)	Provides a view of the company's ability to satisfy the interest burden on its borrowings by utilising cash generated from operating activities. It is calculated as net cash from operating activities divided by net interest paid (interest paid on financing activities less interest received from financing activities)
Current ratio	(Inventory plus the current portion of payments made in advance, trade and other receivables and taxation assets) divided by (the current portion of trade and other payables, payments received in advance provisions, employee benefit obligations and taxation liabilities)
Daily peak	Maximum amount of energy demanded by consumers in one day
Debt/equity including long-term provisions	Net financial assets and liabilities plus non-current retirement benefit obligations and non-current provisions divided by total equity
Debt service cover (ratio)	Cash generated from operations divided by (net interest paid from financing activities plus debt securities and borrowings repaid)
Decommission	To remove a facility (e.g. reactor) from service and either store it safely or dismantle it
Demand side management	Planning, implementing and monitoring activities to encourage consumers to use electricity more efficiently, including both the timing and level of demand
EBITDA margin	EBITDA as a percentage of revenue (excluding revenue not recognised due to uncollectability)
Electricity operating costs per MWh	Electricity-related costs (primary energy costs, employee benefit costs plus net impairment loss and other operating expenses, less other income) divided by total electricity sales in GWh multiplied by I 000
Electricity revenue per kWh	Electricity revenue (including electricity revenue not recognised due to uncollectability) divided by total kWh sales multiplied by 100
Embedded derivative	Financial instrument that causes cash flows that would otherwise be required by modifying a contract according to a specified variable such as currency
Energy availability factor (EAF)	Measure of power station availability, taking account of energy losses not under the control of plant management and internal non-engineering constraints
Energy efficiency	Programmes to reduce energy used by specific end-use devices and systems, typically without affecting services provided
Energy utilisation factor (EUF)	Ratio of actual electrical energy produced during a period of time divided by the total available energy capacity. It is a measure of the degree to which the available energy capacity of an electricity supply network is utilised. Available energy capacity refers to the capacity after all unavailable energy (planned and unplanned energy losses) has been taken into account, and represents the net energy capacity made available to the System Operator or national grid
Fatality	A fatality is an incident occurring at work, or arising out of or in connection with the activities of persons at work, or in connection with the use of plant or machinery, in which or in consequence of which, any person (an employee, contractor, or member of the public) dies, regardless of the time intervening between the injury and/or exposure to the cause and death. The date of the incident will reflect the date on which the incident occurred, irrespective of the date of death
Forced outage	Shutdown of a generating unit, transmission line or other facility for emergency reasons or a condition in which generating equipment is unavailable for load due to unanticipated breakdown
Free basic electricity	Amount of electricity deemed sufficient to provide basic electricity services to a poor household (50kWh per month)
Free funds from operations	Cash generated from operations adjusted for working capital
Gross debt	Debt securities and borrowings plus finance lease liabilities plus the after-tax effect of provisions and employee benefit obligations
Gross debt/EBITDA ratio	Gross debt divided by earnings before interest, taxation, depreciation, amortisation and fair value adjustments

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## Glossary of terms continued

Independent non-executive director	A director who:
	Is not a full-time salaried employee of the company or its subsidiary
	<ul> <li>Is not a shareholder representative</li> <li>Has not been employed by the company and is not a member of the immediate family of an individual who is or has been, in any of the past three financial years, employed by the company in any executive capacity</li> </ul>
	Is not a professional advisor to the company
	<ul> <li>Is not a significant supplier or customer of the company</li> <li>Is not associate a supplier or customer of the company</li> </ul>
	Is not receiving remuneration contingent on the performance of the company
Independent power producer (IPP)	Any entity, other than Eskom, that owns or operates, in whole or in part, one or more independent power generation facilities
Kilowatt-hour (kWh)	Basic unit of electric energy equal to one kilowatt of power supplied to or taken from an electric circuit steadily for one hour
Load	Amount of electric power delivered or required on a system at any specific point
Load curtailment	Typically, larger industrial customers reduce their demand by a specified percentage for the duration of a power system emergency. Due to the nature of their business, these customers require two hours' notification before they can reduce demand
Load management	Activities to influence the level and shape of demand for electricity so that demand conforms to the present supply situation, long-term objectives and constraints
Loadshedding	Scheduled and controlled power cuts that rotate available capacity between all customers when demand is greater than supply in order to avoid blackouts. Distribution or municipal control rooms open breakers and interrupt load according to predefined schedules
Lost-time injury (LTI)	A work injury which arises out of and in the course of employment and which renders the injured employee or contractor unable to perform his/her regular/normal work on one or more full calendar days or shifts other than the day or shift on which the injury occurred. It includes occupational diseases and fatalities
Lost-time injury rate (LTIR)	Proportional representation of the occurrence of lost-time injuries over 12 months per 200 000 working hours
Major incident	An interruption with a severity ≥1 system minute
Maximum demand	Highest demand of load within a specified period
Non-technical losses	Energy losses due to electricity theft through illegal connections, tampering and bypassing of electricity meters as well as the purchase of electricity tokens from unregistered or illegal vendors. It includes meter reading and billing errors
Occupational disease/illness	Any confirmed disease/illness arising out of, and in the course of, an employee's employment, that is listed in Schedule 3 of the Compensation for Occupational Injuries and Diseases (COID) Act, 1993, or any other condition as determined by an occupational medical practitioner
Off-peak	Period of relatively low system demand
Open-cycle gas turbine (OCGT)	Liquid fuel turbine power station that forms part of peak-load plant and runs on kerosene or diesel. Designed to operate in periods of peak demand
Outage	Period in which a generating unit, transmission line, or other facility is out of service
Peak demand	Maximum power used in a given period, traditionally between 7:00 and 10:00 as well as 18:00 to 20:00 in summer; and 6:00 to 9:00 as well as 17:00 to 19:00 in winter
Peaking capacity	Generating equipment normally operated only during hours of highest daily, weekly or seasonal loads
Peak-load plant	Gas turbines, hydroelectric or a pumped storage scheme used during periods of peak demand
Primary energy	Energy in natural resources, e.g. coal, diesel, uranium, sunlight, wind and water
Pumped storage scheme	A lower and an upper reservoir with a power station/pumping plant between the two. During off-peak periods the reversible pumps/turbines use electricity to pump water from the lower to the upper reservoir. During periods of peak demand, water runs back into the lower reservoir through the turbines, generating electricity
Reserve margin	Difference between net system capability and the system's maximum load requirements (peak load or peak demand)

Return on assets	EBIT divided by the regulated asset base, which is the sum of property, plant and equipment, trade and other receivables, inventory and future fuel, less trade and other payables and deferred income
Sustainability	Refers to practices that can be maintained without harming the environment, society or the economy, and considers future generations. It involves finding a balance between the needs of the present and the ability of future generations to meet their own needs
System minutes	Global benchmark for measuring the severity of interruptions to customers. One system minute is equivalent to the loss of the entire system for one minute at annual peak. A major incident is an interruption with a severity <b>&gt;</b> I system minute
Technical losses	Naturally occurring losses that depend on the power systems used
Unit capability factor (UCF)	Measure of availability of a generating unit, indicating how well it is operated and maintained
Unplanned capability loss factor (UCLF)	Energy losses due to outages are considered unplanned when a power station unit has to be taken out of service and it is not scheduled at least four weeks in advance
Used nuclear fuel	Nuclear fuel irradiated in and permanently removed from a nuclear reactor. Used nuclear fuel is stored on site in used fuel pools or storage casks
Watt	The watt is the International System of Units' (SI) standard unit of power. It specifies the rate at which electrical energy is dissipated (energy per unit of time)
Wheeling	Refers to the movement of electricity between international customers through Eskom's network, without the power being available to customers on the South African grid

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# Leadership qualifications and directorships

## **BOARD OF DIRECTORS**

at 31 March 2023

### Mr Mpho (PM) Makwana (52)

Chairman Independent non-executive director Appointed to Board in October 2022

#### Qualifications and designations

B Admin (Hons) (University of Pretoria) Postgraduate Diploma in Retail Management (University of Stirling)

#### Directorships

ArcelorMittal South Africa Ltd Boardroom Alliance (Pty) Ltd Boardroom Alliance Africa (Pty) Ltd BTE Renewables (Pty) Ltd Epitome Investments (Pty) Ltd Invicta Holdings Ltd Limpopo Economic Development Agency Nedbank Group Ltd Platinum Group Metals Ltd South African Forestry Company SOC Ltd

#### Mr Calib (C) Cassim (51)

**Acting Group Chief Executive Executive director** Appointed to Board in July 2017

Qualifications and designations B Com (University of KwaZulu-Natal) B Accounting Sciences (Unisa) Chartered Accountant (SA) Master of Business Leadership (Unisa)

#### Directorships

Escap SOC Ltd Eskom Enterprises SOC Ltd Eskom Finance Company SOC Ltd National Transmission Company South Africa SOC Ltd

#### Mr Martin (IM) Buys (65)

Acting Group Chief Financial Officer **Executive director** 

Appointed to Board in March 2023

#### Qualifications and designations B Com (University of North West)

B Rat (University of North West) Chartered Accountant (SA) Master of Business Leadership (Unisa) M Com Taxation (University of Pretoria)

Directorships Eskom Rotek Industries SOC Ltd





Directorships South African National Energy Association (SANEA)

Dr Rod (RdeB) Crompton (70)

Independent non-executive director

#### Ms Fathima (FBB) Gany-Ahmed (47)

Independent non-executive director Appointed to Board in October 2022



#### Directorships

KwaZulu-Natal)

Kunjali Consulting (Pty) Ltd Kunjali Investment Holdings (Pty) Ltd South African Airways SOC Ltd South African Post Office SOC Ltd

#### Mr Lwazi (LL) Gogwana (47)

Independent non-executive director Appointed to Board in October 2022

Qualifications and designations B Sc (Hons) Mechanical Engineering (University of Cape Town) MBA (Milpark Business School) Pr Eng (Engineering Council of South Africa)

#### Infrastructure Specialist Group (Pty) Ltd Lavipix (Pty) Ltd National Society of Black Engineers of South Africa NPC Paminar (Pty) Ltd Rocla (Pty) Ltd Technicrete ISG (Pty) Ltd Technicrete Mining Services (Pty) Ltd Zepide Group (Pty) Ltd

Mr Mpho Makwana will step down as Chairman of the Board at the end of October 2023, having served one year in the position. Thereafter, Dr Mteto Nyati will take over.

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#### Mr Clive (CR) le Roux (71)

Independent non-executive director Appointed to Board in October 2022

Oualifications and designations B Sc Electrical Engineering (cum laude) (University of Witwatersrand)

Advanced Executive Diploma in Leadership (Unisa)

Directorships None

Ms Ayanda (APZ) Mafuleka (43)

Independent non-executive director Appointed to Board in October 2022

#### Qualifications and designations B Com Management (University of KwaZulu-Natal) B Compt (Hons) (Unisa) Chartered Accountant (SA) Certificate in Advanced Financial Management (University of Johannesburg

Directorships Lighting Hope Joy Holdings (Pty) Ltd Rand Water Foundation NPC

#### Mr Leslie (LA) Mkhabela (50)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations B Juris (University of Limpopo) LLB (University of Limpopo)

Directorships China Africa Joint Arbitration Centre Iohannesburg NPC Dunocol (Pty) Ltd Mkhabela Huntley Attorneys Inc lordigraph (Pty) Ltd Khomanani Group (Pty) Ltd The Arbitration Foundation of Southern Africa NPC

#### Dr Tsakani (TL) Mthombeni (43)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations B Sc (Hons) Electrical Engineering (University of Cape Town) M Sc Electrical Engineering (Clarkson University) Ph D Electrical Engineering

Directorships KPTL Investments (Pty) Ltd

(Clarkson University)

Ages are shown at 31 March 2023. Only active directorships and memberships are reflected



Independent non-executive director Appointed to Board in October 2022

Oualifications and designations Comparative Industrial Relations (Ruskin College) Diploma in Industrial Relations (Allenby College)

Directorships Cubah Properties (Pty) Ltd

National Labour and Economic Development Institute NPC

Dr Mteto (M) Nyati (58)

Independent non-executive director Appointed to Board in October 2022

Qualifications and designations B Sc Mechanical Engineering (University of KwaZulu-Natal) Ph D (Honoris Causa) Information Technology Management (University of (ohannesburg)

Directorships Accelerated Growth Partners (Pty) Ltd Ammoa (Pty) Ltd Business Systems Group (Africa) (Pty) Ltd Massmart Holdings Ltd Nedbank Group Ltd Northern Jungle Trading 270 (Pty) Ltd Telkom SA SOC Ltd Wazo Investments (Pty) Ltd

#### Ms Tryphosa (T) Ramano (51) Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations

B Com (University of Cape Town) Postgraduate Diploma in Accounting (University of Cape Town) Chartered Accountant (SA)



## Directorships

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Denel SOC Ltd GBVF Response Fund1 NPC Hiroscope (Pty) Ltd K2021862248 (South Africa) (Pty) Ltd Kwaheri Psychiatry (Pty) Ltd Longmarket Capital Magommake Legacy (Pty) Ltd Public Investment Corporation SOC Ltd Solidarity Response Fund NPC Tumaini Psychiatry (Pty) Ltd The International Women's Forum South Africa NPC Urithi Psychiatry (Pty) Ltd University of Pretoria







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## Leadership qualifications and directorships continued

BOARD OF DIRECTORS continued at 31 March 2023

#### Dr Busisiwe (B) Vilakazi (39) Independent non-executive director

Appointed to Board in October 2022

#### Qualifications and designations

B Sc Electrical Engineering (University of Witwatersrand) M Sc Engineering (University of Witwatersrand) MBA (University of Witwatersrand) Ph D Engineering Science (University of Oxford)

#### Directorships

Macsteel Service Centres SA (Pty) Ltd Madzivha a Vhumatshelo NPC Milpark Bee Investment (Pty) Ltd Ndilantswa Group (Pty) Ltd Stadio Holdings Ltd Vhathabi Consulting (Pty) Ltd

#### Dr Claudelle (C) von Eck (52) Independent non-executive director

Appointed to Board in October 2022

## Qualifications and designations

BA Psychology (University of Witwatersrand) Diploma in Business Management (Institute of Accounting and Commerce) Certified director

Master of Business Leadership (Unisa) D Phil Leadership (Change Management) (University of Johannesburg)

#### Directorships

Brave Inflexions (Pty) Ltd Mapungubwe Institute for Strategic Reflection NPC MVE Horizons Human Capital Solutions cc

#### EXECUTIVE MANAGEMENT COMMITTEE at 31 March 2023

#### Mr Calib (C) Cassim (51) Acting Group Chief Executive

Appointed to Exco in July 2017 21 years in Eskom



### Directorships Escap SOC Ltd

Eskom Enterprises SOC Ltd Eskom Finance Company SOC Ltd National Transmission Company South Africa SOC Ltd

Mr Martin (IM) Buys (65) Acting Group Chief Financial Officer

Appointed to Exco in March 2023 36 years in Eskom

#### Qualifications and designations B Com (University of North West)

B Rat (University of North West) Chartered Accountant (SA) Master of Business Leadership (Unisa) M Com Taxation (University of Pretoria)

Directorships Eskom Rotek Industries SOC Ltd

#### Mr Jan (JA) Oberholzer (64) Group Chief Operating Officer

Appointed to Exco in July 2018 30 years in Eskom (including from 1983 to 2008)

Qualifications and designations B Sc Electrical Engineering (University of Pretoria) Master of Business Leadership (Unisa) Executive Program (University of Michigan)

#### Directorships

Eskom Enterprises SOC Ltd Eskom Rotek Industries SOC Ltd Jafram Projects (Pty) Ltd Wild Senna Investments (Pty) Ltd

#### Ms Faith (FS) Burn (54) Chief Information Officer

Appointed to Exco in May 2020 2 years in Eskom

#### Qualifications and designations

B Sc Mathematics and Computer Science (University of Johannesburg) B Sc (Hons) Mathematics (University of Johannesburg) M Sc Mathematics (University of Johannesburg) Master of Business Leadership (Unisa) Certified Internal Auditor (CIA)

#### Directorships

Hlahlamelisa International Ministry NPC Kingdom Consultant Center NPC South African National Blood Services NPC (SANBS)

#### Ms Mel (M) Govender (41)

Group Executive: Legal and Compliance

Appointed to Exco in October 2021 l year in Eskom

Oualifications and designations LLB (University of KwaZulu-Natal)

Directorships None

#### Ms Nthato (N) Minyuku (44)

**Group Executive: Government** and Regulatory Affairs Appointed to Exco in October 2020

2 years in Eskom

Leadership in Context (GIBS)

Qualifications and designations B Architectural Studies (University of Witwatersrand) Master of City Planning and Urban Design (University of Cape Town)

Directorships South African Maritime Safety Authority

## Ms Elsie (EM) Pule (55)

Group Executive: Human Resources

Appointed to Exco in November 2014 25 years in Eskom

Qualifications and designations BA Social Work (University of the North BA (Hons) Psychology (University of Pretoria) M Sc Business Engineering (Warwick University)



#### Ms Jainthree (J) Sankar (51) Chief Procurement Officer

Appointed to Exco in March 2021 29 years in Eskom

#### Qualifications and designations

B Com (Unisa) B Com (Hons) Business (Unisa) National Diploma in Electrical Engineerin (Durban University of Technology) MBA Sustainable Business (University of Southern Queensland) Master of Project Management (University of Southern Queensland)

## Mr Vuyolwethu (V) Tuku (47)

**Group Executive: Transformation Management Office** 

Appointed to Exco in July 2020 2 years in Eskom

Qualifications and designations B Sc Electrical Engineering (University of Cape Town) MBA (University of Witwatersrand)

Directorships Genesis Strategy Partners





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Ages are shown at 31 March 2023.

Only active directorships and memberships are reflected.





Our strategic context



# Board and Exco meeting attendance

#### ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

for the year ended 31 March 2023

Members	Board	Audit and Risk Committee	Business Operations Performance Committee	Governance and Strategy Committee <sup>1</sup>	Human Capital and Remuneration Committee <sup>2</sup>	Investment and Finance Committee	Social, Ethics and Sustainability Committee
Total number of meetings	22	17	5	9	7	15	5
Current directors							
Non-executive directors							
Mr Mpho Makwana (Chairman) <sup>3</sup>	16/17*			7/7*			
Dr Rod Crompton	21/22	17/17	5/5	2/2			3/3
Ms Fathima Gany-Ahmed	16/17	12/12*		7/7	5/5		3/3
Mr Lwazi Goqwana	16/17		4/5			8/10	
Mr Clive le Roux	16/17		5/5		5/5	9/10	3/3
Ms Ayanda Mafuleka	12/17	10/12	3/5				
Mr Leslie Mkhabela	16/17	11/12			5/5		3/3
Dr Tsakani Mthombeni	16/17		5/5			9/10	3/3
Mr Bheki Ntshalintshali	16/17			6/7	4/5		3/3
Dr Mteto Nyati	17/17		5/5*	6/7	5/5	7/10	
Ms Tryphosa Ramano	15/17		2/5	5/7		10/10*	
Dr Busisiwe Vilakazi	17/17	11/12	5/5				3/3
Dr Claudelle von Eck	17/17	12/12		7/7	5/5*		2/3
Executive directors							
Mr Calib Cassim	21/22	< 6/ 7>	<0/2>	<8/8>	<4/6>	< 3/ 5>	
Mr Martin Buys <sup>4</sup>	<1/1>	<2/2>		<2/2>	< / >	< /2>	
Former directors							
Prof. Malegapuru Makgoba <sup>5</sup>	5/5			2/2	2/2		2/2
Dr Banothile Makhubela <sup>5</sup>	4/5					5/5	2/2
Ms Busisiwe Mavuso <sup>6</sup>	3/5				1/2	5/5	
Dr Pulane Molokwane <sup>5</sup>	2/5	5/5					2/2
Prof. Tshepo Mongalo <sup>5</sup>	4/5	4/5			2/2		
Mr André de Ruyter <sup>7</sup>	18/18	<7/15>	<2/2>	<4/6>	<2/5>	<5/9>	<2/5>

Attendance as reflected above refers to directors who were members of that committee during the year to 31 March 2023 and reflects changes in committee composition during the year. The number of meetings excludes in-committee meetings and workshops.

- \* denotes the chair of the Board or committee at 31 March 2023.
- <> denotes meetings attended as an official.
- Following the appointment of the new Board on 1 October 2022, the committee's mandate was revised to include governance-related matters previously dealt with at the People and Governance Committee. The name of the committee was changed from the Board Strategy Committee to the Governance and Strategy Committee.
- 2. Following the appointment of the new Board on 1 October 2022, the committee's mandate was revised and the name of the committee was changed from the People and Governance Committee to the Human Capital and Remuneration Committee.
- 3. Resigned as Chairman of the Board at the end of October 2023, having served one year in the position. Thereafter, Dr Mteto Nyati will take over.
- 4. Appointed as an executive director, in the position of acting Group Chief Financial Officer, on 21 March 2023.
- 5. Term ended on 30 September 2022.
- 6. Resigned on 27 September 2022.
- Resigned in December 2022 and agreed to serve an extended notice period until 31 March 2023. The Board and Mr De Ruyter subsequently reached a mutual
  agreement to revert to the original notice period of 28 February 2023. He was not required to serve the balance of his notice period and was released with
  immediate effect on 22 February 2023.

#### ATTENDANCE AT EXCO MEETINGS

for the year ended 31 March 2023

		Number of meetings
Members	Divisional responsibility	attended
Total number of meeting	S	15
Current executives		
Mr Calib Cassim <sup>1</sup>	Acting Group Chief Executive	15/15
Mr Martin Buys <sup>2</sup>	Acting Group Chief Financial Officer	5/5
Mr Jan Oberholzer <sup>3</sup>	Group Chief Operating Officer	14/15
Ms Faith Burn	Chief Information Officer	13/15
Ms Mel Govender <sup>4</sup>	Group Executive: Legal and Compliance	13/15
Ms Nthato Minyuku <sup>4</sup>	Group Executive: Government and Regulatory Affairs	13/15
Ms Elsie Pule	Group Executive: Human Resources	12/15
Ms Jainthree Sankar	Chief Procurement Officer	12/15
Mr Vuyolwethu Tuku	Group Executive: Transformation Management Office	15/15
Former executives		
Mr André de Ruyter	Former Group Chief Executive	9/10

I. Mr Calib Cassim, Group Chief Financial Officer, was appointed as acting Group Chief Executive with effect from 24 February 2023.

 Mr Martin Buys was appointed as acting Group Chief Financial Officer with effect from 10 March 2023. Mr Buys was subsequently appointed as an executive director, in the position of acting Group Chief Financial Officer, on 21 March 2023.

3. Mr Jan Oberholzer's term came to an end on 30 April 2023 when he reached retirement age. The Group Chief Operating Officer position was removed from the organisational structure thereafter.

4. Ms Nthato Minyuku and Ms Mel Govender resigned in April 2023, and exited Eskom on 30 April and 30 June 2023 respectively. Ms Natasha Sithole and Ms Winile Madonsela are acting in the respective positions while the recruitment processes are under way.

Performance review

# Technical statistics

Measure and unit	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Customer statistics										
Arrear debt as % of revenue, %	4.80	3.91	3.24	3.69	4.30 <sup>RA</sup>	2.73 <sup>RA</sup>	2.42	1.14	2.17	1.10
Debtors days – municipalities, average debtors days	179.3	149.6	140.7	6.	94.3 <sup>RA</sup>	76.6 <sup>RA</sup>	53.3 <sup>RA</sup>	42.9	47.6	32.7
Debtors days – large power top customers excluding disputes, average debtors days	14.5	14.6	15.0	14.6	13.5 <sup>RA</sup>	13.9 <sup>RA</sup>	15.3 <sup>RA</sup>	15.5	16.8	14.5
Debtors days – other large power users (<100GWh p.a.), average debtors days	16.3	17.5	17.5	17.0	17.2 <sup>RA</sup>	16.6 <sup>RA</sup>	16.8 <sup>RA</sup>	16.2	17.0	16.9
Debtors days – small power users (excluding Soweto), average debtors days	46.2	47.7	50.1	44.1	42.6 <sup>RA</sup>	43.4 <sup>RA</sup>	48.8 <sup>RA</sup>	48.2	49.1	50.2
Key Customer Delight, %'	88.4	85.0	86.2	81.5	81.7	79.5	107.0	104.3 <sup>RA</sup>	108.7	108.7
Sales and revenue										
Total sales, GWh <sup>2</sup>	188 401	198 281	191 852	205 635	208 319	212 190	214 121	214 487	216 274	217 903
(Reduction)/growth in GWh sales, %	(5.0)	3.4	(6.7)	(1.3)	(1.8)	(0.9)	(0.2)	(0.8)	(0.7)	0.6
Electricity revenue, R million	257 837	244 461	202 644	197 307	177 312	174 905	175 094	161 688	146 268	136 869
Growth in revenue, %	5.5	20.6	2.7	.3	1.4	(0.1)	8.3	10.5	6.9	8.1
Electricity output										
Power sent out by Eskom stations, GWh (net)	191 307	205 688	201 400	214 968	218 939	221 936	220 166	219 979	226 300	231 129
Coal-fired stations, GWh (net)	171 131	184 568	183 553	194 357	200 210	202 106	200 893	199 888	204 838	209 483
Hydroelectric stations, GWh (net)	3 060	1 943	1 387	688	1 029	709	579	688	851	1 036
Pumped storage stations, GWh (net)	4 081	4 743	4 795	5 060	4 590	4 479	3 294	2 919	3 107	2 881
Gas turbine stations, GWh (net)	3 018	1 826	1 457	328	1 202	118	29	3 936	3 709	3 621
Wind energy, GWh (net)	214	253	305	283	328	331	345	311	5,07	2
Nuclear power station, GWh (net)	9 803	12 355	9 903	13 252	11 580	14 193	15 026	12 237	13 794	14 106
					I					
IPP purchases, GWh	17 957	15 973	13 526	11 958	11 344	9 584	11 529	9 033	6 022	3 671
Wheeling, GWh	2 904	2 499	2 310	2 491	2 750	2 266	2 910	3 930	3 623	3 353
Energy imports from SADC countries, GWh	8 654	8 500	8 812	8 568	7 355	7 731	7 418	9 703	10 731	9 425
Total electricity available (generated by Eskom and purchased), GWh	220 822	232 660	226 048	237 985	240 388	241 517	242 023	242 645	246 676	247 578
Consumed by pumped storage stations, GWh <sup>3</sup>	(5 504)	(6 434)	(6 625)	(6 629)	(5 981)	(6 031)	(4 808)	(4 046)	(4   4)	(3 862)
Total available for distribution, GWh <sup>2</sup>	215 318	226 226	219 423	231 356	234 407	235 486	237 215	238 599	242 562	243 716
Supply and demand										
Total Eskom power station capacity – installed, MW	52 451	51 866	51 115	49 517	48 029	48 039	46 407	45 075	44 281	44 189
Total Eskom power station capacity – nominal, MW	46 788	47 145	46 466	45 117	44 172	45 561	44 134	42 810	42 090	41 995
Total IPP power station capacity – nominal, MW	7 110	6 831	6 083	5 206	4 981	4 779	5 027	3 392	2 606	1 677
Peak demand on integrated Eskom system, MW	30 808	31 953	31 470	32 948	34 256	35 457	34 122	33 343	34 768	34 971
Peak demand on integrated Eskom system, including load reductions		51 705	51 170	52,70	5 . 200	55 157	31.122	55 5 15	51700	51771
and non-Eskom generation, MW	34 666	35 005	34 155	34 510	35 345	35 769	34 913	34 499	36 156	36 026
Loadshedding implemented, number of days	280 <sup>RA</sup>	65	47	46	30	0	0	81	37	5
Asset creation	<b>799</b> RA	794 <sup>RA</sup>	598 <sup>ra</sup>	I 588 <sup>ra</sup>	0 <sup>RA</sup>	2 387 <sup>ra</sup>	I 332 <sup>ra</sup>	794 <sup>ra</sup>	100 <sup>ra</sup>	120 <sup>RA</sup>
Generation capacity installed and commissioned, MW Transmission lines installed, km	326.1 <sup>RA</sup>	180.5 <sup>RA</sup>	65.6 <sup>RA</sup>	1 588°°° 127,9 <sup>ra</sup>	378.7 <sup>RA</sup>	2 387 ARA 722.3 <sup>RA</sup>	585.4 <sup>RA</sup>	345.8 <sup>RA</sup>	318.6 <sup>RA</sup>	810.9 <sup>RA</sup>
	RA	1 065 <sup>RA</sup>	750 <sup>RA</sup>	250 <sup>RA</sup>	540 <sup>RA</sup>	2 510 <sup>RA</sup>	2 300 <sup>RA</sup>	2 435 <sup>RA</sup>	2 090 <sup>RA</sup>	3 790 <sup>RA</sup>
Transmission transformer capacity installed and commissioned, MVA	33.9	30.2	23.9	230	33.9	48.0	60.0	57.4	2 090 <sup>mm</sup> 53.1 <sup>RA</sup>	59.8 <sup>RA</sup>
Total capital expenditure – group (excluding capitalised borrowing costs), R billion	33.7	30.2	23.7	20.4	33.7	40.0	60.0	57.4	55.1	37.0
Safety		0.0403	0.000		0.0101		c	c ~~		
Employee lost-time injury rate (LTIR) – group, index <sup>4</sup>	0.26 <sup>RA</sup>	0.24 <sup>RA</sup>	0.22 <sup>RA</sup>	0.30 <sup>RA</sup>	0.31RA	0.24	0.39	0.30	0.33	0.31
Fatalities (employees and contractors), number	4	6	11	9	7	14	10	17	10	23 <sup>RA</sup>
Employee fatalities, number	1	4	3	-	3	3	4	4	3	5 <sup>RA</sup>
Contractor fatalities, number	3	2	8	9	4		6	13	7	18 <sup>RA</sup>
Plant performance					-					
Energy availability factor (EAF), % <sup>5</sup>	56.03RA	62.02 <sup>RA</sup>	64.19 <sup>RA</sup>	66.64 <sup>RA</sup>	69.95 <sup>ra</sup>	78.00 <sup>RA</sup>	77.30 <sup>RA</sup>	71.07 <sup>RA</sup>	73.73 <sup>RA</sup>	75.13 <sup>RA</sup>
Planned capability loss factor (PCLF), % <sup>5</sup>	10.39 <sup>RA</sup>	10.23 <sup>RA</sup>	12.26 <sup>RA</sup>	8.92 <sup>RA</sup>	10.18 <sup>RA</sup>	10.35 <sup>RA</sup>	12.14 <sup>RA</sup>	12.99	9.91 <sup>RA</sup>	10.50 <sup>RA</sup>
Unplanned capability loss factor (UCLF), % <sup>5</sup>	31.92	25.35	20.04	22.86	18.31	10.18	9.90	14.91 <sup>RA</sup>	15.22 <sup>RA</sup>	12.61 <sup>RA</sup>
Other capability loss factor (OCLF), % <sup>5</sup>	1.66	2.40	3.51	1.58	1.56	1.47	0.66	1.03	1.14	1.76
Unit capability factor (UCF), % <sup>5</sup>	57.69	64.42	67.70	68.22	71.51	79.47	78.00	72.10	74.87	76.90 <sup>r.a</sup>
Generation load factor, % <sup>5</sup>	45.7	49.5	49.0	52.6	54.4	55.9	57.9	58.8	61.5	62.8
OCGT load factor, %	14.3	8.7	6.9	6.3	5.7	0.6	0.1	18.6	17.6	19.3 <sup>RA</sup>
Unplanned automatic grid separations (UAGS trips), number <sup>5</sup>	736 <sup>RA</sup>	697 <sup>ra</sup>	527 <sup>ra</sup>	594 <sup>RA</sup>	517	333	444	469	575	527
Integrated Eskom system load factor (EUF), %5	81.5	79.8	76.3	79.0	77.8	71.6	75.0	82.7	83.4	83.6

This measure was introduced in 2020 and is calculated on a 12-month moving average. Prior to 2020, the comparatives are for Eskom KeyCare.
 The difference between electricity available for distribution and electricity sold is mainly due to energy losses.
 Used by Eskom for pumped storage facilities and synchronous condenser mode of operation.
 The employee LTIR includes occupational diseases and fatalities.

5. The calculation of KPIs include Medupi Units 2, 3, 4, 5 and 6 as well as Kusile Units 1 and 2. Units are only included one year after achieving commercial operation, therefore Kusile Unit 4 is still excluded. Kusile Unit 3 has been included since 1 April 2022 and Medupi Unit 1 since 1 August 2022.

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RA Reasonable assurance provided by the independent assurance provider. Refer to pages 174 to 176 of the integrated report.

Who we are	Leadership reports	Our strategic context	Governance, leadership and ethics	Performance review	Supplementar



## Technical statistics continued

Measure and unit	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Primary energy										
Coal stock, days	65	76 <sup>ra</sup>	82	81	67	68	74	58	51	44 <sup>RA</sup>
Road-to-rail migration (additional tonnage transported on rail), Mt	2.5 <sup>RA</sup>	2.5 <sup>ra</sup>	3.6 <sup>RA</sup>	7.5 <sup>RA</sup>	8.2 <sup>RA</sup>	11.6 <sup>Q</sup>	13.2 <sup>Q</sup>	13.6 <sup>RA</sup>	12.6 <sup>RA</sup>	11.6 <sup>ra</sup>
Coal purchased, Mt	98.4	108.7	110.0	119.3	118.3	115.3	120.3	118.7	121.7	122.0
Coal burnt, Mt	102.4	110.3	104.9	108.6	113.8	115.5	113.7	114.8	119.2	122.4
Average calorific value, MJ/kg	19.42	19.64	19.82	19.08	19.24	19.81	20.05	19.57	19.68	19.77
Average ash content, %	32.13	31.39	31.24	29.65	30.98	30.92	28.62	28.19	27.63	28.56
Average sulphur content, %	0.79	0.83	0.82	0.78	0.84	0.87	0.84	1.07	0.80	0.87
Overall thermal efficiency, %	30.56	30.05	30.61	30.65	30.99	31.22	31.20	31.08	31.44	31.30
Diesel and kerosene usage for OCGTs, Ml	937.5	580.4	458.7	426.2	385.0	37.8	10.0	I 247.8	178.6	1 148.5 <sup>ra</sup>
Network performance										
Total system minutes lost for events <1, minutes	4.71 <sup>RA</sup>	2.88 <sup>RA</sup>	3.48 <sup>ra</sup>	4.36 <sup>RA</sup>	3.16 <sup>RA</sup>	2.09 <sup>RA</sup>	3.80 <sup>ra</sup>	2.41 <sup>RA</sup>	2.85 <sup>ra</sup>	3.05 <sup>ra</sup>
Major incidents, number	1	2	2	3	3	0	0	I	2	0 <sup>RA</sup>
System average interruption frequency index (SAIFI), events <sup>2</sup>	11.8	12.3 <sup>RA</sup>	13.2 <sup>RA</sup>	14.4 <sup>RA</sup>	14.9 <sup>RA</sup>	17.5 <sup>ra</sup>	18.9 <sup>RA</sup>	20.5 <sup>RA</sup>	19.7 <sup>ra</sup>	20.2 <sup>RA</sup>
System average interruption duration index (SAIDI), hours <sup>2</sup>	35.5 <sup>RA</sup>	35.5 <sup>RA</sup>	35.4 <sup>ra</sup>	36.9 <sup>RA</sup>	38.0 <sup>ra</sup>	34.9 <sup>ra</sup>	38.9 <sup>RA</sup>	38.6 <sup>RA</sup>	36.2 <sup>RA</sup>	37.0 <sup>ra</sup>
Total energy losses, %	11.8	11.4	11.8	9.9	9.7	9.1	8.9	8.6	8.8	8.9
Transmission energy losses, %	2.3	2.3	2.3	2.2	2.2	2.0	2.2	2.6	2.5	2.3 <sup>RA</sup>
Distribution energy losses, %	9.7 <sup>RA</sup>	9.6 <sup>RA</sup>	10.1 <sup>RA</sup>	8.8 <sup>RA</sup>	8.5 <sup>RA</sup>	7.7 <sup>RA</sup>	7.6 <sup>ra</sup>	6.4	6.8	7.1 <sup>ra</sup>
Environmental statistics										
Emissions										
Relative particulate emissions, kg/MWh sent out <sup>3, 4, 5</sup>	0.70 <sup>RA</sup>	0.34 <sup>RA</sup>	0.38 <sup>Q</sup>	0.47 <sup>RA</sup>	0.47 <sup>ra</sup>	0.27 <sup>RA</sup>	0.30 <sup>ra</sup>	0.36 <sup>ra</sup>	0.37 <sup>ra</sup>	0.35 <sup>ra</sup>
Carbon dioxide (CO <sub>2</sub> ), Mt <sup>4</sup>	187.5 <sup>RA</sup>	207.2 <sup>RA</sup>	206.8 <sup>RA</sup>	213.2 <sup>RA</sup>	220.9 <sup>RA</sup>	205.5 <sup>RA</sup>	211.1 <sup>ra</sup>	215.6 <sup>RA</sup>	223.4	233.3 <sup>RA</sup>
Carbon dioxide equivalent (CO <sub>2</sub> -eq), Mt <sup>4</sup>	187.9	207.7	207.3	214.0	221.7	-	-	-	-	_
Sulphur dioxide (SO <sub>2</sub> ), kt <sup>4</sup>	I 449	67	I 604	72	I 853	I 802	I 766	I 699	I 834	I 975 <sup>ra</sup>
Nitrous oxide (N <sub>2</sub> O), t <sup>4</sup>	I 438	56	I 527	2 826	2 844	2 642	2 782	2 757	2 919	2 969
Nitrogen oxide (NO <sub>2</sub> ) as NO <sub>2</sub> , kt <sup>6</sup>	743	822	804	851	890	859	885	893	937	954 <sup>ra</sup>
Methane (CH <sub>4</sub> ), t <sup>4</sup>	I 483	I 466	I 442	-	_	-	—	-	—	_
Particulate emissions, kt	129.32	66.65	71.35	94.92	99.87	57.13	65.13	78.37	82.34	78.92 <sup>ra</sup>
Water										
Specific water consumption, l/kWh sent out <sup>3</sup>	1.39 <sup>RA</sup>	1.45 <sup>ra</sup>	1.42 <sup>RA</sup>	1.42 <sup>RA</sup>	1.41 <sup>RA</sup>	1.30 <sup>ra</sup>	1.42 <sup>RA</sup>	1.44 <sup>RA</sup>	1.38 <sup>ra</sup>	1.35 <sup>ra</sup>
Net raw water consumption, Mℓ	256 430	283 610	270 736	286 553	292 344	276 335	307 269	314 685	313 078	317 052
Waste										
Ash produced, Mt	30.20	32.90	30.84	32.04	33.23	31.65	32.61	32.59	34.41	34.97 <sup>ra</sup>
Ash sold, Mt	2.6	2.8	3.1	2.9	2.8	2.7	2.8	2.7	2.5	2.4
Ash recycled, %	12.0	11.0	10.1	9.1	8.4	8.6	8.5	8.3	7.3	7.0 <sup>ra</sup>
Asbestos disposed, tons	171.1	39.5	22 475.8	59.8	464.1	144.9	383.0	274.5	991.0	458.0
Material containing polychlorinated biphenyls thermally destroyed, tons	96.2	46.5	134.3	238.3	43.1	26.3	61.9	59.8	0.0	10.2
Nuclear										
Public individual radiation exposure due to effluents, mSv <sup>7</sup>	0.0022	0.0010	0.0014	0.0004	0.0026	0.0012	0.0005	0.0006	0.0010	0.0012
Low-level radioactive waste generated (steel drum), cubic metres	164.6	158.9	147.6	159.3	188.3	164.2	162.9	176.1	164.1	180.7 <sup>ra</sup>
Low-level radioactive waste disposed of, cubic metres	348.3	98.1	117.0	98.3	99.0	118.8	108.0	213.1	377.6	324.0 <sup>ra</sup>
Intermediate-level radioactive waste generated (concrete drum), cubic metres	18.3	34.2	31.2	22.3	20.8	20.8	11.4	33.4	27.6	28.7 <sup>RA</sup>
Intermediate-level radioactive waste disposed of, cubic metres	192	88	18	38	0	0	0	0	138	178 <sup>RA</sup>
Used nuclear fuel, number of elements discharged <sup>8</sup>	48	56	116	48	56	116	60	56	112	48
Used nuclear fuel, number of elements discharged, cumulative figure	2 729	2 681	2 625	2 509	2 461	2 405	2 289	2 229	2 173	2 061
Legal contraventions										
Environmental legal contraventions, number	105	65	81	59	24	30	29	20	20	34 <sup>ra</sup>
Environmental legal contraventions reported as a result of significant failure of business										
systems, number <sup>9</sup>	10	7	7	5	2	2	0	I.	1	2 <sup>RA</sup>

1. Only power stations where all units have achieved commercial operation are included in the calculation. Therefore, Kusile Power Station is excluded from this KPI.

2. SAIDI and SAIFI are reported after allowing for exclusions defined in the National Regulated Standards adopted from 1 April 2018.

3. The calculation of KPIs include Medupi Units 2, 3, 4, 5 and 6 as well as Kusile Units 1 and 2. Units are only included one year after achieving commercial operation, therefore Kusile Unit 4 is still excluded. Kusile Unit 3 has been included since 1 April 2022 and Medupi Unit 1 since 1 August 2022.

4. 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, as well as oil consumed during power station start-ups. For carbon dioxide emissions, it also includes the underground coal gasification pilot plant.

5. At power stations with unusually high particulate emission levels, such as Kendal Power Station, the monitors often exceed their maximum limits. In instances where these ranges are exceeded, particulate emissions will be reported at the maximum of the monitor range. From February 2019, it is possible that actual emissions exceeded reported emissions based on measurements.

6. NO, reported as NO, is calculated using average station-specific emission factors (which are measured intermittently) and tonnages of coal burnt.

7. The limit set by the National Nuclear Regulator is ≤ 0.25mSv.

8. The gross mass of a nuclear fuel element is approximately 670kg, with Uranium mass typically between 462kg and 464kg.

 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 are recorded as incidents as a result of a significant failure of business systems. Prior to 2022, referred to as "legal contraventions reported in terms of the Operational Health Dashboard".

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RA Reasonable assurance provided by the independent assurance provider. Refer to pages 174 to 176 of the integrated report.

Q Qualified by the independent assurance provider.

# Non-technical statistics: Company

Leadership reports

Measure and unit	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Finance										
Electricity revenue per kWh (including environmental levy), c/kWh	141.38	127.32	111.04	101.86	90.01	85.06	83.60	76.24	67.91	62.82
Electricity operating costs, R/MWh	1 188.81	992.80	906.36	803.01	729.26	634.69	662.98	628.00	600.72	535.08
EBITDA margin, %	14.99	20.67	15.48	17.65	16.21 <sup>RA</sup>	24.48	20.32	19.13	16.28	16.15
EBITDA, R million	38 908	51 178	31 633	35 199	29 168	43 428	35 989	30 932	23 811	22 101
Cash interest cover, ratio	1.27	1.63	0.81	0.90	0.91 <sup>ra</sup>	1.18 <sup>RA</sup>	1.73	1.64	1.62	2.14
Debt service cover, ratio	0.56	0.71	0.29	0.49	0.46	0.84	1.37	1.09	0.82	1.28
Current ratio	0.90	0.89	0.94	0.82	0.99	1.04	0.86	0.86	0.82	0.70
Gross debt/EBITDA, ratio	12.47	8.87	14.48	15.22	17.08	10.26	11.39	11.71	13.84	12.59
Debt/equity (including long-term provisions), ratio	2.08	2.00	2.24	2.68	3.50 <sup>ra</sup>	2.77 <sup>RA</sup>	2.22 <sup>RA</sup>	1.71	2.67	2.12
Gearing, %	68	67	69	73	78	73	69	63	73	68
Free funds from operations, R million	44 941	61 075	41 470	39 465	27 318	39 064	46 336	37 954	36 032	29 528
Free funds from operations after net interest paid, R million	12 466	29 053	4 864	818	(7 897)	8 017	19 776	16 260	20 343	18 455
Free funds from operations as % of gross debt, %	9.26	13.46	9.06	7.37	5.48 <sup>RA</sup>	8.77 <sup>RA</sup>	11.30 <sup>ra</sup>	10.48 <sup>RA</sup>	10.93	10.61
Building skills										
Headcount (including fixed-term contractors)	34 518	34 690	36 124	37 765	39 292	41 316	41 940	42 767	41 787	42 923
Training spend as % of gross employee benefit costs, %	3.57 <sup>RA</sup>	2.70 <sup>RA</sup>	2.58 <sup>ra</sup>	3.67 <sup>RA</sup>	3.85 <sup>ra</sup>	5.21 <sup>RA</sup>	4.89 <sup>RA</sup>	4.45 <sup>RA</sup>	6.18 <sup>RA</sup>	7.87 <sup>ra</sup>
Learner intake – Engineers, number <sup>2</sup>	144 <sup>RA</sup>	58 <sup>ra</sup>	0 <sup>RA</sup>	16 <sup>RA</sup>	10	24	I 480	895	3 5	I 962 <sup>ra</sup>
Learner intake – Technicians, number²	105 <sup>RA</sup>	51 <sup>ra</sup>	0 <sup>RA</sup>	<sup>RA</sup>	3	838	I 209	415	826	815 <sup>ra</sup>
Learner intake – Artisans, number²	135 <sup>RA</sup>	106 <sup>ra</sup>	ORA	91 <sup>ra</sup>	0	1815	2 155	1 955	752	2 383 <sup>ra</sup>
Total learner intake (including plant operators and sector-specific) $^2$	474	335	0	118	21	726 <sup>Q</sup>	3 048 <sup>Q</sup>	370	-	-
Transformation										
Socio-economic contribution										
Total number of electrification connections, number <sup>3</sup>	102 590 <sup>RA</sup>	97 947 <sup>ra</sup>	106 669 <sup>ra</sup>	163 613 <sup>RA</sup>	191 585 <sup>ra</sup>	215 519	207 436	158 312	160 933	202 780
Procurement equity										
Local content contracted (Eskom-wide), % <sup>4</sup>	87.02	86.89	65.99 <sup>Q</sup>	92.84 <sup>Q</sup>	91.51 <sup>ra</sup>	87.16 <sup>ra</sup>	73.37 <sup>Q</sup>	75.22 <sup>Q</sup>	25.13	40.80 <sup>ra</sup>
Local content contracted (new build), % <sup>4</sup>										54.60 <sup>ra</sup>
Local content contracted (new build), 76	73.08	57.53	56.94	88.53	81.14 <sup>RA</sup>	85.59 <sup>RA</sup>	85.78 <sup>Q</sup>	84.04 <sup>RA</sup>	33.62 <sup>LA</sup>	54.60
B-BBEE attributable expenditure, R billion	73.08 152.3		56.94 98.8	88.53 97.1	81.14 <sup>RA</sup> 80.3	85.59 <sup>ra</sup> 97.0	85.78 <sup>0</sup> 137.3	84.04 <sup>RA</sup> 132.0	33.62 <sup>la</sup> 120.8	125.4 <sup>RA</sup>
		57.53								
B-BBEE attributable expenditure, R billion	152.3	57.53 131.4	98.8	97.1	80.3	97.0	137.3	132.0	120.8	125.4 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion	152.3 83.6	57.53 131.4 78.6	98.8 50.1	97.I 43.7	80.3 48.8	97.0 53.5	137.3 50.4	132.0 51.0	120.8 47.5	125.4 <sup>ra</sup> 43.6 <sup>ra</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion	152.3 83.6 13.2	57.53 131.4 78.6 14.6	98.8 50.1 17.4	97.1 43.7 14.6	80.3 48.8 18.1	97.0 53.5 19.7	137.3 50.4 17.3	132.0 51.0 30.2	120.8 47.5 8.9	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion	152.3 83.6 13.2 7.7	57.53 131.4 78.6 14.6 7.9	98.8 50.1 17.4 4.4	97.1 43.7 14.6 3.7	80.3 48.8 18.1 3.1	97.0 53.5 19.7 3.4	137.3 50.4 17.3 1.7	132.0 51.0 30.2 1.3	120.8 47.5 8.9 0.9	125.4 <sup>ra</sup> 43.6 <sup>ra</sup> 9.6 <sup>ra</sup> 1.3 <sup>ra</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup>	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup>	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup>	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup>	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup>	80.3 48.8 18.1 3.1 54.41 <sup>Q</sup>	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup>	37.3 50.4  7.3  .7  00.75 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup>	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, %	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29	57.53 131.4 78.6 14.6 7.9 73.35 <sup>ra</sup> 43.85	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70	80.3 48.8 18.1 3.1 54.41° 33.08°	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, % Procurement from BWO suppliers, %	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29 6.35	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup> 43.85 8.13	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62 10.98	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70 9.27	80.3 48.8 18.1 3.1 54.41° 33.08° 12.28°	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup> 15.08 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup> 12.67 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup> 17.72 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91 6.61	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup> 7.20 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, % Procurement from BWO suppliers, % Procurement from BYO suppliers, % Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29 6.35 3.70	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup> 43.85 8.13 4.43	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62 10.98 2.76	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70 9.27 2.32 0.12	80.3 48.8 18.1 3.1 54.41° 33.08° 12.28° 2.10°	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup> 15.08 <sup>RA</sup> 2.58 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup> 12.67 <sup>RA</sup> 1.25 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup> 17.72 <sup>RA</sup> 0.82 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91 6.61 0.64 <sup>LA</sup>	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup> 7.20 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, % Procurement from BWO suppliers, % Procurement from BYO suppliers, % Procurement spend with suppliers owned by black persons living with disabilities (BPwD),	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29 6.35 3.70 0.18	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup> 43.85 8.13 4.43 0.14	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62 10.98 2.76 0.15	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70 9.27 2.32	80.3 48.8 18.1 3.1 54.41° 33.08° 12.28° 2.10° 0.15°	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup> 15.08 <sup>RA</sup> 2.58 <sup>RA</sup> 0.11 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup> 12.67 <sup>RA</sup> 1.25 <sup>RA</sup> 0.02 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup> 17.72 <sup>RA</sup> 0.82 <sup>RA</sup> 0.01 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91 6.61 0.64 <sup>LA</sup>	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup> 1.00 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, % Procurement from BWO suppliers, % Procurement from BYO suppliers, % Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS Procurement spend with qualifying small enterprises (QSE), % of TMPS	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29 6.35 3.70 0.18 3.90	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup> 43.85 8.13 4.43 0.14 4.01	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62 10.98 2.76 0.15 3.36	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70 9.27 2.32 0.12 3.37	80.3 48.8 18.1 3.1 54.419 33.089 12.289 2.109 0.159 4.479	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup> 15.08 <sup>RA</sup> 2.58 <sup>RA</sup> 0.11 <sup>RA</sup> 7.80 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup> 12.67 <sup>RA</sup> 1.25 <sup>RA</sup> 0.02 <sup>RA</sup> 7.67 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup> 17.72 <sup>RA</sup> 0.82 <sup>RA</sup> 0.01 <sup>RA</sup> 4.03 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91 6.61 0.64 <sup>LA</sup> - 6.74	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup> 1.00 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, % Procurement from BWO suppliers, % Procurement from BYO suppliers, % Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS Procurement spend with qualifying small enterprises (QSE), % of TMPS Procurement spend with exempted micro enterprises (EME), % of TMPS Employment equity	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29 6.35 3.70 0.18 3.90	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup> 43.85 8.13 4.43 0.14 4.01	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62 10.98 2.76 0.15 3.36	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70 9.27 2.32 0.12 3.37	80.3 48.8 18.1 3.1 54.419 33.089 12.289 2.109 0.159 4.479	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup> 15.08 <sup>RA</sup> 2.58 <sup>RA</sup> 0.11 <sup>RA</sup> 7.80 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup> 12.67 <sup>RA</sup> 1.25 <sup>RA</sup> 0.02 <sup>RA</sup> 7.67 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup> 17.72 <sup>RA</sup> 0.82 <sup>RA</sup> 0.01 <sup>RA</sup> 4.03 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91 6.61 0.64 <sup>LA</sup> - 6.74	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup> 1.00 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, % Procurement from BWO suppliers, % Procurement from BYO suppliers, % Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS Procurement spend with qualifying small enterprises (QSE), % of TMPS Procurement spend with exempted micro enterprises (EME), % of TMPS Employment equity Disabilities, number of employees	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29 6.35 3.70 0.18 3.90 4.73	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup> 43.85 8.13 4.43 0.14 4.01 6.24	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62 10.98 2.76 0.15 3.36 6.83	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70 9.27 2.32 0.12 3.37 9.12	80.3 48.8 18.1 3.1 54.41° 33.08° 12.28° 2.10° 0.15° 4.47° 13.32°	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup> 15.08 <sup>RA</sup> 2.58 <sup>RA</sup> 0.11 <sup>RA</sup> 7.80 <sup>RA</sup> 9.32 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup> 12.67 <sup>RA</sup> 1.25 <sup>RA</sup> 0.02 <sup>RA</sup> 7.67 <sup>RA</sup> 10.15 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup> 17.72 <sup>RA</sup> 0.82 <sup>RA</sup> 0.01 <sup>RA</sup> 4.03 <sup>RA</sup> 4.81 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91 6.61 0.64 <sup>LA</sup> - 6.74 5.12	1254 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup> 7.20 <sup>RA</sup> 1.00 <sup>RA</sup> -
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, % Procurement from BWO suppliers, % Procurement from BYO suppliers, % Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS Procurement spend with qualifying small enterprises (QSE), % of TMPS Procurement spend with exempted micro enterprises (EME), % of TMPS <b>Employment equity</b> Disabilities, number of employees Employment equity – disability, %	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29 6.35 3.70 0.18 3.90 4.73	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup> 43.85 8.13 4.43 0.14 4.01 6.24	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62 10.98 2.76 0.15 3.36 6.83 1 113	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70 9.27 2.32 0.12 3.37 9.12	80.3 48.8 18.1 3.1 54.41° 33.08° 12.28° 2.10° 0.15° 4.47° 13.32°	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup> 15.08 <sup>RA</sup> 2.58 <sup>RA</sup> 0.11 <sup>RA</sup> 7.80 <sup>RA</sup> 9.32 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup> 12.67 <sup>RA</sup> 1.25 <sup>RA</sup> 0.02 <sup>RA</sup> 7.67 <sup>RA</sup> 10.15 <sup>RA</sup>	32.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup> 17.72 <sup>RA</sup> 0.82 <sup>RA</sup> 0.01 <sup>RA</sup> 4.03 <sup>RA</sup> 4.81 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91 6.61 0.64 <sup>LA</sup> - 6.74 5.12	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup> 7.20 <sup>RA</sup> 1.00 <sup>RA</sup> - 11.90 - 1 283 <sup>RA</sup> 2.99 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, % Procurement from BWO suppliers, % Procurement from BYO suppliers, % Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS Procurement spend with qualifying small enterprises (QSE), % of TMPS Procurement spend with exempted micro enterprises (EME), % of TMPS <b>Employment equity</b> Disabilities, number of employees Employment equity – disability, % Racial equity in senior management, % black employees	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29 6.35 3.70 0.18 3.90 4.73 1 049 3.04 76.38	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup> 43.85 8.13 4.43 0.14 4.01 6.24 1 057 3.05 <sup>RA</sup> 76.80 <sup>RA</sup>	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62 10.98 2.76 0.15 3.36 6.83 1 113 3.08 <sup>RA</sup> 73.67 <sup>RA</sup>	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70 9.27 2.32 0.12 3.37 9.12 1 198 3.16 <sup>RA</sup> 70.72 <sup>RA</sup>	80.3 48.8 18.1 3.1 54.41° 33.08° 12.28° 2.10° 0.15° 4.47° 13.32° 1 265 3.22 <sup>RA</sup> 69.44 <sup>RA</sup>	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup> 15.08 <sup>RA</sup> 2.58 <sup>RA</sup> 0.11 <sup>RA</sup> 7.80 <sup>RA</sup> 9.32 <sup>RA</sup> 1 292 3.13 <sup>RA</sup> 67.97 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup> 12.67 <sup>RA</sup> 1.25 <sup>RA</sup> 0.02 <sup>RA</sup> 7.67 <sup>RA</sup> 10.15 <sup>RA</sup> 1 263 3.01 <sup>RA</sup> 65.77 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup> 17.72 <sup>RA</sup> 0.82 <sup>RA</sup> 0.01 <sup>RA</sup> 4.03 <sup>RA</sup> 4.03 <sup>RA</sup> 4.81 <sup>RA</sup> 1 271 2.97 <sup>RA</sup> 60.90 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91 6.61 0.64 <sup>LA</sup> - 6.74 5.12 1 294 3.12 <sup>RA</sup> 61.58 <sup>RA</sup>	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup> 7.20 <sup>RA</sup> 1.00 <sup>RA</sup> - 11.90 - 1 283 <sup>RA</sup> 2.99 <sup>RA</sup>
B-BBEE attributable expenditure, R billion Black-owned (BO) expenditure, R billion Black women-owned (BWO) expenditure, R billion Black youth-owned (BYO) expenditure, R billion Procurement from B-BBEE compliant suppliers, % <sup>5</sup> Procurement from BO suppliers, % Procurement from BWO suppliers, % Procurement from BYO suppliers, % Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS Procurement spend with qualifying small enterprises (QSE), % of TMPS Procurement spend with exempted micro enterprises (EME), % of TMPS <b>Employment equity</b> Disabilities, number of employees Employment equity – disability, %	152.3 83.6 13.2 7.7 73.44 <sup>RA</sup> 40.29 6.35 3.70 0.18 3.90 4.73	57.53 131.4 78.6 14.6 7.9 73.35 <sup>RA</sup> 43.85 8.13 4.43 0.14 4.01 6.24	98.8 50.1 17.4 4.4 62.34 <sup>RA</sup> 31.62 10.98 2.76 0.15 3.36 6.83 1 113 3.08 <sup>RA</sup>	97.1 43.7 14.6 3.7 61.57 <sup>RA</sup> 27.70 9.27 2.32 0.12 3.37 9.12	80.3 48.8 18.1 3.1 54.419 33.089 12.289 2.109 0.159 4.479 13.329 1 265 3.22 <sup>RA</sup>	97.0 53.5 19.7 3.4 74.24 <sup>RA</sup> 40.93 <sup>RA</sup> 15.08 <sup>RA</sup> 2.58 <sup>RA</sup> 0.11 <sup>RA</sup> 7.80 <sup>RA</sup> 9.32 <sup>RA</sup>	137.3 50.4 17.3 1.7 100.75 <sup>RA</sup> 36.98 <sup>RA</sup> 12.67 <sup>RA</sup> 1.25 <sup>RA</sup> 0.02 <sup>RA</sup> 7.67 <sup>RA</sup> 10.15 <sup>RA</sup>	132.0 51.0 30.2 1.3 83.08 <sup>RA</sup> 30.98 <sup>RA</sup> 17.72 <sup>RA</sup> 0.82 <sup>RA</sup> 0.01 <sup>RA</sup> 4.03 <sup>RA</sup> 4.81 <sup>RA</sup> 1 271 2.97 <sup>RA</sup>	120.8 47.5 8.9 0.9 88.89 <sup>RA</sup> 34.91 6.61 0.64 <sup>LA</sup> - 6.74 5.12	125.4 <sup>RA</sup> 43.6 <sup>RA</sup> 9.6 <sup>RA</sup> 1.3 <sup>RA</sup> 93.90 <sup>RA</sup> 32.70 <sup>RA</sup> 7.20 <sup>RA</sup> 1.00 <sup>RA</sup> - 11.90 - 1 283 <sup>RA</sup> 2.99 <sup>RA</sup>

I. Ratios impacted by the restatements in the annual financial statements were restated where possible.

2. The definition of learners was changed from 1 April 2018, to account for learners only once when they sign up, and not continuously for the duration of their contract.

3. Electrification connections includes farmworker connections.

4. Local content is measured as procurement of locally manufactured/produced goods and services as a percentage of total contracts awarded for all Eskom

- company procurement. The definition of local content reported in terms of the shareholder compact in the directors' report measures local content from designated sectors as a percentage of total contracts awarded for all Eskom company procurement.
- 5. This measure was renamed to "Preferential procurement" in the shareholder compact from 2020.
- RA Reasonable assurance provided by the independent assurance provider. Refer to pages 174 to 176 of the integrated report.
- Q Qualified by the independent assurance provider.
- LA Limited assurance provided by the independent assurance provider.



# Non-technical statistics: Group

Leadership reports

Measure and unit	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Finance <sup>i</sup>										
Electricity operating costs, R/MWh	1 183.24	981.94	895.05	791.04	712.87	622.41	651.98	617.02	587.97	528.70
EBITDA margin, %	14.66	21.39	15.96	18.46	17.46	25.57	21.19	20.29	16.54	17.23
EBITDA, R million	38 045 <sup>RA</sup>	52 954 <sup>ra</sup>	32 608 <sup>ra</sup>	36 816 <sup>ra</sup>	31 417	45 359	37 532	32 811	24 186	23 586
Cash interest cover, ratio	1.29 <sup>RA</sup>	1.69 <sup>ra</sup>	0.85 <sup>RA</sup>	0.94 <sup>RA</sup>	0.94	1.22	1.73	1.73	1.75	2.15
Debt service cover, ratio	0.58 <sup>RA</sup>	0.76 <sup>ra</sup>	0.30 <sup>ra</sup>	0.52 <sup>RA</sup>	0.47	0.87	1.37	1.14	0.91	1.24
Current ratio	0.89	0.90	0.95	0.82	1.00	1.03	0.85	0.83	0.81	0.71
Gross debt/EBITDA, ratio	12.64	8.54	13.98	14.43	15.73	9.74	10.84	10.95	13.60	11.77
Debt/equity (including long-term provisions), ratio	1.87	1.81	2.03	2.44	3.17	2.58	2.11	1.65	2.50	2.00
Gearing, %	65	64	67	71	76	72	68	62	71	67
Free funds from operations, R million	43 847	63 795	42 972	41 120	29 047	40 022	47 571	39 443	36 179	31 158
Free funds from operations after net interest paid, R million	11 567	31 904	6 496	2 606	(5 940)	9 147	21 148	17 927	20 564	20 139
Free funds from operations as % of gross debt, %	9.12	4.	9.42	7.74	5.88	9.06	11.69	10.98	11.00	11.22
Building skills										
Headcount (including fixed-term contractors)	39 601	40 421	42 749	44 772	46 665	48 628	47 658	47 978	46 491	46 919
Transformation										
Socio-economic contribution										
Corporate social investment committed spend, R million	63.0 <sup>RA</sup>	75.1 <sup>ra</sup>	67.4 <sup>RA</sup>	123.8 <sup>RA</sup>	132.4 <sup>Q</sup>	192.0 <sup>ra</sup>	225.3	103.6	115.5	132.9 <sup>ra</sup>
Corporate social investment, number of beneficiaries	438 094	785 085	802 635	I 479 395	933 139	6 044	841 845	302 736	323 882	357 443 <sup>ra</sup>
Procurement equity										
B-BBEE attributable expenditure, R billion	150.1	134.2	100.4	101.7	84.5	102.3	127.7	125.0	116.0	119.4 <sup>ra</sup>
Black-owned (BO) expenditure, R billion	87.6	83.2	53.8	46.9	52.1	57.6	53.9	52.9	49.4	45.8 <sup>ra</sup>
Black women-owned (BWO) expenditure, R billion	14.9	16.4	19.0	15.6	18.8	20.9	19.4	30.8	9.3	9.8 <sup>ra</sup>
Black youth-owned (BYO) expenditure, R billion	8.8	9.5	5.4	4.1	3.5	3.9	2.0	1.4	0.9	1.3 <sup>ra</sup>
Procurement from B-BBEE compliant suppliers, % <sup>2</sup>	72.80	75.89	64.51	65.97	58.66	80.25	98.25	81.65	89.39	91.80 <sup>ra</sup>
Procurement from BO suppliers, %	42.48	47.08	34.60	30.38	36.17	45.20	41.49	33.61	34.41	35.30 <sup>ra</sup>
Procurement from BWO suppliers, %	7.21	9.26	12.24	10.10	13.07	16.41	14.92	19.30	6.49	7.50 <sup>ra</sup>
Procurement from BYO suppliers, %	4.26	5.40	3.46	2.65	2.41	3.05	1.52	0.94	0.63	1.00 <sup>RA</sup>
Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS	0.18	0.16	0.22	0.17	0.22	0.20	0.02	0.01	0.00	0.00
Procurement spend with qualifying small enterprises (QSE), % of TMPS	4.39	4.91	4.29	4.08	5.17	8.86	8.91	4.62	6.75	15.09
Procurement spend with exempted micro enterprises (EME), % of TMPS	5.86	7.88	8.07	9.77	14.01	10.21	11.24	5.89	5.78	-
Employment equity										
Disabilities, number of employees	1 171	88	252	348	4 6	44	1 396	3	325	I 305 <sup>ra</sup>
Employment equity – disability, %	2.96	2.94	2.93	3.01	3.03	2.96	2.93	2.73	2.89	2.77 <sup>ra</sup>
Racial equity in senior management, % black employees	76.92	76.67	73.72	71.00	69.80	68.31	65.80	61.06	61.70	59.30 <sup>ra</sup>
Racial equity in professionals and middle management, % black employees	83.59	81.68	80.10	78.04	76.22	75.27	73.50	71.68	71.77	70.60 <sup>ra</sup>
Gender equity in senior management, % female employees	42.01	43.33	41.99	41.73	39.85	38.20	36.58	28.13	29.82	28.80 <sup>RA</sup>
Gender equity in professionals and middle management, % female employees	40.92	39.91	38.95	38.24	37.89	37.47	35.98	35.11	35.29	34.90 <sup>RA</sup>

I. Ratios impacted by the restatements in the annual financial statements were restated where possible.

2. This measure was renamed to "Preferential procurement" in the shareholder compact from 2020.

RA Reasonable assurance provided by the independent assurance provider. Refer to pages 174 to 176 of the integrated report.

Q Qualified by the independent assurance provider.

# Plant information

#### POWER STATION CAPACITIES

at 31 March 2023

The difference between installed and nominal capacity reflects auxiliary power consumption and reduced capacity caused by the age of the plant.

Name of station	Location	Years commissioned, first to last unit	Number and installed capacity of generator sets MW	Total installed capacity MW	Total nominal capacity MW
Base-load stations					
Coal-fired (15)				44 598	39 099
Arnot	Middelburg	Sep 1971 to Aug 1975	6×370	2 220	2 100
Camden <sup>I, 3</sup>	Ermelo	Mar 2005 to Jun 2008	3×200; 1×196; 2×195; 1×190; 1×185	56	48
Duvha <sup>2</sup>	Emalahleni	Aug 1980 to Feb 1984	5×600	3 000	2 875
Grootvlei <sup>1, 3</sup>	Balfour	Apr 2008 to Mar 2011	4×200; 2×190	80	570
Hendrina <sup>3</sup>	Middelburg	May 1970 to Dec 1976	5×200; 1×195; 1×191; 1×170; 1×167	I 723	1 098
Kendal⁴	Emalahleni	Oct 1988 to Dec 1992	6×686	4 116	3 840
Komati <sup>i, 8</sup>	Middelburg	Mar 2009 to Oct 2013	4×100; 4×125; 1×90	990	-
Kriel	Bethal	May 1976 to Mar 1979	3×430; 3×500	2 790	2 640
Kusile <sup>4</sup>	Ogies	Aug 2017 to Mar 2021	4×799	3 196	2 880
		Under construction	2×800	-	-
Lethabo	Vereeniging	Dec 1985 to Dec 1990	6×618	3 708	3 558
Majuba⁴	Volksrust	Apr 1996 to Apr 2001	3x657; 3x713	4 110	3 807
Matimba <sup>4</sup>	Lephalale	Dec 1987 to Oct 1991	6×665	3 990	3 690
Matla	Bethal	Sep 1979 to Jul 1983	6×600	3 600	3 450
Medupi <sup>4, 9</sup>	Lephalale	Aug 2015 to Jul 2021	5×794; 1×790	4 760	3 600
Tutuka	Standerton	Jun 1985 to Jun 1990	6×609	3 654	3 510
Nuclear (I)					
Koeberg	Cape Town	Jul 1984 to Nov 1985	I×970; I×964	I 934	I 854
Peaking stations					
Gas/liquid fuel turbine s	tations (4)			2 426	2 409
Acacia	Cape Town	May 1976 to Jul 1976	3×57	171	171
Ankerlig	Atlantis	Mar 2007 to Mar 2009	4×149.2; 5×148.3	338	327
Gourikwa	Mossel Bay	Jul 2007 to Nov 2008	5×149.2	746	740
Port Rex	East London	Sep 1976 to Oct 1976	3×57	171	171
Pumped storage scheme	es (3)5		I	2 732	2 724
Drakensberg	Bergville	Jun 1981 to Apr 1982	4×250	1 000	1 000
Ingula	Ladysmith	Jun 2016 to Feb 2017	4×333	1 332	1 324
Palmiet	Grabouw	Apr 1988 to May 1988	2×200	400	400
Hydroelectric stations (		L		600	600
		Can 1071 to Man 107/	4×90	360	360
Gariep Vanderkloof	Norvalspont Petrusville	Sep 1971 to Mar 1976 Jan 1977 to Feb 1977	4×70 2×120	240	240
	T eti davine		2/120	210	210
Total used for capacity	management purp	oses		52 290	46 686
Renewable energy					
<b>Wind energy (1)<sup>7</sup></b> Sere	Vredendal	Mar 2015	46×2.2	100	100
Total capacity including				52 390	46 786
Other hydroelectric sta				61	2
Mbashe <sup>10</sup>	Mbashe River		3×14	42	2
First Falls <sup>10</sup>	Mbashe River Umtata River		3×14 2×3	42	-
	Umtata River Ncora River		-	6 2	-
Ncora Second Falls <sup>10</sup>	Umtata River		2x0.4; 1x1.6 2x5.5	2	2
			2×3.3		
Total Eskom power stat	tion capacities (30) tity – Eskom-owne			52 451	46 788
					89.20%

Name of station	Total nominal capacity MW
Nominal capacity of Eskom-owned power stations	46 788
Independent power producers (IPP) capacity	7 110
Biomass	25
Concentrating solar power	500
Gas/liquid fuel	I 005
Hydroelectric	18
Landfill	8
Solar PV energy	2 212
Wind	3 342
Total nominal capacity available to the grid – Eskom and IPPs	53 898

I. Former moth-balled power stations that have been returned to service. The original commissioning dates were:

- Camden was originally commissioned between August 1967 and September 1969
- Grootvlei was originally commissioned between June 1969 and November 1977
- Komati was originally commissioned between November 1961 and March 1966

Due to technical and/or financial constraints, some units at these stations have been derated.

2. The Duvha Unit 3 recovery project was cancelled, and the unit removed from the installed base.

3. Certain units are under reserve storage and their capacity removed from the nominal base, in line with the Generation 2035 shutdown plan.

4. Dry-cooled unit specifications based on design back-pressure and ambient air temperature.

5. Pumped storage facilities are net users of electricity. Water is pumped during off-peak periods so that hydroelectricity can be generated during peak periods.

6. Use restricted to periods of peak demand, dependent on the availability of water in the Gariep and Vanderkloof Dams.

7. Installed and operational, but not included for technical performance KPIs.

8. All of Komati's units were shut down in line with the Generation 2035 shutdown plan, with the last unit shut down by 1 November 2022.

9. Medupi Unit 4 has been placed in extended inoperability from 1 October 2022 to 31 August 2024 and has been removed from the nominal base.

10. Small hydro stations were placed in reserve storage from 1 April 2021.

Leadership reports Our strategic context

Governance, leadership and ethics

### Plant information continued

#### POWER LINES AND SUBSTATIONS IN SERVICE

at 31 March 2023

Category	2023	2022	2021	2020	2019
Power lines					
Transmission power lines, km <sup>1</sup>	33 194	33 193	33 158	33 027	32 698
765kV	2 784	2 784	2 784	2 784	2 784
533kV DC (monopolar)	I 032	I 032	1 032	I 032	I 035
400kV	19 916	19 916	19 760	19 743	19 421
275kV	7 395	7 342	7 342	7 228	7 218
220kV	I 352	I 352	35	35	35
132kV	714	766	889	889	889
Distribution overhead power lines, km	363 603	363 286	358 100	351 023	347 284
132kV and higher	27 378	27 265	26 441	24 777	24 666
44 to 88kV <sup>2</sup>	22 219	22 359	21 367	20 767	20 735
33kV <sup>2</sup>	3 879	3 851	3 730	3 563	3 420
I to 22kV	310 127	309 811	306 561	301 916	298 463
Distribution underground cables, km	8 376	8 339	8 288	7 734	7 651
132kV and higher	70	97	97	86	86
44 to 88kV <sup>2</sup>	205	215	209	190	189
33kV <sup>2</sup>	330	323	323	4	4
I to 22kV	7 771	7 704	7 659	7 454	7 372
Total all power lines, km	405 173	404 818	399 546	391 784	387 633
Total transformer capacity, MVA	301 893	301 381	310 123	306 949	297 512
Transmission, MVA <sup>3</sup>	155 820	155 250	154 500	153 135	152 415
Distribution and reticulation, MVA	146 073	146 131	155 623	153 814	145 097
Total transformers, number	415 288	414 568	420 455	391 231	385 085
Transmission, number	453	451	449	446	444
Distribution and reticulation, number	414 835	414 117	420 006	390 785	384 641

Transmission power line lengths are included as per distances from the Geographic Information System.
 Under NRS048 part 6, 33kV lines were reclassified in 2019 from high to medium voltage. Prior year figures have not been restated.
 Base of definition: transformers rated ≥30MVA and primary voltage ≥132kV.

# Customer information

Category	2023	2022	2021	2020	2019
Number of Eskom customers					
Distributors	799	799	804	805	800
Residential	6 944 488	6 833 928	6 720 150	6 577 905	6 358 523
Commercial	50 846	52 736	52 880	52 909	52 556
Industrial	2 560	2 601	2 649	2 684	2 705
Mining	906	926	945	961	981
Agricultural	74 608	77 692	79 115	80 451	81 303
Rail	454	471	475	475	493
International	II.	II	11		11
	7 074 672	6 969 164	6 857 029	6 716 201	6 497 372
Electricity sales per customer category, GWh					
Distributors	79 480	83 831	82 354	85 898	87 168
Residential	9 177	10 520	10 949	11 293	11 748
Commercial	9 376	9 872	9 696	10 486	10 558
Industrial <sup>2</sup>	44 635	45 220	40 973	45 696	48 785
Mining	27 843	28 030	26 991	28 703	28 972
Agricultural	4 785	5 382	5 461	5 770	5 796
Rail	1 668	2 128	93	2 600	2 831
International	11 437	13 298	13 497	15 189	12 461
	188 401	198 281	191 852	205 635	208 319
International sales to countries in southern Africa, GWh	11 437	13 298	13 497	15 189	12 461
Botswana	370	851	785	26	247
Eswatini	609	713	677	1 011	766
Lesotho	416	341	324	426	292
Mozambigue	8 228	8 215	8 263	8 358	8 339
Namibia	622	653	493	2 013	5 8
Zambia	25	6	78	238	258
Zimbabwe	1 152	456	79	245	456
Short-term energy market <sup>3</sup>	15	63	86	637	585
Electricity revenue per customer category, R million					
Distributors	111 414	105 369	90 228	85 656	77 231
Residential	18 052	18 680	16 924	16 069	14 771
Commercial	17 622	16 723	14 304	14 067	12 385
Industrial <sup>2</sup>	53 269	48 204	37 026	37 946	36 168
Mining	39 958	36 630	30 708	29 968	26 550
Agricultural	11 660	11 600	10 262	9 839	8 682
Rail	3 374	3 477	2 977	3 323	3 119
International	10 699	11 450	10 383	12 229	8 241
Gross electricity revenue	266 048	252 133	212 812	209 097	187 147
Less: Revenue capitalised <sup>4</sup>	_	_	(3 991)	(5 683)	(3 393)
Less: Revenue not recognised <sup>5</sup>	(15 774)	(14 215)	(12 112)	(10 190)	(8 914)
Add: Recognised on the cash basis <sup>6</sup>	7 563	6 543	5 935	4 083	2 472
Electricity revenue less capitalised revenue per note 31 in the annual financial statements	257 837	244 461	202 644	197 307	177 312

Prepaid electricity and public lighting are included under the residential category. Т.

 IPP network consumption is included under the industrial category.
 IPP network consumption is included under the industrial category.
 The short-term energy market consists of all the utilities in the southern African countries that form part of the Southern African Power Pool. Energy is traded on a daily, weekly and monthly basis as there is no long-term bilateral contract.

4. From I April 2022, revenue from the sale of production, while testing generating plant not yet commissioned, is no longer capitalised to the plant and instead recognised as revenue in the income statement. The figure for 2022 has been restated (previously RI 074 million capitalised, now recognised as revenue).

5. The principle of only recognising revenue if it is deemed collectable at the date of sale, as opposed to recognising the revenue and then impairing the customer The principle of only recognising the technical terms defined and a the data of safe, as opposed for the conditions change, has been applied since 2015. External revenue of R15 774 million was thus not recognised at 31 March 2023.
 Under IFRS 15, certain supplies to distributors were recognised on the cash basis, due to uncertainty around collectability at the time of sale.

# Environmental implications of using or saving electricity

#### FACTOR I

Figures are calculated based on total electricity sales by Eskom, which is based on the total available for distribution (including purchases), after excluding losses through Transmission and Distribution (technical losses), losses through theft (non-technical losses), our own internal use and wheeling. Thus to calculate  $CO_2$  emissions, divide the quantity of  $CO_2$  emitted by electricity sales: 187.5Mt of  $CO_2 \div 188$  401GWh sales = 1.00 tons per MWh

#### FACTOR 2

Figures are calculated based on total electricity generated, which includes coal, nuclear, pumped storage, wind, hydro and gas turbines, but excludes the total consumed by Eskom. Thus the quantity of  $CO_2$  emissions, divided by (electricity generated less Eskom's electricity consumption):

187.5Mt of CO<sub>2</sub> ÷ (191 307GWh generated less 5 504GWh own consumption) = 1.01 tons per MWh

Figures represent the 12-month period from 1 April 2022 to 31 March 2023.

	Factor I					
	(total energy sold)	(total energy generated)	kWh	MWh	GWh	TWh
Coal use	0.54	0.55	kilogram	ton	thousand tons (kt)	million tons (Mt)
Water use <sup>1</sup>	1.36	1.38	litre	kilolitre	megalitre (Ml)	thousand megalitres
Ash produced	160	163	gram	kilogram	ton	thousand tons (kt)
Particulate emissions	0.69	0.70	gram	kilogram	ton	thousand tons (kt)
CO <sub>2</sub> emissions <sup>2</sup>	1.00	1.01	kilogram	ton	thousand tons (kt)	million tons (Mt)
SO emissions <sup>2</sup>	7.69	7.80	gram	kilogram	ton	thousand tons (kt)
NO <sub>x</sub> emissions <sup>3</sup>	3.95	4.00	gram	kilogram	ton	thousand tons (kt)

. Volume of water used at all Eskom power stations.

Calculated figures based on coal characteristics and power station design parameters. Sulphur dioxide and carbon dioxide emissions are based on coal analysis
and using coal burnt tonnages. Figures include coal-fired and gas turbine power stations, as well as oil consumed during power station start-ups and, for carbon
dioxide emissions, the underground coal gasification pilot plant.

3. NO, reported as NO, is calculated using average station-specific emission factors, which have been measured intermittently, and tonnages of coal burnt.

Multiply electricity consumption or saving by the relevant factor in the table above to determine the environmental implication.

Example I: Water consumption	Example 2: CO <sub>2</sub> emissions		
Using Factor I	Using Factor I		
Used 90MWh of electricity	Used 90MWh of electricity		
90 × 1.36 = 122.4	90 × 1.00 = 90.0		
Therefore 122.4 kilolitres of water used	Therefore 90.0 tons CO <sub>2</sub> emitted		
Using Factor 2	Using Factor 2		
Used 90MWh of electricity	Used 90MWh of electricity		
90 × 1.38 = 124.2	90 × 1.01 = 90.9		
Therefore 124.2 kilolitres of water used	Therefore 90.9 tons CO <sub>2</sub> emitted		

# Sustainability KPIs selected for reasonable assurance

Deloitte has been engaged to provide reasonable assurance on selected sustainability KPIs for the year ended 31 March 2023. These KPIs are reported based on internally developed measure specification documents setting out measurement criteria, which are linked to process control manuals.

All KPIs refer to Eskom company, except for the lost-time injury rate and the financial sustainability measures which reflect group performance.

All but one of the 42 KPIs scoped for reasonable assurance received an unqualified opinion.

 $({\sf IR})$  Refer to the independent sustainability assurance report from page 174 for further information

The selected KPIs and corresponding performance for the year ended 31 March 2023 are as follows:

Key performance indicator	Unit of measure	Measurement criteria	Actual 2023
Focus on safety			
Lost-time injury rate (employees only) <sup>SC</sup> Rate		Proportional representation of lost-time injuries over 12 months per 200 000 working hours. The measure includes occupational diseases but excludes third party at fault incidents and all passengers in commuting incidents	0.26 <sup>RA</sup>
Improve plant operations			
Energy availability factor (EAF) <sup>sc</sup>	EAF) <sup>sc</sup> % Measures power station availability, taking account of energy losses not under the control of plant management and internal non- engineering constraints		56.03 <sup>RA</sup>
Planned capability loss factor (PCLF)	%	Energy losses due to planned maintenance on power station units	10.39 <sup>RA</sup>
Unplanned partial load losses (UCLF PLL)	Average MW	Unplanned breakdowns of power station units due to causes under the control of plant management that do not lead to the unit being entirely out of service	6 057 <sup>RA</sup>
Unplanned automatic grid separations (UAGS) trips	Number of trips	The number of UAGS trips recorded in all cases where energy delivered to the grid or pumping is interrupted by a protection control system and/or human error	736 <sup>ra</sup>
Post-philosophy outage unplanned capability loss factor (PPO UCLF) <sup>sc</sup>	%	Unplanned breakdowns of power station units that occur within sixty days after the unit has returned from an outage	35.75 <sup>RA</sup>
Outage readiness indicator (ORI) at T-3 <sup>sc</sup>	%	Measures readiness for a planned outage three months prior to the breaker being opened; scored on an internal assessment of various indicators	70.25 <sup>0</sup>
Boiler tube failure rate <sup>sc</sup>	Rate	Measures boiler tube failures which occur when a boiler tube's pressure boundary is broken by a leak or rupture, based on number of failures per unit per year	2.17 <sup>RA</sup>
System minutes lost <1 <sup>SC</sup>	em minutes lost <i<sup>SC Minutes Measures the sum of system minutes lost for interruptions cause Transmission Division. It excludes major incidents with a severity one minute or more</i<sup>		4.71 <sup>RA</sup>
Transmission lines installed <sup>sc</sup>	km	New high-voltage transmission lines installed on the Eskom network	326.1RA
Transmission transformer capacity installed and commissioned <sup>sc</sup>	MVA	New transformer capacity installed and commissioned at transmission substations	_RA
Payment levels excluding Soweto interest <sup>sc</sup>	%	Total payments received on invoiced amounts, including interest but excluding Soweto interest	95.03 <sup>RA</sup>
ii t		Energy losses from technical and non-technical reasons. The latter includes losses due to electricity theft through illegal connections, tampering and bypassing of electricity meters as well as the purchase of electricity tokens from unregistered or illegal vendors. It includes meter reading and billing errors	<b>9.74</b> <sup>RA</sup>

Performance review



## Sustainability KPIs selected for reasonable assurance continued

Leadership reports

Key performance indicator	Unit of measure	Measurement criteria	Actual 2023
Total electrification connections <sup>sc</sup>	Number	New connections of previously disadvantaged households and farm dweller houses in Eskom's licensed areas of supply under the electrification programme funded by DMRE	102 590 <sup>ra</sup>
System average interruption duration index (SAIDI) <sup>SC</sup>	Hours	The average duration of interruptions on the distribution network experienced by customers during a year	35.5 <sup>RA</sup>
Focus on the system			
Loadshedding implemented <sup>sc</sup>	Number of days	Scheduled and controlled power cuts that rotate available capacity between all customers when demand is greater than supply to protect the integrity and stability of the grid to avoid a blackout	280 <sup>RA</sup>
Primary energy optimisation			
Migration of coal delivery volume from road to rail <sup>SC</sup>	Mt	Tonnage of coal transported on rail rather than by road	2.5 <sup>RA</sup>
Coal purchases Rand/ton % increase <sup>sc</sup>	%	Determined by comparing the current average fleet purchase price of coal against the previous year's actual price	9.2 <sup>RA</sup>
Reduce environmental footprint in ex	kisting fleet		
Relative particulate emissions <sup>sc</sup>	kg/MWh sent out	The mass of particulates emitted from Eskom's coal-fired power stations per unit of energy sent out	0.70 <sup>RA</sup>
Specific water usage <sup>sc</sup>	ℓ/kWh sent out	The amount of raw water used for power generation per unit of energy sent out	1.39 <sup>RA</sup>
Atmospheric emission licence (AEL) compliance <sup>sc</sup>	%	Annual average of AEL compliance, scored on an internal assessment of various indicators per power station	87.40 <sup>RA</sup>
Carbon dioxide emissions (from fossil fuel generation)	Mt CO <sub>2</sub>	Tonnage of $\mathrm{CO}_{_2}$ emitted through fossil fuel generation	187.5 <sup>RA</sup>
Deliver capital expansion			
Generation capacity installed and commissioned (commercial operation) <sup>SC</sup>	MW	New power station units installed and commissioned on the Eskom network	<b>799</b> <sup>RA</sup>
Ensure financial sustainability			
EBITDA <sup>sc</sup>	R million	Earnings before interest, tax, depreciation and amortisation	38 045 <sup>RA</sup>
Cash interest cover ratio <sup>sc</sup>	Ratio	Operating cash flows available to service net interest on borrowings	1.29 <sup>RA</sup>
Debt service cover ratio <sup>SC</sup>	Ratio	Operating cash flows available to service net interest and capital repayments on borrowings	0.58 <sup>RA</sup>
Savings from turnaround initiatives <sup>SC</sup>	R million	Cost saving and/or other income initiatives recorded against a baseline through Eskom's turnaround plan	27 765 <sup>RA</sup>
Socio-economic impact: human capit	al		
New learner intake: artisans <sup>sc</sup>	Number	Total number of new learners, including artisans, engineers,	135 <sup>RA</sup>
New learner intake: engineers <sup>sc</sup>	Number	technicians and sector-specific learners	144 <sup>RA</sup>
New learner intake: technicians <sup>sc</sup>	Number		105 <sup>ra</sup>
New learner intake: sector-specific <sup>sc</sup>	Number		<b>90</b> <sup>RA</sup>
Training expenditure as % of budgeted gross employee benefit expense <sup>sc</sup>	%	Training and development cost as a percentage of budgeted gross employee benefit expense	3.57 <sup>RA</sup>

Unit of measure	Measurement criteria	Actual 2023
tion and loc	alisation	
%	Procurement of goods and services from B-BBEE compliant suppliers. Calculated as a % of total measurable procurement spend	73.44 <sup>RA</sup>
%	Procurement of locally manufactured and/or produced goods and services as a percentage of total contracts awarded	<b>59.09</b> <sup>RA</sup>
Number	Based on the Codes of Good Practice on Broad-Based Black Economic Empowerment	Level 4 <sup>RA</sup>
R million	Value of enterprise development initiatives provided to new and existing black-owned enterprises	0.13 <sup>RA</sup>
R billion	Value of initiatives undertaken and contracts awarded or subcontracted to qualifying enterprises	3.67 <sup>RA</sup>
%	Percentage of contracts with an import content of \$5 million or more, which leverage Eskom's procurement to promote industrial development and increase the competitiveness, capability and capacity of the local supply base	100 <sup>ra</sup>
	II	
%	Percentage of NERSA-allocated research funding invested in operational and strategic research and development	123.6 <sup>RA</sup>
R million	Total amount committed or paid towards corporate social investment	63.0 <sup>RA</sup>
Date	Generation is a legal operating subsidiary of Eskom by 31 December 2022	No <sup>ra</sup>
Date	Distribution is a legal operating subsidiary of Eskom by 31 December 2022	No <sup>ra</sup>
	measure       ation and loc       xtion and loc       %       %       %       %       R million       % </td <td>measure         Measurement criteria           attion and localisation           %         Procurement of goods and services from B-BBEE compliant suppliers. Calculated as a % of total measurable procurement spend           %         Procurement of locally manufactured and/or produced goods and services as a percentage of total contracts awarded           Number         Based on the Codes of Good Practice on Broad-Based Black Economic Empowerment           R million         Value of enterprise development initiatives provided to new and existing black-owned enterprises           R billion         Value of initiatives undertaken and contracts awarded or subcontracted to qualifying enterprises           %         Percentage of contracts with an import content of \$5 million or more, which leverage Eskom's procurement to promote industrial development and increase the competitiveness, capability and capacity of the local supply base           %         Percentage of NERSA-allocated research funding invested in operational and strategic research and development           R million         Total amount committed or paid towards corporate social investment           Date         Generation is a legal operating subsidiary of Eskom by 31 December 2022           Date         Distribution is a legal operating subsidiary of Eskom by</td>	measure         Measurement criteria           attion and localisation           %         Procurement of goods and services from B-BBEE compliant suppliers. Calculated as a % of total measurable procurement spend           %         Procurement of locally manufactured and/or produced goods and services as a percentage of total contracts awarded           Number         Based on the Codes of Good Practice on Broad-Based Black Economic Empowerment           R million         Value of enterprise development initiatives provided to new and existing black-owned enterprises           R billion         Value of initiatives undertaken and contracts awarded or subcontracted to qualifying enterprises           %         Percentage of contracts with an import content of \$5 million or more, which leverage Eskom's procurement to promote industrial development and increase the competitiveness, capability and capacity of the local supply base           %         Percentage of NERSA-allocated research funding invested in operational and strategic research and development           R million         Total amount committed or paid towards corporate social investment           Date         Generation is a legal operating subsidiary of Eskom by 31 December 2022           Date         Distribution is a legal operating subsidiary of Eskom by

<sup>SC</sup> Indicates that a KPI is included in the shareholder compact.
 <sup>RA</sup> Reasonable assurance provided by the independent assurance provider.
 Qualified by the independent assurance provider.

Performance review

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# Independent sustainability assurance report

Our strategic context

#### INDEPENDENT ASSURANCE PRACTITIONER'S REASONABLE ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS TO THE DIRECTORS OF ESKOM HOLDINGS SOC LTD

We have undertaken a reasonable assurance engagement on selected key performance indicators (KPIs), as described below, and presented in the integrated report of Eskom Holdings SOC Ltd (Eskom) for the year ended 31 March 2023. This engagement was conducted by a multidisciplinary team including environmental, safety, social and assurance specialists with relevant experience in sustainability reporting.

#### SUBIECT MATTER

We have been engaged to provide a reasonable assurance opinion in our report on the following selected KPIs, marked with RA in the integrated report. The selected KPIs described below have been prepared in accordance with Eskom's internal reporting guidelines (reporting criteria), which are set out on pages 171 to 173.

Key performance indicator and unit of measure	Deliver capital expansion		
Lost-time injury rate (employees only), rate	Generation capacity installed and		
Improve plant operations	operation), MW		
Energy availability factor (EAF), %	Ensure financial sustainability		
Planned capability loss factor (PCLF), %	EBITDA, R million		
Unplanned partial load losses (UCLF PLL), average MW	Cash interest cover ratio		
Unplanned automatic grid separations (UAGS) trips, number	Debt service cover ratio		
of trips	Savings from turnaround initiative		
Post-philosophy outage unplanned capability loss factor (PPO UCLF), %	Socio-economic impact: huma		
Outage readiness indicator (ORI) at T-3, %'	New learner intake: artisans, num		
Boiler tube failure rate, rate	New learner intake: engineers, nu		
Systems minutes lost <1, minutes	New learner intake: technicians, r		
Transmission lines installed. km	New learner intake: sector-specif		
Transmission lines installed, km Transmission transformer capacity installed and commissioned, MVA	Training expenditure as % of b expense, %		
Payment levels excluding Soweto interest, %	Socio-economic impact: indus		
Distribution total energy losses, %	Preferential procurement, %		
Total electrification connections, number	Local content, %		
System average interruption duration index (SAIDI), hours	B-BBEE score level, number		
Focus on the system	Enterprise development, R millior		
Loadshedding implemented, number of days <sup>ı</sup>	Supplier development, R billion		
Primary energy optimisation	National industrial participation p		
Migration of coal delivery volume from road to rail, Mt	Socio-economic impact: other		
Coal purchases Rand/ton % increase, %	Research and development (% of		
Reduce environmental footprint in existing fleet	CSI committed spend, R million		
Relative particulate emissions, kg/MWh sent out	Legal separation		
Specific water usage, ℓ/kWh sent out	Business separation key milestones:		
Atmospheric emissions licences (AEL) compliance, % <sup>1</sup>	Business separation key milestone		
Carbon dioxide emissions (from fossil fuel generation), Mt CO <sub>2</sub>	date <sup>l</sup>		

1. We were not required to provide assurance on these selected KPIs in the prior year.

and commissioned (commercial ity atives, R million ıman capital number s, number ns, number pecific, number<sup>i</sup> budgeted gross employee benefit dustrialisation and localisation

illion on on programme, %

#### her

% of NERSA-allocated spend), %

ones: Generation legal separation, date<sup>1</sup> tones: Distribution legal separation,

#### DIRECTORS' RESPONSIBILITY

The directors are responsible for the selection, preparation and presentation of the selected KPIs in accordance with reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal controls relevant to the preparation of the integrated report that is free from material misstatement, whether due to fraud or error. The directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected KPIs and for ensuring that those criteria are publicly available to users.

#### OUR INDEPENDENCE AND OUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Deloitte & Touche applies the International Standard on Quality Management I, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### ASSURANCE PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a reasonable assurance opinion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and, in respect of greenhouse gas emissions, in accordance with the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. These standards require that we plan and perform our engagement to obtain reasonable assurance about whether the selected KPIs are free from material misstatement.

A reasonable assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves performing procedures to obtain evidence about the measurement of the selected KPIs and related disclosures in the integrated report. The nature, timing and extent of procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the selected KPIs, whether due to fraud or error.

In making those risk assessments we have considered internal controls relevant to Eskom's preparation of the selected KPIs. A reasonable assurance engagement also includes:

- Evaluating the appropriateness of quantification methods, reporting policies and internal guidelines used and the reasonableness of estimates made by Eskom
- Assessing the suitability in the circumstances of Eskom's use of the applicable reporting criteria as a basis for preparing the selected information
- · Evaluating the overall presentation of the selected sustainability performance information

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our gualified opinion.

#### BASIS FOR OUALIFIED OPINION

The "outage readiness indicator (ORI) at T-3" measures the readiness of the planned philosophy outage three months before the relevant units are released for philosophy maintenance. This KPI is reported as a percentage, calculated from the overall average percentage score of the respective T-3 readiness assessments conducted across the relevant units for the year under review in terms of the KPI scope. The scoring within the assessment involves physical inspection of infrastructure, replacement parts and system information at the time of the assessment being conducted. The documentation and inspection of information by the assessment team is viewed at the specific point in time, however, the relevant supporting documentation was not maintained. In addition, judgement is applied to scoring certain elements of the assessment from the discussions held between the assessment team and site management. This judgement applied was not comprehensively documented by the assessment team.

We were unable to substantiate Eskom's reported value of 70.25% by alternative means. As a consequence, we were unable to obtain sufficient and appropriate evidence to determine whether any adjustments were needed to the "outage readiness indicator (ORI) at T-3" and resultantly unable to conclude on the KPI figure reported.

#### QUALIFIED REASONABLE ASSURANCE OPINION

In our opinion, except for the possible effects of the matter referred to in the "Basis for qualified opinion" paragraph above, the selected KPIs as set out in the "Subject matter" paragraph above for the year ended 31 March 2023 are prepared, in all material respects, in accordance with the reporting criteria.

#### OTHER MATTERS

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Our report includes the provision of reasonable assurance on selected KPIs, as indicated in the "Subject matter" paragraph above, on which we were previously not required to provide assurance. This includes the "outage readiness indicator at T-3", on which we express a qualified opinion.

Our strategic context

Governance, leadership and ethics

### Independent sustainability assurance report *continued*

The maintenance and integrity of Eskom's website is the responsibility of Eskom's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the integrated report or our independent reasonable assurance report that may have occurred since the initial date of its presentation on Eskom's website.

#### **RESTRICTION OF LIABILITY**

Our work has been undertaken to enable us to express a reasonable assurance opinion on the selected KPIs to the directors of Eskom in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Eskom, for our work, for this report, or for the conclusion we have reached.



Deloitte & Touche Registered Auditors

#### Per Jyoti Vallabh

Chartered Accountant (SA) Registered Auditor Partner 30 October 2023

5 Magwa Crescent Waterfall City, Waterfall Private Bag X6, Gallo Manor, 2052 South Africa

# Disclosure of information under the PFMA

In terms of the requirements of National Treasury Instruction 4 of 2022/23, irregular as well as fruitless and wasteful expenditure under the Public Finance Management Act, 1999 (PFMA) previously disclosed in the annual financial statements of the mandated institution and not addressed must remain in the register and annual report of the mandated institution and addressed in terms of Annexure A to the instruction.

The instruction requires that detailed information be reported in the integrated report; only expenditure relating to the current and comparative financial years will be reported in the annual financial statements. All information reported previously in the annual financial statements are therefore still reported in the integrated report. The instruction further requires reporting inclusive of value added tax (VAT). Eskom has historically reported all amounts excluding VAT and has continued to do so in the current year, due to limited time and resources to recalculate amounts, particularly on opening balances and multi-year contracts that continue to incur expenditure in the current and comparative years.

The external auditor's report for the 2022 financial year was qualified as it related to previous disclosures in the annual financial statements of irregular expenditure, fruitless and wasteful expenditure and losses due to criminal conduct. Furthermore, the prior year auditor's report called out material findings in Eskom's compliance with specific matters and key legislation, as well as significant internal control deficiencies. Another qualified opinion was raised for the 2023 financial year.

Eskom is actively seeking ways to enhance PFMA compliance by developing a proactive and effective approach to address PFMA audit qualifications. The organisation's PFMA compliance status is continuously assessed. We have identified gaps and areas where PFMA compliance has been a challenge and will continue to analyse the root causes of non-compliance issues to address them effectively. A detailed action plan to address the qualification is under development with clear objectives, timelines, and responsible individuals or teams, the progress of which will be monitored regularly.

From an improvement perspective, it is key to update Eskom's PFMA Policy and Procedure to align with changing regulations and best practice. Upon completion of the necessary updates, Eskom will ensure that employees are aware of and trained on the updated policy. Through continuous PFMA training for staff at all levels, it will help ensure that employees understand their responsibilities and the importance of PFMA compliance. Eskom will continue to seek ways to enhance and strengthen internal controls to improve PFMA compliance. These measures will aid in fostering a culture of transparency and accountability within Eskom while ensuring that individuals responsible for PFMA non-compliances and non-conformances are held accountable for their actions.

## AFS Refer to note 51 in the annual financial statements for further information

#### **IRREGULAR EXPENDITURE**

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation. The scope includes transgressions of any laws and regulations regardless of whether or not the expenditure was justified from a business perspective, value was received, the breaches were deliberate or accidental, or the breaches happened unknowingly or in good faith.

Irregular expenditure is incurred when the related transaction is recognised in terms of International Financial Reporting Standards (IFRS). The irregular expenditure is removed from the cumulative balance through a process of condonation by the relevant authority, recovery or removal. Irregular expenditure is reported in the following categories:

#### USE OF SOLE SOURCE

State-owned entities are required to procure goods and services in a manner that is fair, equitable, transparent, competitive and cost-effective. Expenditure was incurred on awards which did not follow proper tender processes where awards were incorrectly allocated to predetermined suppliers.

## INCORRECT CLASSIFICATION AS EMERGENCY PROCUREMENT

Irregular expenditure was incurred where emergency purchases did not meet the National Treasury requirements for emergency procurement.

#### TENDER PROCESSES NOT ADHERED TO AND INSUFFICIENT DELEGATION OF AUTHORITY

Irregular expenditure was incurred where incorrect tender processes were followed and/or transactions were executed without the appropriate approvals.

#### MODIFICATIONS EXCEEDING ALLOWED AMOUNTS

National Treasury required that their approval be obtained for any modification made from 1 May 2016 to 1 April 2022 to an original contract where the value of the modification was more than 20% or R20 million for construction-related goods, works or services, and 15% or R15 million for all other goods or services. The group did not initially comply with this requirement predominately due to a misinterpretation of the instruction note. The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA SCM National Treasury Instruction 3 of 2021/22, effective 1 April 2022. Expansions and variations of contracts are reported to National Treasury on a monthly basis.

 $\begin{tabular}{|c|c|c|c|c|} \hline R & \mbox{Refer to pages 183 to 184 for a summary of expansions,} \\ & \mbox{deviations and variations during the past year} \end{tabular}$ 

**PPPFA: INCORRECT TENDER PROCESS APPLIED** The Preferential Procurement Policy Framework Act, 2000 (PPPFA) requires that the preferential points calculation is determined inclusive of VAT. Certain procurement was incorrectly done where the preferential points calculation was determined exclusive of VAT.

#### TAX NON-COMPLIANCE

The PPPFA regulations stipulate that suppliers must be compliant with SARS regulations.

#### DESIGNATED SECTORS

Where local production and content is of critical importance in the award of tenders in designated sectors, such tenders must be advertised with a specific tendering condition that only locally produced goods, services or works or locally

Performance review

## Disclosure of information under the PFMA continued

manufactured goods that meet the stipulated minimum threshold for local production and content will be considered. Contracts were awarded to suppliers despite them having declared a local content threshold that was below the required stipulated threshold as per the Department of Trade, Industry and Competition's list of designated materials.

#### CONTRACTS AWARDED WITHOUT FOLLOWING CIDB REQUIREMENTS

The group did not always comply with the Construction Industry Development Board (CIDB) regulations regarding the advertising of tenders, grading of contractors and publishing of awards. EXPENDITURE NOT IN ACCORDANCE WITH NATIONAL TREASURY INSTRUCTIONS Irregular expenditure incurred due to non-compliance with National Treasury instructions.

## BREACH OF MORE THAN ONE LEGISLATIVE REOUIREMENT

In certain instances, transgression of more than one legislative requirement was identified.

IRREGULAR EXPENDITURE							
Description, R million	Opening balance	Confirmed	Total incurred	Condoned	Not condoned and removed	Recovered	Closing balance
2023							
Use of sole source	4 891	108	4 999				4 999
Incorrect classification as emergency procurement	647	-	647		(4)		643
Tender processes not adhered to and insufficient delegation of authority	19 814	729	20 543	(245)		(2)	20 296
Modifications exceeding allowed amounts	8 967	138	9 105				9 105
PPPFA: Incorrect tender process applied	880	2	882				882
Tax non-compliance	5 289	142	5 431	(1)			5 430
Designated sectors	313	113	426				426
Contracts awarded without following CIDB requirements	I 164	47	2				1 211
Expenditure not in accordance with National Treasury instructions	498	-	498				498
Breach of more than one legislative requirement	43 884	3 751	47 635				47 635
Other	26	-	26				26
Total	86 373	5 030	91 403	(246)	(4)	(2)	91 151
		Note I		Note 3	Note 3	Note 3	

Description, R million	Opening balance	Prior period errors	As restated	Confirmed	Total incurred	Condoned	Closing balance
2022							
Use of sole source	3 899	108	4 007	884	4 891		4 891
Incorrect classification as emergency procurement	391	254	645	6	651	(4)	647
Tender processes not adhered to and insufficient delegation of authority	10 218	8 099	18 317	I 506	19 823	(9)	19 814
Modifications exceeding allowed amounts	8 660	21	8 681	286	8 967		8 967
PPPFA: Incorrect tender process applied	860	13	873	7	880		880
Tax non-compliance	4 713	498	5 211	78	5 289		5 289
Designated sectors	19	259	278	35	313		313
Contracts awarded without following CIDB requirements	733	(524)	1 209	282	49	(327)	64
Expenditure not in accordance with National Treasury instructions	497		497	I	498		498
Breach of more than one legislative requirement	28 169	8 590	36 759	7 312	44 071	(187)	43 884
Other	18	3	21	5	26		26
Total	59 177	17 321	76 498	10 402	86 900	(527)	86 373
		Note 2		Note I		Note 3	

#### I. Current year expenditure

Description, R million	Note	2023	2022
Expenditure confirmed in the current year	(a)	5 030	8 451
Prior year errors for 2022 expenditure	Note 2	-	(   29)
Expenditure incurred in 2022 confirmed in 2023		-	3 080
Total current year expenditure		5 030	10 402

#### (a) Expenditure for the current year

Expenditure of R2 565 million incurred in 2023 relates to new matters, of which 80% is comprised of an isolated incident relating to the non-application of the requirements of the National Industrial Participation Programme (NIPP). The remaining amount incurred in 2023 relates to existing multi-year contracts that will continue to attract irregular expenditure until condoned.

#### 2. Prior period errors

Description, R million	Note	2022 expenditure	2022 opening balance
Expenditure relating to prior years disclosed in 2022	(b)	(705)	705
Reallocation of expenditure to the financial year incurred	(c)	(480)	480
Restatements reflected by management	(c)	56	(248)
Prior year expenditure confirmed and disclosed in 2023	(d)	_	16 384
Total prior year errors		(   29)	17 321

#### (b) Prior year expenditure disclosed in 2022

Expenditure relating to prior years disclosed in the 2022 annual financial statements is reflected as prior year errors in line with the disclosure guidance from National Treasury, requiring the recalculation of the figures for the opening balance and comparative year expenditure.

#### (c) Adjustments to amounts previously disclosed

There were 85 restatements to the 2023 opening balances processed by management, the net effect of which is a reduction of RI92 million (2022 opening balance: negative R248 million; 2022 expenditure: R56 million). The opening balances on several incidents were verified and corrected where appropriate.

In addition, allocation of additional expenditure disclosed was previously done based on general principles applied at group consolidation level. In some instances, this led to inclusion of the expenditure incurred against the incorrect financial year in the expenditure analysis. The weakness has been addressed through the use of a new divisional reporting approach for 2023 reporting.

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## (d) Prior year expenditure disclosed for the first time in 2023

Expenditure relating to prior years is reflected as prior year errors in line with the disclosure guidance from National Treasury, requiring the recalculation of the figures for the opening balance and comparative year expenditure.

Three incidents make up 91% of the prior year irregular expenditure confirmed in 2023: R7 534 million relates to provision of information technology services; R5 975 million relates to engineering and project management services; and R1 396 million relates to non-compliance on national security contracts.

## 3. Irregular expenditure condoned, recovered, removed and written off

Eleven matters to the value of R246 million were condoned during the financial year (2022: 17 matters of R527 million). One matter of R4 million was recovered (2022: Nil) and one matter of R2 million that was not condoned, was removed (2022: Nil). No irregular expenditure not recovered and written off was reported.

#### Details of current and previous year irregular expenditure (under assessment, determination and investigation)

Description, R million	Note	2023	2022
Irregular expenditure under assessment or determination	Note 4	699	394
Irregular expenditure under investigation	Note 5	176	I
Total		875	395

# 4. Irregular expenditure under assessment or determination

It should be noted that figures disclosed are estimated. Quantification of actual irregular expenditure incurred takes place during the determination process. Irregular expenditure under assessment or determination relating to prior year incidents is estimated at R774 million.

#### 5. Irregular expenditure under investigation

In the event that a suspicion of fraudulent, corrupt or other criminal conduct arises during the assessment and determination phase, the matter is referred to a mandated investigative function. In certain instances, the suspected criminal conduct does not stem from the assessment and determination process, such as matters that are directly reported to the Forensic and Anti-Corruption Department or other investigative units. Irregular expenditure under investigation relating to prior years is estimated at R4 million.



## Disclosure of information under the PFMA continued

Details of current and previous year disciplinary action or criminal steps taken as a result of irregular expenditure

Description, R million	2023	2022
Written warning issued Suspension without pay	40	643 8
Dismissal	-	
Disciplinary action pending or in progress	4 693	8 901
No disciplinary sanction issued	294	849
Total	5 030	10 402

Written warnings were issued in three matters relating to 2023, in 17 matters relating to 2022 incidents, and 12 for matters with continuing expenditure on multi-year

#### FRUITI ESS AND WASTEFUL EXPENDITURE

contracts. A sanction of suspension without pay was issued on one matter relating to 2022 and one relating to continuing expenditure. One employee was dismissed for a 2022 matter.

The disciplinary process is in progress for 34 incidents incurred in 2023, 33 incidents incurred in 2022 and 44 incidents relating to continuing expenditure on multiyear contracts.

No disciplinary sanction was issued due to various reasons, including where the responsible employees left the organisation: disciplinary action was deemed not appropriate and other corrective action was applied; or the employee was found not guilty during the disciplinary process. This was the case in one matter for 2023, 21 matters for 2022 and 13 matters relating to continuing expenditure.

Description, R million	Opening balance	Confirmed	Total incurred	Recovered	Closing balance
2023					
Project management	4 231	102	4 333	(1)	4 332
Procurement and contract management	1 621	-	62	-	1 621
Interest and penalties	11	-	П	-	11
Other	799	3	801	(1)	800
Total	6 662	105	6 767	(2)	6 765
		Note I		Note 3	

Description, R million	Opening balance	Prior period errors	As restated	Confirmed	Total incurred	Closing balance
2022						
Project management	2 615	I 616	4 231	-	4 231	4 231
Procurement and contract management	I 6I7	4	62	-	62	62
Interest and penalties	3	7	10	I	II.	11
Other	733	64	797	2	799	799
Total	4 968	69	6 659	3	6 662	6 662
		Note 2		Note I		

#### I. Current year expenditure

Description, R million	Note	2023	2022
Expenditure confirmed in the current year	(a)	105	26
Prior year errors for 2022 expenditure	Note 2	-	(26)
Expenditure incurred in 2022 confirmed in 2023		-	3
Total current year expenditure		105	3

#### (a) Expenditure for the current year

Fruitless and wasteful expenditure incurred in 2023 is comprised of nine incidents (2022: 40 incidents, restated).

#### 2. Prior period errors

Description, R million	Note	2022 expenditure	2022 opening balance
Expenditure disclosed in 2022	(b)	(26)	26
Prior year expenditure confirmed in 2023	(c)	-	I 665
Total prior year errors		(26)	69

#### (b) Expenditure disclosed in 2022 Expenditure relating to prior years disclosed in the 2022

annual financial statements is reflected as prior year errors in line with the disclosure guidance from National Treasury, requiring the recalculation of the figures for the opening balance and comparative year expenditure.

#### (c) Prior year expenditure disclosed for the first time in 2023

Expenditure relating to prior years is reflected as prior year errors in line with the disclosure guidance from National Treasury, requiring the recalculation of the figures for the opening balance and comparative year expenditure. Seventy-five matters relating to fruitless and wasteful expenditure incurred in prior years were confirmed in 2023.

During 2023, an investigation report was concluded confirming and quantifying overpayments to the value of RI.6 billion on construction contracts for the Kusile build project. Fruitless and wasteful expenditure of R1.5 billion was incurred over the period 2014 to 2021, leading to a restatement of the 2022 opening balance. The remaining R102 million was incurred in 2023 and is disclosed accordingly in the annual financial statements.

#### 3. Fruitless and wasteful expenditure recovered or written off

Recoveries were achieved on 53 matters during the financial year, either partial or in full. Losses on 32 matters were written off as irrecoverable.

#### Details of current and previous year fruitless and wasteful expenditure (under assessment, determination and investigation)

Description, R million	Note	2023	2022
Fruitless and wasteful expenditure under assessment or determination	Note 4	49	2 761
Fruitless and wasteful expenditure under investigation	Note 5	4	4
Total		53	2 765

#### 4. Fruitless and wasteful expenditure under assessment or determination

It should be noted that figures disclosed are estimated. Quantification of actual fruitless and wasteful expenditure incurred takes place during the assessment and determination process. Fruitless and wasteful expenditure under assessment or determination relating to prior years is estimated at R682 million.

#### 5. Fruitless and wasteful expenditure under investigation

In the event that a suspicion of fraudulent, corrupt or other criminal conduct arises during the assessment and determination phase, the matter is referred to a mandated

investigative function. In certain instances, the suspected criminal conduct does not stem from the assessment and determination process, such as matters that are directly reported to Forensic and Anti-Corruption Department or other investigative units. Fruitless and wasteful expenditure under investigation relating to prior years is estimated at R2 917 million, of which 96% relates to overpayments on the Kusile project that is handled by an investigative unit.

#### Details of current and previous year disciplinary action or criminal steps taken as a result of fruitless and wasteful expenditure

Description, R million	2023	2022
Written warning issued Disciplinary action pending or in	I.	I
progress	104	2
Total	105	3

Written warnings were issued in four matters incurred in 2023 and 16 relating to 2022 incidents. A sanction of suspension without pay was issued on one matter relating to 2022. The disciplinary process is in progress for five incidents for 2023 and 17 matters relating to 2022.

There were six matters relating to 2022 where no disciplinary action was taken due to various reasons, including where the responsible employees left the organisation; disciplinary action was deemed not appropriate and other corrective action was applied; or the employee was found not guilty during the disciplinary process.

#### MATERIAL LOSSES THROUGH CRIMINAL CONDUCT

Material losses caused by criminal conduct and any disciplinary, civil or criminal action taken in respect of such losses are reported in terms of the Significance and Materiality Framework as agreed upon with the Minister of Public Enterprises. In previous financial years, the disclosure included all losses, regardless of materiality. This year, the disclosure includes incidents that exceed the materiality threshold individually or as a class of closely related items.

#### Losses incurred

Description, R million	Note	2023	2022
Theft of conductors, cabling and network-related equipment	(a)	197	316
Estimated non-technical energy losses <sup>1</sup>	(b)	5 607	5 343
Fraud and corruption	(c)	81	14
Malicious damage to property	(a)	122	49
Attempted theft	(a)	25	5
Total material losses		6 032	5 727

I. Prior year figure restated.

## Disclosure of information under the PFMA continued

#### Losses recovered

Description, R million	Note	2023	2022
Theft of conductors, cabling and network-related equipment		9	18
Estimated non-technical energy losses		225	447
Fraud and corruption		-	I
Malicious damage to property		-	-
Attempted theft		- I	I
Total recoveries on material losses	(d)	235	467

#### (a) Theft of conductors, cabling and network-related equipment, malicious damage to property and attempted theft

Actions to combat losses through criminal conduct are managed in collaboration with other affected stateowned entities, industry role players, law enforcement and criminal justice agencies such as SAPS, the NPA, etc.

Some of the initiatives being pursued include but are not limited to the following:

- Realignment of security contracts (scope and resources) and optimisation of deployment
- Improving Eskom asset disposal process and strategies
- Focusing on asset management and protection, by researching and implementation of innovative solutions, such as unique marking and tracking capabilities
- Driving for policy and legislative changes to address scrap and market regulation
- Introduction of integrated, intelligent and SMART security technologies and systems, to reduce dependence on the human factor such as the use of drones, intelligent cameras and alarm systems
- Focused strategies and projects on revenue losses, including metering, vending, tampering, disruptive operations
- Minimising the breaches that allow easy access to sites/ assets by improving housekeeping, appropriate storing of material and equipment, as well as well-functioning delay and deterring solutions to prevent or minimise the impact
- Deploying robust security systems that can detect and prevent the crime and provide evidence that can be used for disciplinary or criminal processes
- Ensuring consistent and continuous screening and vetting of contractors and staff to prevent and minimise insider threat involvement and collusion
- Arresting perpetrators and working with relevant role players to build strong cases and dockets that lead to convictions

#### (b) Estimated non-technical energy losses

Our strategic context

Non-technical energy losses relate to losses due to electricity theft through illegal connections, tampering and bypassing of electricity meters, as well as the purchase of electricity tokens from unregistered or illegal vendors. The management of non-technical losses focuses on ensuring that all energy supplied is accounted for, including initiatives to minimise non-technical energy losses. The reported losses represent the estimated cost of non-technical energy lost.

Non-technical energy losses are determined by applying a scientific approach to measure total energy losses as the difference between energy produced and energy sold. Technical energy losses are derived based on known factors of the electrical grid such as conductor resistance, and transformer and equipment losses. The residual of losses is attributed to non-technical losses. A review was conducted of the methodology to split energy losses into technical and non-technical losses. The non-technical energy losses previously reported were increased by R3 052 million from R2 291 million to R5 343 million as it was found that the pattern of the change in non-technical losses already existed at 31 March 2022.

#### (c) Fraud and corruption

Eskom concluded 56 investigations into fraud during the year (2022: 65). The internal control measures in the affected areas have been reviewed and enhancements recommended for implementation to the accountable line managers. This includes controls, disciplinary, criminal and civil proceedings against those involved.

#### d) Losses through criminal conduct recovered

Eskom recovered R235 million of material losses due to criminal conduct (2022: R467 million). Most of the value relates to non-technical energy losses. Eskom invoiced R346 million of additional revenue during the year (2022: R752 million), of which R225 million has been received (2022: R447 million).

# Expansions and deviations reported to National Treasury

As part of measures to enhance compliance, transparency and accountability in Supply Chain Management (SCM), National Treasury issued PFMA SCM Instruction Note 3 of 2021/2022 that came into effect on I April 2022. This introduced changes for the treatment of procurement, making provisions for handling deviations from competitive bidding through procurement by other means, as well as for expansion and variation of contracts. Eskom engaged National Treasury on the requirements and training was provided.

This resulted in Eskom being able to procure to address operational challenges, without prior approval from National Treasury. For the 2023 financial year, there was increased usage of procurement from original equipment manufacturers (OEMs), measures to address urgent procurement, as well as dealing with modifications of contractual arrangements as needed.

Eskom understand that these transactions are to be handled in light of the Section 217 of the Constitution of the Republic of South Africa, 1996, which requires state-owned entities to procure goods and services in a manner that is fair, equitable, transparent, competitive and cost-effective. These transactions must be seen as the exception for procurement, not the norm. The relevant supply chain procedures have been amended to cater for these provisions, including the monitoring and reporting thereof.

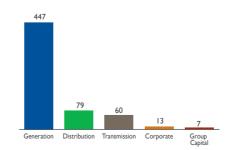
As required by the instruction note, Eskom provides regular reporting to National Treasury as these transactions are concluded. National Treasury reports across state-owned entities guarterly.

In line with the requirements of the instruction note, 880 transactions reflect commitments for contracts placed the divisions during the financial year.

## DEVIATIONS AND PROCUREMENT BY OTHER MEANS

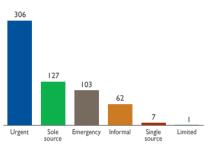
In total, 606 transactions were completed for deviations and procurement by other means. These include emergency procurement, urgent procurement, single source and sole source procurement.

The figure below depicts the number of deviations and procurement by other means for the 2023 financial year per division.



Most of the transactions were concluded in Generation. Of concern is that of those, 248 transactions were treated as urgent and 81 as emergencies, with a further 117 using a sole or single source.

The definitions of the procurement mechanisms are contained in National Treasury's instruction note. The breakdown per transaction category is shown below.

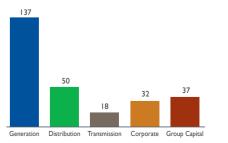


The number of contracts and amounts per division for deviations and procurement by other means are set out below, broken down by contract currency, with the total Rand amount also being shown.

Division	No	Rand amounts	Euro amounts
Generation	447	804 0   569.43	87  240.00
Distribution	79	555 379 523.19	-
Transmission	60	99 056 236.91	-
Corporate	13	591 547 142.61	-
Group Capital	7	322 049 460.42	-
Total	606	RI3 372 043 932.56	€   87  240.00
Average exchange rate		1.00	17.69
Converted Rand value		RI3 372 043 932.56	R2I0 002 235.60
Total Rand value		RI3 582 046 168.16	

# CONTRACTUAL AGREEMENT EXPANSIONS AND VARIATIONS

In total, 274 contract expansions and variations were concluded during the financial year.



## Expansions and deviations reported to National Treasury continued

The number of contracts and amounts per division for expansions and deviations are set out below, broken down by contract currency, with the total Rand amount also being shown.

Division	No	Rand amount	Euro amount	USD amount	Yen amount
Generation	137	45 925 739 318.67	3 593 027.04	13 734.00	248 615 944.00
Distribution	50	1 308 510 096.28	-	-	-
Transmission	18	43 785 271.61	-	-	-
Corporate	32	430 686 644.15	14 700.00	-	-
Group Capital	37	938 972 631.50	-	-	-
Total	274	R48 647 693 962.51	€3 607 727.04	\$13 734.00	¥248 615 944.00
Average exchange rate		1.00	17.69	17.02	0.1255
Converted Rand value		R48 647 693 962.51	R63 820 691.34	R233 752.68	R3I 20I 300.97
Total Rand value		R48 742 949 707.50			

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Feedback on or queries relating to our report may be directed to IRfeedback@eskom.co.za Our suite of reports covering our integrated results for 2023 is available at https://www.eskom.co.za/investors/integrated-results/