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### Navigating our report

The year in review



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### The year in review

Eskom's key roles are to assist in lowering the cost of doing business in South Africa, enable economic growth, and provide stability of electricity supply through the provision of electricity in an efficient and sustainable manner. Eskom will achieve this through an electricity network that includes Generation, Transmission, and Distribution, while ensuring that acceptable benchmark standards are met.

**Appendices** 

On the 1st of March 2023 we celebrated 100 years of being in the business of generating, transmitting, and distributing electricity across South Africa and the Southern African Development Community (SADC) region. Over the years, as a company, we have prevailed through many challenges, we have also had opportunities of sustaining our operations as well as minimising any possible negative effects we may have potentially posed to our people, the environment, and the South African economy. As we celebrate this centenary milestone, while remaining committed to providing sustainable electricity, we look forward to more years in operation, and especially embarking on an energy transition that will be undertaken in a just manner and ensure social inclusivity by contributing to job creation.



GCE resignation

GCOO retired

Continued PFMA training and awareness for all employees

Crime and fraud 158 (South African Police Services registered cases) Quality – certified to ISO9001:2015 standard

Our environmental performance

Our just energy transition

Our social performance

Appendices

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### Introduction

Introduction

#### ABOUT THIS REPORT

#### PURPOSE OF THE REPORT

This report is our cornerstone in ensuring we provide our stakeholders with a transparent account of our company's sustainability contribution and performance. These stakeholders include, but are not limited to, our government, our employees, unions, investors, market regulators, suppliers, civil society, and customers. In this report, we reflect on our FY2023 performance and provide an outlook of our future environmental, social and governance (ESG) initiatives.

The Sustainability Report complements the integrated report and provides more detailed information about our sustainability impact as a business. It is not only a non-financial account of the progress we have made on sustainability matters, but also looks at the risks and impacts we face as a business and highlights our environmental, social and governance performance. To ensure full context, this report must be read in conjunction with our 2023 suite of reports, and the integrated report in particular.

#### **REPORTING FRAMEWORKS**

The Global Reporting Initiative (GRI) and the United Nations Sustainable Development Goals (SDG) agenda provide the reporting framework that guides this Sustainability Report. It is also influenced by the United Nations Guiding Principles, the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the Carbon Disclosure Project (CDP).

The focus is on our performance from beginning of April 2022, to 31 March 2023, against material environmental, social, and economic topics. We use the GRI materiality assessment methodology to determine the significant environmental, social, and economic impacts of our organisation or those that materially influence the assessments and decisions of our stakeholders. In addition, the report discusses our future aspirations in these areas in the context of national and international priorities for sustainable development.

#### **REPORTING SCOPE**

In line with our 2023 integrated report, the information in this report refers to the performance of the Eskom Group, which includes the business of Eskom Holdings SOC Ltd, operating in South Africa, and our main operating subsidiaries, unless otherwise stated. The operations of Eskom outside the South African borders, like Eskom Uganda, although mentioned, have not been considered in the accounting and reporting contained in this document.

#### DATA AND ASSURANCE

Some of the information contained in this report is sourced from the 2023 Eskom integrated report. For this information, our Internal Audit Department has provided reasonable assurance on the quantitative information and, to a lesser extent, certain qualitative aspects of the report. In addition, Internal Audit provided assurance to ensure alignment of information across the 2023 suite of reports.

#### APPROVAL

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

#### OUR REPORTING SUITE

### Our 2023 reporting suite is available online at www.eskom.co.za/SR2023

### INTEGRATED REPORTING AND ADDITIONAL INFORMATION

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 integrated report.

#### ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of Eskom Holdings SOC Ltd have been prepared in accordance with International Financial Reporting Standards 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 several 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.

The independent auditor's report is incorporated in the annual financial statements.

### Statement by the Chairman of the Social, Ethics and Sustainability Committee

We are confronted by challenges on the cusp of our 100 years in existence; the continued need to load-shed to compensate for our deteriorating fleet performance, exacerbated by the lack of new electricity capacity, is inflicting great strain on South Africa's already fragile economy and our people.

The challenges that we must overcome have been long in the making, exacerbated by developments in the policy and operating environment that have had a multiplier impact on deteriorating fleet performance.

Eskom's 2035 Strategy was developed to drive recovery and growth and to extricate us from what can best be described as "a perfect storm". As we embrace our centennial year, Eskom must also factor in the global shifts that are reshaping the power sector, notably digitisation, democratisation, decentralisation, and decarbonisation. These shifts have also shaped the policy direction for the evolving South African electricity sector as well as for our business and operating models.

The Just Energy Transition (JET) has created opportunities for levering South Africa's fleet of aging fossil fuel power stations as they approach the end of their economic life. To catalyse government's JET strategy, Eskom has developed a Repurposing and Repowering (R&R) plan, through our Eskom JET Strategy, which will rejuvenate the value-creating capability of aging power stations to enable the transition to a low-carbon dispensation for South Africa's future electricity sector. Eskom's JET plan embodies the ongoing deep commitment of the organisation to sustainable development.

Eskom's ongoing financial sustainability is further supported by the National Energy Regulator of South Africa's tariff determination awarded to Eskom for FY2024 and FY2025. We recognise that this was a difficult decision for the Regulator, as it also had to weigh the prolonged economic downturn that South Africans have been enduring. The decision, although not entirely optimal for Eskom, does place us in a better position to drive recovery of the integrated power system, which remains the



lifeblood of the economy. Long-outstanding, rapidly increasing municipal debt and declining revenue continue to erode Eskom's cash flow position further, which has a negative impact on its financial sustainability. We are grateful that the debt relief package from the National Treasury serves as a lifeline to shore up Eskom's financial position. However, the debt relief package is accompanied by stringent conditions that aim to manage the risk to Eskom's financial sustainability. One of the key conditions is that we cannot borrow capital over the period of the relief package. This has an impact on the pace at which Eskom can drive the transition in terms of pursuing renewable new build determinations and driving R&R. We are, however, seeking alternative funding mechanisms that will enable us to leverage our capabilities to drive the transition. This includes pursuing public and private partnerships, where feasible.

Sustainable development remains a key strategic prerogative of the Shareholder, and our purpose (*Powering growth* ... sustainably) and vision (*Sustainable power for a better future*) create the platform for us to ensure that we cultivate an ethical, high-performance environmental, social, and governance (ESG) culture as we strive to deliver on our mandate and the Strategic Intent Statement through the Shareholder Compact and the Eskom Holdings Corporate Plan.

In recent times, we have amplified our efforts to address internal challenges and performance in the short term in order to allow for growth and sustainability in the longer term, factoring in government's policy direction for a sustainable, low-carbon electricity supply industry that serves as a catalyst for socio-economic development (SED). As the Board Social, Ethics, and Sustainability (SES) Committee, our role is to mobilise the Eskom Group to embrace a future embedded in sustainable development Principles that are chartered in the National Development Plan (NDP), the 10 principles of the United Nations Global Compact (UNGC), and the United Nations Sustainable Development Goals (SDGs).

Our environmental performance

Appendices

At the same time, Eskom continues to support and drive critical priorities of national government's Electricity Action Plan through our participation in the National Energy Crisis Committee (NECOM). These include, among others:

- improving the performance of Eskom's power stations through disciplined execution of the Generation Recovery Plan;
- adding as much new generation capacity to the grid as quickly as possible;
- · increasing private investment in generation capacity; and
- enabling businesses and households to invest in rooftop solar.

A key role of the Board SES Committee is to assist the Eskom Board in fulfilling its statutory obligations by providing oversight, assurance, and recommendations centred around social and economic development, good corporate citizenship, the environment and climate change, health and safety, consumer relations, stakeholder relationships, labour, employment, people issues, ethics management, and sustainable development.

From an **environmental** perspective, we continue to advocate for the effective management of our operational impact on air quality, water consumption, and biodiversity, both for life on land and life below water. Our response to climate change is being catalysed through the JET and adaptation plans for the operating divisions.

From a **social** perspective, given our dual mandate, the magnitude of our operations, and the people on whom our operations have an impact, we play a pivotal role of not only providing electricity but also of growing the economy, in supporting South Africa's SED imperatives. Eskom is pursuing an enhanced approach to corporate social responsibility (CSR) and transformation (focusing, inter alia, on skills and capability building, enterprise and supplier development, localisation, community outreach projects, manufacturing, and industrialisation). Concerning occupational health and safety (OHS), the well-being of our employees, contractors and the communities in which we operate, and the public at large are of paramount importance, and we are committed to their sustainability and ensuring that Zero Harm befalls them.

Our **governance** performance has tainted Eskom's reputation. Redressing governance and compliance challenges, specifically implementation of the plan to address the recommendations of the State Capture Commission into fraud and corruption within Eskom, is a priority. Through the Board and its committees, we ensure a focused commitment to eradicating fraud and corruption using the Audit function, Forensic, Anti-corruption, and Group Security as enablers in this regard.

As the chairman of the SES Committee, which has been delegated by the Eskom Board to perform the oversight role over all sustainability matters in Eskom, including the honour of sharing the good and the bad of our sustainability impact, it is my great pleasure to present this Sustainability report for the 2022/23 financial year.



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Chairman: Social, Ethics and Sustainability Committee

### Statement by the Acting Group Chief Executive



The 2022/2023 financial year was characterised by heightened levels of load shedding, which had debilitating impacts on every facet of our society, not least on our healthcare sector, the agricultural sector, small businesses, our water infrastructure, our transport networks, and, greatly so, our employees, who not only faced load shedding themselves, but also experienced backlash from their communities.

This continued downward performance prompted intervention by President Cyril Ramaphosa, who announced the establishment of the NECOM in July 2022. The NECOM provides an integrated co-ordinating platform for responding to the energy crisis to address load shedding and enable the reforms necessary for the long-term sustainability of the electricity supply industry. The NECOM, through the Energy Action Plan, deals with all aspects of the electricity ecosystem and enables faster decision-making, unlocking bottlenecks, and enables faster deployment of interventions to recover from the electricity crisis. This was followed by the appointment of the Honourable Dr Kgosietsile Ramokgoba as Minister of Electricity in the Presidency in March 2023 to assume full responsibility for overseeing all aspects of the electricity crisis response, including the work of the NECOM.

As Eskom, we are grateful for these interventions, as we continue to emphasise that Eskom alone cannot address the electricity crisis. As Eskom, we will work and collaborate with all the relevant stakeholders to ensure that the Electricity Action Plan is implemented expeditiously so that we can pursue our mandate based on an ethos of sustainable development.

Tackling the electricity crisis remains our foremost priority, given that reliable and sustainable electricity remains a fundamental precursor for stimulating economic growth, which, in turn, serves as a catalyst for enabling SED. Through a number of programmes and initiatives, Eskom, in collaboration with government, is facilitating the increasing participation of the private sector in new generating capacity. At the same time, Eskom must also adapt and factor in the changes that are reshaping the electricity industry, including avoiding investments that may lead to stranded assets. We will prioritise repurposing and repowering in line with our plan to support national government's JET framework, including the required transmission grid expansion and connections. Significant infrastructure investment is required to enable the future energy supply industry.

Our challenges require systemic solutions. Eskom, like many other utilities, has to navigate the competing demands associated with the energy trilemma, that is, energy security, energy equity (access and affordability), and energy sustainability, including its impact on everyday lives. Current indications show that at least R1.2 trillion in investment is required up to 2030 if we are to adequately lay the foundation of a transitioned electricity supply industry (ESI).

Eskom's 2035 Strategy pursues the optimal balance between prioritising operational, financial, and structural recovery from the challenges that are threatening our ongoing business sustainability and responding effectively to the global and local transformation that is shaping the electricity sector. Our strategy presents a significant opportunity to address South Africa's triple challenge of inequality, poverty, and unemployment. By leveraging our capabilities and through collaboration, including partnerships with a multitude of stakeholders, our goal is to create an electricity dispensation that is underpinned by the SDGs. This, in turn, must serve as the stimulus for powering growth and prosperity for the Southern African region. The future electricity market will be driven by increasing levels of competition, the harnessing of rapidly maturing low-carbon technologies, digitalisation, and the leveraging of Eskom power station sites for repurposing and repowering to support the transition.

Our environmental performance

## Look out

#### South Africa has an opportunity to boost the manufacturing sector by optimising the localisation of specific components for cleaner energy systems. There is also great opportunity in the construction sector, given the significant transmission grid expansion requirements required over the next 10 years. Policy reform and amendments, including, but not limited to, the updating of energy, fiscal, trade, and economic policy will enable these opportunities to be further developed.

Addressing the impact of decisions on workers in the coal industry and communities invested in the coal value chain and associated economies is a critical and an inherent underpinning of the transition. Eskom, by virtue of its legacy and the scale of its operations, plays a central role in facilitating such a transition, while also ensuring equitable access to affordable electricity for all South Africans.

Our success hinges on collaborating with all relevant stakeholders, most significantly our people. Our transformation journey requires a skilled, motivated, and socially cohesive workforce that is prepared to embrace the opportunities that unfold in the evolving electricity and related sectors. The recent establishment of the training facility at Komati Power Station, in partnership with the Global Energy Alliance for People and Planet (GEAPP) and the South African Renewable Energy Technology Centre (SARETEC), demonstrates the first step of our commitment to collaborate and work towards ensuring a sustainable future for our employees, the key stakeholders, and the communities that support our operations and contribute to the South African economy.

As a state-owned company, Eskom is committed to supporting the South African government in achieving the objectives of the NDP 2030, within the context of committing to the 10 principles of the UNGC relating to human rights, labour, environment, and anti-corruption, as well as embracing the United Nations' SDGs towards leveraging the electricity infrastructure of the country to achieve a more sustainable future for all. Decisive and bold steps that embrace the principles of sustainable development need to be taken by both the South African government and Eskom to leverage the opportunities that are unfolding to enable a lower-carbon electricity supply industry. The Eskom (Exco) ensures that we are continuously striving to improve our ESG performance to enhance our value offering across our commercial and SED mandates. We are in the process of reviewing our sustainable development framework to effectively enable the SDGs, as relevant, and ensure entrenchment in our business approach and operations. This will manifest in our Corporate Plan as an ESG chapter that integrates and synthesises the Eskom Group priorities towards embedding sustainable development principles as the way we do business.

We will also leverage our revised CSR Strategy, which incorporates a shared value approach, to partner with key stakeholders to create business value, de-risk operations, and ensure the sustainability of Eskom's transformation initiatives that support and enable the SDGs.

We are cognisant of the fact that our performance has created a trust deficit with the country. The Exco has prioritised restoring the integrity of Eskom, both internally and externally. Adherence to our Code of Ethics, known as "The Way", is defined by Eskom's six core values. "The Way" defines the principles we must embrace as we conduct business, including the way we must interact with one another as well as with our Shareholder, customers, suppliers, the public, communities in the vicinity of our infrastructure, stakeholders, and the environment. In building a sustainable development-oriented, high-performance culture, "The Way" ensures that we not only do things right, but also do the right things.

The FY2023 Sustainability Report reflects our progress towards integrating ESG in the way we do business. It reflects the commitment of our Shareholder, key stakeholders, and, most significantly, our nearly 40 000 Eskom Guardians who are supporting the Board and Exco to work in synergy with a multitude of stakeholders to create an effective electricity dispensation for South Africa that is grounded in the principles of sustainable development and that serves as a stimulus for powering growth and prosperity for the region.

Calib Cassin

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Group Chief Executive (Acting)

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

Eskom Holdings SOC Ltd. Reg No 2002/015527(30 Issued by Eskom Risk and Sustainability: July 2018 Our environmental performance

Appendices

# Our commitment to sustainable development

Our commitment to sustainable development is guided by the NDP and the SDGs, together with other related frameworks and programmes such as the UNGC, TCFD and CDP. We continuously strive to improve our sustainability performance and ensure we integrate it into our business. We are committed to lowering greenhouse gas (GHG) emissions, protecting biodiversity and the integrity of ecosystems, increasing climate change resilience, abiding to the principles of the UNGC, and contributing to the achievement of the SDG's. We have a Sustainable Development Framework which guides Eskom on sustainable development matters and is currently being reviewed to factor in, amongst others, our JET, environmental, social, governance (ESG) and SED.

### OUR COMMITMENT TO THE NATIONAL DEVELOPMENT PLAN

The NDP sets out ambitious goals for poverty reduction, economic growth, economic transformation, and job creation. The Department of Public Enterprises (DPE) is our shareholder ministry and defines our mandate. The DPE has defined a transformational framework that guides the involvement and requirements of SOCs, including Eskom, in achieving the NDP objectives. We are mandated to play a central role in achieving national SED goals. In line with this mandate, we are a critical catalyst for economic growth and development, including stimulating the creation and development of black industrialists and entrepreneurs.

In the 2022/23 financial year, we continued to contribute meaningfully to the following areas:

- electrification
- social equity and upliftment
- · employment creation and job opportunities
- skills development, incubation, and training
- innovation, research, and specialised testing
- improved environmental performance
- Just Energy Transition
- contribution to national educational focus on Science, Technology, Engineering, Mathematics and Innovation (STEMI)

#### SUSTAINABLE DEVELOPMENT GOALS

The SDGs are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The revised deadline for SDGs is 2030. We are less than 10 years away from the ambitious goal of ending poverty, and there is already concern that we will not meet all the targets, especially with the added global challenges posed by COVID-19, amongst others. But that doesn't mean there isn't hope for work to be done. Behind the 17 goals is a more detailed list of 169 targets and 248 indicators that determine whether those goals are met.

The goals call for building peaceful, inclusive, and well-governed societies with responsive institutions as the basis for shared prosperity. The goals are people-centred and planet-sensitive, they are universal, applying to all countries, while recognising the different realities and capabilities of each country. We have entrenched the SDGs in all aspects of our business and track them through the sustainability reporting. As part of our company's performance assurance, sustainability KPIs, as agreed in the shareholder's compact, are audited on an annual basis.

In recent years, investors have been placing an increased emphasis on a range of ESG issues resulting in ESG reporting becoming more crucial for companies. These issues are garnering more attention from legislators and regulators from around the world. Consequently, there is increased demand on companies to report on their activities and practices and how they adhere to their governance policies and how they manage their impact on environmental and social sustainability.

Environmental and sustainability metrics are arguably the most high-profile of all ESG indicators, ESG reporting is therefore moving away from being a "nice-to-have" and becoming a business imperative that has become crucial for business sustainability. ESG reporting ensures companies can fully understand their risks and opportunities and to demonstrate the link between their financial and non-financial performance.

By implementing strong ESG practices, companies can have significant benefits, including:

- improved risk management, by identifying and mitigating potential risks related to ESG
- enhanced brand reputation, by demonstrating their commitment to sustainability, social responsibility, and good governance
- improved access to capital and reduced cost of capital
  improved employee engagement, retention, and attraction of top talent
- drive innovation by finding new and more sustainable ways of doing business.

Overall, ESG can assist us to improve our financial performance, reduce risk, enhance brand reputation, and attract customers, investors, and employees who value governance, sustainability, and social responsibility. We continually measure and report on our ESG performance through our environmental reporting (biodiversity, ambient air quality, emissions, raw water use and water quality), climate change reporting (carbon footprint, CDP and TCFD) and sustainable development reporting (Sustainability and Eskom Factor reports).



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#### OUR CONTRIBUTION AND IMPACT AGAINST THE SEVENTEEN SDGs:

We take an integrated and indivisible approach in our contribution to the Sustainable Development Goals and incorporate them in our plans, projects and programmes across the business.

- Positive impact
- Neutral
- Negative impact

SDG	NDP objective	Our strategic objectives	Summary of our impact and management	Our impact
1 ₩ ∱÷†÷÷Ť	Chapter 3: Economy and employment Chapter 6: An integrated and inclusive rural economy Chapter 7: Positioning South Africa in the world Chapter 8: Transforming human settlement and the national space economy Chapter 11: Social protection	Strive for net-zero emissions by 2050 with an increase in sustainable jobs Pursue financial and operational sustainability	Eskom is involved in communities by supporting economic growth and improving the quality of life of South Africans and the region through our electrification programme and enabling the Integrated Resource Plan (IRP) and Renewable Energy IPP Procurement Programme. We provide reliable electricity at an optimal price to achieve affordability while also ensuring our business financial sustainability As a result of loadshedding, particularly at higher stages, small businesses and enterprises have been affected negatively and, in some instances, had to shut down; resulting in many bread winners not being able to adequately provide for their families.	•
2 200 HOLE	Chapter II: Social protection	Strive for net-zero emissions by 2050 with an increase in sustainable jobs	Rural development through electrification – for example, electrification enables water to be pumped for farming. As part of our repurposing initiatives at Komati power station aimed at economic growth through diversification, projects like the agrivoltaic plant will not only provide skills to the communities but the agricultural produce will feed many families in the communities.	•
3 600 HALH 	Chapter 10: Promoting health	Strive for net-zero emissions by 2050 with an increase in sustainable jobs Pursue financial and operational sustainability	We focus on ensuring our emissions do not have a detrimental effect on the communities in the range of dispersal from our power stations by monitoring the quality of air and introducing initiatives that will improve air quality. We have successfully piloted an air quality offsets programme in two areas of impact. Our emissions continue to potentially pose risk to communities surrounding our power stations. In fixing our operational performance we are also investing in projects to address air quality and water consumption as part of our objectives to fix our operations. Through Eskom's wellness programmes, employee health and well-being are encouraged for both physical and mental wellbeing. Employees are advised on how to make better and healthier life choices, ensure good health and screening and preventative checks are conducted.	•

SDG	NDP objective	Our strategic objectives	Summary of our impact and management	Our impact
4 CUALITY EDUCATION	<b>Chapter 9:</b> Improving education, training, and innovation	Facilitate a competitive future energy industry	Renewables training centre to be opened at Komati power station in conjunction with South African Renewable Energy Technology Centre (SARATEC) and Cape Peninsula University of Technology (CPUT).	•
			Funding has been provided by Eskom for previously disadvantaged learners particularly in maths and science.	
			The Eskom Academy of learning (EAL) also provides classroom and vocational learning for employees.	
			The further studies programme, Energy Partnership Programme between South Africa and Denmark and the Japan International Cooperation Agency (JICA) partnership with Eskom are examples of education initiatives aimed at providing quality education to Eskom employees.	•
5 EENDER EQUALITY	Chapter 2: Demographic trends	Pursuing financial and operational	We adhere to and align to the country's employment equity targets as set out by the Department of Labour.	
Ŷ		sustainability	Recruitment processes with division specific equity targets are aimed at enabling us to have equitable numbers for race and gender at all position levels.	•
6 CLEAN WATER AND SAMETATION	<b>Chapter 5:</b> Environmental sustainability and transition to a low-carbon economy	Pursue financial and operational sustainability Strive for net-zero emissions by 2050 with an increase in	Our transition towards cleaner and greener electricity production offers an opportunity to significantly reduce carbon emissions while also addressing raw water consumption. All new plants have been designed with air cooled condensers in recognition of the water constraints.	•
	sustainab	sustainable jobs	Our water consumption for electricity generation remains a challenge. We have many initiatives with regard to using less water for our operations by re-using and recycling process water through approved water implementation plans.	•
			Increased incidences of continuous and sporadic discharge of polluted water into the environment persists. We struggle to operate our pollution control dams at several sites within adequate buffers permitted on the water use licences. This continues to put us at risk of criminal sanction due to unauthorised overflow incidents which is in contravention with station water use licences.	•
			Our Research, Testing and Development (RT&D) department also provides water testing and biomonitoring services through its laboratory facilities for potable, surface, and ground water to ensure that not only is the water we use and consume safe, but also that our operations are not negatively impacting waterbodies downstream from our operations.	•

Our environmental performance

Our just energy transition

Our social performance

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of our impact and m	anagement Our impact
artment continues to ir us for the transition to oduction and while also nd product developmer	vestigate solutions in cleaner and greener looking at futuristic nt.
Komati project, the wo es will be supported th nsive transition plan tha	rkers, suppliers, and rough a five-year t details projects and

SDG	NDP objective	Our strategic objectives	Summary of our impact and management	Our impact
7 GURANAL AND CALL NAMES	Chapter 5: Environmental sustainability – An equitable transition to a low-carbon economy	Facilitate a competitive future energy Strive for net-zero emissions by 2050 with an increase in sustainable jobs Modernise the power system	Electrification has reached approximately 5.9 million households since project inception in 1991. Eskom will be rolling out ~14 000km of Transmission lines and around 8 000km of distribution network to enable connection of new capacity addressing security of supply leveraging clean energy with a potential to stimulate job creation through the significant capex. RE through the renewable Independent power producer (IPP) generation project produced 16 859GWh. We are implementing cleaner technologies into our existing fleet to reduce air emissions. Microgrid expansion project helps rural communities to access electricity in areas where grid connection is not immediately viable.	•
8 RECENTIONER AND COMMAND COMAND COMMA	Chapter 3: Economy and employment Chapter 4: Economic infrastructure	Pursue financial and operational sustainability Strive for net-zero emissions by 2050 with an increase in sustainable jobs	We employ 39 601 employees with market related benefits and salaries. We funded and supported small and medium enterprise resourcing, capacitation, mentoring and skills development through the Business incubator programme in collaboration with relevant government departments and other developmental agencies. In partnership with our procurement and supply chain management we ensure Supplier Development Localisation and Industrialisation (SDL&I) integration into all aspects of Eskom's supply chain.	•
9 MUSSIFY MOULDIN AMPREASED	Chapter 4: Economic infrastructure Chapter 9: Improving education, training, and innovation	Modernise the power system	Through our electrification programme, smart meters, research, and development, we support economic growth, innovation, technology advancement and industrialisation. Our focus in the near future will be around developing systems and processes that monitor how our R&D contributes to the SDGs.	•
	Chapter 2: Demographic trends Chapter 3: Economy and employment Chapter 11: Social protection	Strive for net-zero emissions by 2050 with an increase in sustainable jobs	We support upcoming business through our preferential procurement and local content requirements. A department dedicated to this; SDL&I ensures all our procurement is aligned to this.	•

SDG	NDP objective	Our strategic objectives	Summary of our impact and management	Our impact
	Chapter 5: Environmental sustainability Chapter 8: Transforming human settlement and the national space economy	Facilitate a competitive future energy industry Modernise the power system Strive for net-zero emissions by 2050 with an increase in sustainable jobs	RT&D department continues to investigate solutions in preparing us for the transition to cleaner and greener energy production and while also looking at futuristic research and product development. Under the Komati project, the workers, suppliers, and communities will be supported through a five-year comprehensive transition plan that details projects and programmes to develop the area. The objectives of the plan are to enhance the opportunities from the positive impacts of the transition while minimising the social and economic risks and impacts associated with decommissioning and repurposing of Komati power station. This includes programmes to support diversification of the economic and skills base of local communities to reduce coal dependency and create alternate livelihoods option.	•
12 ECONSTITUTION	Chapter 5: Environmental sustainability and transition to a low-carbon economy	Pursue financial and operational sustainability The other strategic objectives also talk to SDG 12	Responsible consumption of raw water from the finite scarce water resources is key. The importance of recycling of process water in our operations in support of the Eskom Z-LED (zero liquid effluent discharge) Policy. Our Ash beneficiation strategy promotes the re-use of ash, a by-product of our Generation operations, in the manufacture of bricks, cement, soil amelioration, road construction and mine backfilling. 2.6Mt of ash was sold this past financial year. Clean coal technologies: the utilisation of coal fines (discarded waste products) in briquetted form for co- combustion in coal-fired industrial activity is at an advanced stage of research and has been proven to be a viable option for our circular economy. We have environmental management policies and strategies to guide us in our duty of care responsibility towards doing no harm and producing electricity in a responsible manner.	•
			The electricity we use can be an environmentally friendly product that is also necessary to assist other economic sectors to improve their environmental performance	•
13 ACTION	<b>Chapter 5:</b> Environmental sustainability and transition to a low-carbon economy	Strive for net-zero emissions by 2050 with an increase in sustainable jobs	We continue to contribute to shifting the country towards a low carbon pathway guided by our Climate Change policy, JET strategy and Adaptation procedure. We continue to try and scientifically understand and prepare for the potential impacts of increasing extreme weather events on our operations and communities.	•

Our environmental performance

SDG	NDP objective	Our strategic objectives	Summary of our impact and management	Our impact
14 INFERION	<b>Chapter 5:</b> Environmental sustainability and transition to a low-carbon economy	Strive for net-zero emissions by 2050 with an increase in sustainable jobs	We have undertaken to reduce freshwater usage, increase the recovery of process water for re-use, and avoid adversely impacting water resources, including sea and groundwater through effective water management processes, and groundwater monitoring. We have implemented the Z-LED policy for several	•
			years on all our operational dams. Our coastal management, including monitoring and reporting linked to our nuclear power generation activities remains priority for us.	•
	Chapter 5: Environmental sustainability and transition to a low-carbon economy Chapter 6: An integrated and inclusive rural economy	Strive for net-zero emissions by 2050 with an increase in sustainable jobs Pursue financial and operational sustainability Facilitate a competitive future energy	We endeavour to minimise the negative impact of our activities on ecosystems and enhance ecosystem services through responsible land management practices, while seeking opportunities to enhance biodiversity on Eskom properties. Our environmental management strategy provides the compass to managing our biodiversity. We have formed partnerships for the last 26 years on wildlife management to mitigate impacts on our operations and infrastructure by wildlife and our general operations impact on birdlife.	•
	<b>Chapter I:</b> Policy making in a complex environment	Pursue financial and operational sustainability	Our governance processes and policies are aligned to the first rule of law of South Africa (The Constitution). We relentlessly work at reducing and eliminating corruption of all forms in our business. Our policies and procedures enable us to be an effective, accountable, and transparent company.	•
17 Anteceder in the could international internat	Chapter 7: Positioning South Africa in the world Chapter 15: Transforming society and uniting the country	Pursue financial and operational sustainability Facilitate a competitive future energy industry Strive for net-zero emissions by 2050 with an increase in sustainable jobs	Work is being done through various platforms to partner with government and business to achieve a sustainable ESI. Alignment in energy, environmental, fiscal, and industrial policy have been identified as key focus areas in these engagements. We have various partnerships across the world, continent, locally, and with other business spheres which strengthen our means for implementation for sustainable development, including our JET.	•

#### OUR ALIGNMENT WITH THE UNITED NATIONS GLOBAL COMPACT (UNGC) PRINCIPLES

Eskom is a member of the UNGC, and we continue to be committed not only to the UNGC but also its principles relating to human rights, the environment, and the fight against corruption. The sustainable development performance of a company is a key factor influencing investment decisions. Therefore, improved performance in sustainable development and transparency about ESG matters is important for our reputation with our various stakeholders. The UN Global Compact is globally recognised for driving and shaping the sustainable development agenda. We submit our annual communication on progress (CoP) on our sustainability achievement to the UNGC, which enables us to show our commitment to the ten principles and the SDGs, and thus building our credibility and brand value, measure and demonstrate our progress and to compare our progress against other peers through comparable corporate sustainability data. Our commitments are also reflected in compliance with the Organisation for Economic Co-operation and Development recommendations on anti-corruption.

#### THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

#### PRINCIPLE 10

Businesses should work against corruption in all its forms, including extortion and bribery

#### PRINCIPLE I

**Appendices** 

Businesses should support and respect the protection of internationally proclaimed human rights, within the scope of their influence



the party

X

Appendices



Our Governance

Our sole shareholder is the Government of the Republic of South Africa, with DPE being our shareholder representative. As a public entity, we are governed by the provisions of the Public Finance Management Act 1 of 1999 (PFMA). The PFMA requires us to conclude a shareholder compact with the shareholder representative. Our shareholder compact contains shareholder expectations in the form of predetermined objectives and key performance indicators (KPI) and ensures alignment between the Board and the shareholder representative. In addition, the PFMA requires that we submit a strategic corporate plan to the shareholder on an annual basis, setting out our strategic objectives, with plans and targets to achieve those objectives. Our performance as reported in our shareholder compact has been audited by Deloitte and Touche for the year ending 31 March 2023.

The governance framework, which regulates our relationship with the Shareholder (the Government of the Republic of South Africa) and guides the way we business, is reflected in the figure below:



17

It is expected of organisations to have strong corporate governance policies and frameworks and we are no exception. Matters such as legal violations, corruption, negligence and fraud can have financial and reputation consequences that may affect not only us and the shareholder but our employees, their families, our customers and communities at large. Good governance is the compass that provides direction not only to our employees and contractors but all who do business with us as well, it sets the tone for how we value business processes that are ethically, fair, and just. The Governance and Strategy Committee is a committee of the Board of Directors (Board) established to assist the Board in dealing with oversight pertaining to the development, implementation and review of Eskom's corporate strategy and related documents, including the divisional strategies, turnaround strategy, legal separation (unbundling), Corporate Plan and the Shareholder Compact. The Committee is also responsible for corporate governance related matters which include the nomination of members as well as the annual evaluation of the Board and its Committees.

## Our Governance

ESKOM HOLDINGS SOC LTD Sustainability report 2023

Our environmental performance

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

Our Board fulfils the primary roles and responsibilities of a

direction of the organisation: Providing oversight through effective governance frameworks and approving policies and

high-performance culture aligned with Eskom's values.

governing body outlined in King IV<sup>™</sup> by: Setting the strategic

plans that enable the company's strategy and by promoting a

governance practices.

BOARD OF DIRECTORS

Our just energy transition

### Our leadership

Our governance framework has clear role delineation for our shareholder, the Board, the Board committees, and management of the Eskom group.

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

Eskom's legal separation will ultimately result in the formation of wholly owned subsidiaries with independent boards for

THE BOARD OF DIRECTORS At 31 MARCH 2023



Buys (65)

Mr Mpho Makwana (52) Cassim (51) Chairman

Acting Group

Chief Executive Chief Financial

Acting Group Independent non-executive Officer director



Mr Clive Ms Avanda Le Roux (71) Mafuleka (43) Independent Independent non-executive non-executive director director



Mr Leslie	Dr Tsakani	Mr Bheki	Mr Mteto	Ms Tryphosa	Dr Busisiwe	Dr Claudelle
Mkhabela (50)	Mthombeni (43)	Ntshalintshali (69)	Nyati (58)	Ramano (51)	Vilakazi (39)	von Eck (52)
Independent	Independent	Independent	Independent	Independent	Independent	Independent
non-executive	non-executive	non-executive	non-executive	non-executive	non-executive	non-executive
director	director	director	director	director	director	director

For further details on our overall governance matters, refer to the governance, leadership, and ethics section in the 2023 integrated report.

#### SOCIAL, ETHICS AND SUSTAINABILITY COMMITTEE

The Social, Ethics and Sustainability (SES) Committee reports to the Board on a quarterly basis at a minimum. They provide oversight of SED; good corporate citizenship; environmental; climate change; health; and safety programmes, and the

Independent

assurance of select KPIs through the sustainability audit. The SES committee also serves as the statutory social and ethics committee for Eskom's wholly owned subsidiaries. It is the responsibility of this committee to ensure that our Sustainability reporting is in line with the Global Reporting principles.

**Appendices** 

THE SOCIAL, ETHICS AND SUSTAINABILITY (SES) COMMITTEE At 31 MARCH 2023



Mr Bheki Ntshalintshali (69) Independent non-executive director

Mkhabela (50) Mthombeni (43) Independent non-executive director non-executive director Dr Rod Crompton (70) Independent non-executive director



Ms Fathima Gany-Ahmed (47) Independent non-executive director Dr Claudelle von Eck (52) Independent Dr Busisiwe Vilakazi (39) Independent non-executive director

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

non-executive director

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Our environmental performance

**Appendices** 



#### EXECUTIVE MANAGEMENT COMMITTEE (EXCO)

The Exco has been established to assist the Group Chief Executive (GCE) in managing the business for the benefit of Eskom. It is accountable for exercising executive control over day-to-day operations to deliver on the strategy set out by the Board.

The Committees responsibilities include

- ensuring good governance and controls
- developing and implementing the overall Eskom strategy including strategic objectives

#### THE EXECUTIVE MANAGEMENT COMMITTEE EXCO At 3I MARCH 2023



Executive



Mr Calib Cassim (51) Mr Martin Buys (65) Acting Group Chief Acting Group Chief Financial Officer

Mr Jan Oberholzer (64) Group Chief Operating Officer

Ms Faith Burn (54) Chief Information Officer

Ms Mel Govender (41) Group Executive: Legal and Compliance



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

Ms Elsie Pule (55) Ms Jainthree Sankar (51) Group Executive: Chief Procurement Human Resources Officer

Mr Vuyolwethu Tuku (47) Group Executive: Transformation Management Office

\* Jan Oberholzer retired as Chief Operations Officer in April 2023. Martin Buys was appointed in March 2023 as Acting Chief Financial Officer.

\* Nthato Minyuku and Mel Govender resigned in April 2023.

\* Refer to the IR for further details of the Board and Exco.

- providing feedback and accountability for transformation and turnaround initiatives
- exercising responsibility for the information and technology governance framework
- ensuring implementation of an effective compliance framework and process
- proactively managing stakeholder relationships
- ensuring effective financial management and control
- maintaining effective Human resource management by assisting the GCE
- entering into indemnities, guarantees and suretyships and securing payments
- procurement

#### **RISK AND SUSTAINABILITY MANAGEMENT COMMITTEE**

The Risk and Sustainability (R&S) Division reports to the Board SES and is mandated to drive sustainable business performance through functional leadership, assurance, and oversight in the areas of integrated risk, resilience management, OHS, quality management, environment and climate change, and sustainable development (CCSD). The R&S Division provides a shaping, safeguarding, and strategic servicing role to the operations of our business. R&S is also responsible for sustainability reporting.



Appendices

### Conducting business in an ethical manner

The Board, through its SES Committee, is responsible for the governance of ethics in Eskom, by establishing an ethical culture and providing oversight of ethics strategies and policies in accordance with King IV. Adherence to our Code of Ethics, known as "The Way", is not optional. It is the way we do business in Eskom, guiding the way in which the Board and employees interact with one another as well as with our shareholder, customers, suppliers, the public, other stakeholders, and the environment. "The Way" is defined by six core values, which form the foundation of our values-driven organisation and reflect our commitment to the highest standards of governance and ethical behaviour.

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 Internal Audit and Forensic and Anti-Corruption for further investigation. Our conflictof-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 potential conflicts of interest, performing private work, relationships with suppliers as well as receiving or offering business courtesies. Directors and employees from Task grade 09 are required to complete an annual declaration of interest, 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. Any interests declared by directors and Exco members in meetings are minuted for the record and should recuse themselves.

To improve the current governance systems, Eskom commissioned The Ethics Institute 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 will be used to better manage ethics-related risks and inform the review of Eskom's ethics management strategy. High-risk areas will be subject to greater focus for ethics training and consequence management.

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

#### CRIME AND FRAUD

An effective response to corruption promotes transparency and accountability and fosters a conducive environment for sustainable development and equitable benefits to our nation. Eskom is no exception, by virtue of its significant influence over crucial sectors that affect the economy and the well-being of South Africans. Apart from hampering fair competition, corruption stifles innovation and economic growth.

We have our own Forensics Department which provides an independent and objective forensic service into fraud, corruption, and general and financial irregularities in our business. Eskom's internal capacity is augmented by a panel of external investigators. In cases where our forensic investigations uncover criminal conduct, these are referred to law enforcement agencies for further investigation.

We also have other capabilities and functions to investigate physical-, energy-, and cybercrimes. To embed and increase our effectiveness to respond to physical crime and fraud and corruption prevention, we have embarked on a programme to consolidate our multiple investigative functions into a single investigative unit. This unit is envisaged to be implemented during the 2024 financial year.

During the 2023 financial year, Eskom appointed an external entity to conduct a comprehensive review of our crime risk management landscape. This comprises reviewing the existing control frameworks, and providing for a gap analysis thereof, as well as recommendations for improvements based on legal requirements and international best practice.

Eskom's Anti-Fraud & Corruption Integration Committee (AFCIC) is now fully established. This Committee, which have members representing all line functions in Eskom, aims to improve corporate governance by providing a holistic assessment of our approach to fraud and corruption risks and to integrate, monitor and report on internal and external investigations into fraud, monitoring the Fraud Prevention Plan, corruption and unethical conduct.

### Integrated risk management

We are committed to the effective management of risk which is central to Eskom's governance and management processes, and essential for achieving the organisation's vision and mandate. It is therefore imperative that risk and resilience management be embedded into all business processes to identify and manage risks consistently and proactively.

We have established an integrated approach to managing risk and resilience, using consistent approaches to the assessment, treatment, monitoring, and reporting of all types of risk, at all levels and for all activities across the business. It is therefore imperative that there be one standard for the management of all types of risks that will be consistently applied across Eskom Holdings SOC Ltd. The objective of managing risk is to ensure that Eskom can formulate and execute its strategy effectively, enabling it to operate its business efficiently within the risk appetite set by the Eskom Board of Directors. It is vital that risks that impact Eskom's objectives are identified, effectively managed, continuously monitored and reviewed.

Our Enterprise Risk and Resilience Policy, Risk and Resilience Management Plan, and appetite and tolerance framework, make up the key governing documents approved by the Eskom Holdings Board. This complies with (i) the recommendations on good governance in King IV, which includes the oversight of risk and resilience as a Board-level priority, and (ii) the requirements of Risk and Integrity Management Framework (RIMF) from DPE. As an organ of state, Eskom is also required to comply with disaster management legislation.

Enterprise Risk and Resilience is responsible for shaping and safeguarding an integrated approach to risk and resilience management. The transition from centralised support functions to a functional leader model, in an unbundled Eskom, is a key consideration for our approach in risk and resilience

#### Year end (2023FY) risk landscape

30 Priority I (PI) risks were reported as at 30 March 2023.

management. Enterprise Risk has formalised a functional support role to the business through various interventions such as the Integrated Risk Management (IRM) Operations committee and service level agreements, which have been signed with Generation, Transmission and Distribution respectively and the services provided are in accordance with the Functional Leader Model.

#### ESKOM HOLDINGS BOARD OVERSIGHT

The Quarterly Risk and Resilience Report is tabled at the Board Assurance and Risk Committee, after review by the R&S Committee and supported by Exco. Our risk landscape is currently being monitored, tracked, and reported in the seven risk categories. The risk appetite statements are approved by the Board, namely finance, operations, information technology, compliance, environment/climate change, people, and stakeholder management.

Risks affecting organisational and business continuity objectives are identified, robust treatment plans are developed, and implementation is tracked and monitored through embedded governance structures (in line with King IV). Risks are rated according to Eskom's consequence and likelihood table. High consequence and likelihood are referred to as priority I risks which require the focus of Exco and the Board.

The risk landscape for quarter 4 2022/23YE and the aggregated strategic risks is reflected below.



Risk matrix focusing on the 30 Priority 1 risks in the red area

Our environmental performance



### Resilience

The Global Resilience Partnership defines resilience as the capacity to live and develop amidst change and uncertainty. We refer to the required resilience capabilities as the ART of resilience – to anticipate and adapt to change, Respond, and recover from disruption, and Transform amidst changes in context.

In practice organisational resilience requires preparedness and response capabilities to navigate major disruptions that integrates across geographic, functional, and sector boundaries. Preparedness is established through Business Continuity Management (BCM) and Disaster Management and response through an Incident Command System.

Our Enterprise Resilience programme has made great strides on integrated emergency management of our response to major threats and disruptions, such as the pandemic, and ensuring compliance with the Disaster Management Act, 2002. However, we have a long way to go to strengthen the capacities of anticipating, adapting, and transforming.

#### RESILIENCE NECESSITATES INTEGRATION ACROSS SCALES AND BOUNDARIES.

Appendices

Integrated response structures ensure coordination across boundaries at national and provincial level and with external joint responders. The following table summarises institutional arrangements that give effect to integrated preparedness and response capabilities across scales and boundaries. To illustrate, national blackout disaster planning requires cross-functional integrated preparedness and response capabilities among line divisions and with support functions within Eskom. Externally across various sectors (e.g., fuel, telecommunication, and banking), and across national, provincial, and local government.

Planning level	National	Provincial	Divisional
Preparedness focus	Disaster Management for identified national priorities	Oversight of strategic/cross-cutting risks	Business Continuity Management (BCM)
		Disaster Management for identified provincial priorities	Disaster Management for site level priorities (e.g., Gx breach of ash dam wall)
Scope of Integration	Nationally across all of Eskom Holdings and integrate with Provincial Resilience Teams (PRTs)	Across all Eskom's operations within a province	Within an operating division, strategic or service function
Preparedness Structure and allocated accountability	National Disaster Management Working Groups (DM WG) Priorities are assigned to members of Exco	PRTs and subcommittees Assigned to Dx GMs	Divisional Resilience Programme Head of the division
External Integration	National Disaster Management Centre (NDMC) and National Disaster Management Advisory Forum (NDMAF) (led by Resilience team) National sectors and key response partners (led by respective DM WGs)	Provincial Premier (led by Dx GM) Provincial Disaster Management Centre (PDMC) and Provincial Disaster Management Advisory Forum (PDMAF) (led by PRT DM lead) Provincial sectors and key response partners (led by PRT DM lead)	Own stakeholders based on divisional mandate
Performance measure and reporting	Quarterly reported by assigned division in resilience compact	Quarterly PRT dashboard	Quarterly divisional resilience report and compact scores
Response structure	Emergency Response Command Centre (ERCC)	Provincial Joint Command Centres (PJCCs)	Tactical Command Centre (TCC)



#### AGGREGATED STRATEGIC RISKS

The aggregated strategic risks are a consolidation of the various divisional and subsidiary priority 1 risks grouped under the various risk consequence categories. The aggregated strategic risks are consolidated and aligned to the Board approved Risk Appetite statements and Key Risks Indicators (KRI).

- The financial sustainability of Eskom being compromised due to declining sales, an increase in the non-payment of municipal bulk accounts, and the tariff determinations of the National Energy Regulator of South Africa (NERSA) not being cost-reflective. This situation leads to Eskom being unable to meet its financial obligations and maintain its going-concern status.
- The financial risk linked to fraud and corruption in Eskom if not brought under control, they could further compromise our business and reputation. This financial risk caused by unethical behaviour and ineffective controls to prevent, detect, and correct such criminal behaviour leading to continued financial losses, operational and reputational damage and Eskom's moral fibre being further eroded.
- Eskom's operational performance deteriorating due to a loss of critical skills, poor plant performance/quality of outage execution, coal-related challenges, capex reduction, inability to sustain and maintain transmission network reliability, and intolerable levels of theft and vandalism to, network equipment (deteriorating socio-economic conditions). This leads to a system constraint/blackout and a decline in stakeholder confidence.
- A major cybersecurity attack against Eskom's IT network infrastructure/business systems will affect critical business systems and lead to reputational damage, legal, operational, and financial implications.

- Inability to meet regulatory and statutory requirements. The loss of Eskom's licence to operate due to its environmental performance and non-compliance with regulations/ legislation, leading to plant shutdown and/or litigation.
- Eskom's failure to transition from coal-based power system to a lower carbon and climate-resilient company due to the obstacles on the net zero pathway, not receiving a sufficient low carbon technology (renewables) allocation by the Department of Mineral Resources and Energy (DMRE) leading to a failure to determine an optimal combination of clean technologies to achieve CO, reductions.
- Breakdown in relations with recognised Organised Labour and employees.
- OHS performance and public safety if compromised will lead to harm (injuries, fatalities, damaged property), lack of productivity and reputational damage.
- Legal separation being delayed further, due to tardiness in the allocation of licences to the NTCSA entity, themselves caused by the lack of internal alignment and stakeholder engagement, leading to further reputational damage, declining investor confidence, and special Appropriation Act implications.
- The failure to manage non-technical risks, that is, risks and opportunities that arise from Eskom's interaction with a broad range of external stakeholders (includes regulatory bodies, the public and socio-economic challenges, government departments and policy makers, environmental organisations etc.) will impact the organisation on multiple levels putting the Corporate Plan, and Strategy 2035 at risk.

The treatment plan for the aggregated risks is included in the Corporate Plan, Strategy 2035, and Divisional Risk Treatment Plans (incl. JET).

Our environmental performance

considering Transmission Grid Managers. The performance of

the PRTs is assessed using a compact that considers provincial

governance, risks, subcommittees, emergency preparedness,

Divisions employ BCM to ensure that the organisation can

continue operating in case of serious incidents or disasters and

can recover to an operational state within a tolerable period of

Integrated emergency response is coordinated nationally by

Eskom's ERCC and provincially by PJCCs. In the financial year the ERCC was activated several times to coordinate Eskom's

response to the industrial action, critical IT system failure

national and provincial level exercises to test emergency response structures and plans. An internal national simulation

preparedness to cyber-attacks and terrorism disasters.

Over 500 people participated in the online seminar-style

and severe supply constraints. The Resilience team conduct

exercise was undertaken on 17 March 2023 to test response

external disaster structures.

disruption.

simulation exercise.

disaster management plans, integrated response structures, and

Our social performance

Appendices

The progress of national working groups varies among the national disaster priorities, and a forum was established in the financial year to address gaps and improve maturity levels. We are encouraged by recent key appointments in the NDMC, that is, Head of Centre and Capacity Building and Provincial Integration Director, as we pursue country-level co-ordination for electricity-related disasters.

In the previous financial year, government declared three national states of disasters: two were in response to the impact of floods and one to the impact of severe electricity supply constraints. Since the scope of the national disaster on the impact of severe electricity supply constraints is intertwined with work that is undertaken by the NECOM the Eskom emergency response structures were expanded to include the work of the NECOM/Energy National Joint Operational and Intelligence Structure (Nat JOINTS).

Eskom's integration and joint planning with provincial government and response structures takes place through PRTs. As network boundaries do not comply with provincial boundaries it is a challenge to ensure meetings are streamlined to benefit Distribution Cluster General Managers while

### Quality management

Our approach to quality management is to instil a culture of continuous improvement towards achieving business excellence. Quality Management therefore provides strategic direction and assurance through the quality management value chain (i.e., quality planning, quality assurance, quality control and quality improvement) including Eskom's document and records management.

Eskom is certified to the ISO 9001: 2015 Standard for the line divisions and compliant for support functions. The external audits are conducted by the South African Bureau of Standards (SABS) for the line divisions, overall deviations relate to documentation management issues also the everchanging context of the organisation which has an impact on resources.

One of the quality strategic initiatives is to conduct conformity assessment which includes all the activities to demonstrate that the quality management system will function optimally to entrench the Eskom Quality Value Chain within the Eskom Divisions/BU/Clusters for the lifecycle of processes, product and service during the design, manufacturing, installation, maintenance or repair, projects etc. Quality Management aspires to change attitude and behaviour of each Eskom Guardian to embrace quality in everyday outputs for continual improvement and the achievement of operational excellence.

## Our Environmental Performance

Our environmental performance

Our just energy transition

### Our Environmental Performance

Our environmental performance is monitored and measured against several KPI, prioritising relative particulate emissions, specific water consumption, and air emission licence compliance, biodiversity red data bird mortalities on Eskom's infrastructure and the number of reported legal contravention incidents and those as a result of significant failure of business systems (FBS).

### OUR APPROACH TO ENVIRONMENTAL MANAGEMENT

The livelihood of all South Africans is dependent on the environment in which they live, and they have a right to live in a healthy and safe environment. Eskom's operations affect the environment both positively and negatively, and all its activities rely heavily on the provision of non-renewable resources, including land, water, coal, and air. Eskom strives to reduce its environmental footprint and considers environmental performance a key strategic thrust that will enable Eskom to retain its licence to operate and achieve its values, specifically the value of Zero Harm to people and our environment. Our six Eskom-values directly link to our approach to environmental duty of care and how we address environmental matters. These values are also directly associated with the environment and climate change focus we have in the business:



 $\bigcirc$ 

Integrity

**Zero harm:** We will strive to ensure that zero harm befalls our employees, contractors, the public and the natural environment. Our environmental duty of care in pursuit of zero harm and our JET for net zero emissions by 2050. This duty of care speaks to our responsibility to ensure that our future generations have a safe planet on which to live

**Integrity:** Honesty of purpose, exemplary conduct, and discipline in all our actions, ensuring respect for people. Our conduct and disciplined actions are what leads to environmental duty of care. Integrity means the respect we have for the environment, a constitutional right that all South African citizens have to an environment that is not harmful to their health and wellbeing. It speaks to doing the right thing every time, even when no one is watching.

Ø

**Innovation:** Value-adding creativity that is results-oriented. We will lead through excellence in innovation. This is what is needed to address the multitude of environmental and climate change challenges we have in Eskom. Many of the challenges we have, especially to be resilient to the effects of climate change, cannot be met through our past practices and approaches, but through innovative new solutions and practices that will see us transition and participate in an industrially revolutionised world.

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**Sinobuntu:** Caring, acknowledging that we are one with the planet and its inhabitants. This is probably the key value we embrace and aim to demonstrate in all that we say and do – this is what environmental duty of care is all about.

\_\_\_\_\_



Satisfaction

Excellence

**Customer satisfaction:** A commitment to meet and strive to exceed the needs of the receivers of our products and services. While we associate that with our direct electricity customers, it is applicable to the expectation that the environmental authorities, our lenders, and most importantly all South Africa citizens have for us to carry out our business in meeting their need for us to do this with due care for the environment.

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**Excellence:** Acknowledged by all for exceptional standards, performance and professionalism. This value means that, in all we do, we do with excellence, which will lead to environmental duty of care. It is about what we do today and every day as we undertake our tasks with excellence. This will ensure that we comply with all our environmental legal obligations and that we do not find excuses but find solutions.

#### ESKOM'S ENVIRONMENTAL MANAGEMENT STRATEGY

The Environmental Strategy will drive Eskom and ultimately South Africa forward in terms of a greener country and economy and facilitate a JET, resulting in environmental improvements (compliance and performance). The environmental criteria forming part of Eskom's JET initiatives include reducing Eskom's contribution to local air pollution and having a positive effect on water conservation and biodiversity.

Eskom's overarching strategic environmental objectives, as set out in the Environmental Strategy, are to (i) reduce the environmental footprint of Eskom's activities; and (ii) position Eskom as an environmentally sustainable utility.

The strategy principles aim to reduce the environmental constraints and challenges faced by Eskom in optimally generating, transmitting, and supplying electricity and enhancing its positive environmental contributions.

Eskom will continue to contribute to the improvement of the state of the South African natural environment and the health of communities through:

- responsible and improved water management practices.
- management of air quality.
- management of specific Eskom land as nature reserves.
- phase-out of polychlorinated biphenyls (PCBs).
- reduction in bird mortalities through the implementation of bird proactive mitigation plans.
- improved and inclusive biodiversity management within Eskom's control and influence.
- implementation of SHEQ management systems in accordance with the ISO 9001, 14001, and 45001 standards.
- renewables support in acquiring environmental authorisations and updating of existing allocations due to retrofits.
- support the R&R of stations that have reached the end of their economic life, in support of the JET.
- development of an Eskom's culture transformation programme to deliver a high-performance ethical culture.

#### ENVIRONMENTAL FUNCTIONAL LEADER ROLE

The Eskom Risk and Sustainability Division's Environmental Management functional leader role provides the organisation with strategic direction and oversight, which includes developing level one policies and procedures that align the organisation with legislation and responsible/best-practice environmental management to achieve a reduced negative environmental footprint in support of the value of Zero Harm.

Environmental assurance is provided to the Eskom Board and Exco by monitoring and reporting environmental key risks and KPI.

#### **GOVERNANCE AND REPORTING**

Appendices

The implementation of the environmental management practices is ensured through the governance structure of the Eskom Environmental Steering Committee. This governance committee is chaired by Eskom's Environmental Manager and represented by the respective environmental managers of the line divisions and Eskom Rotek Industries (ERI). In addition, the committee has representation from Eskom's Climate Change and Sustainable Development (CCSD), RT&D and the Eskom Internal Audit Departments.

This allows for the oversight of environmental assurance, performance, and compliance. Through this committee working groups are set up to develop the required approaches to the areas of environmental management, including air, waste, water, and biodiversity.

#### OUR ENVIRONMENTAL 100 YEARS JOURNEY

Eskom has a proud history of being a leader in industrial environmental management practices. From commitment through policy setting in the 70's, to research and development in air quality management and dry cooling technology, to one of the first companies to sign up to the UNGC in 2000. We have proactively undertaken environmental impact assessment to ensure informed decision making long before it became a legal requirement in South Africa in the late 90s. Eskom published its first Annual Environmental Report in 1994 and today is proud of a high standard of Sustainability reporting aligned with the GRI, which has been recognised through the accomplishment of various awards for excellence.







Our environmental performance

Our just energy transition



Although records show that the first formalised Eskom environmental policy was in place in 1980, which was based on the Electricity Act, Act No. 40 of 1958, the organisation was committed to environmental management practices way before then. These were predominately in the areas of air pollution (particulate matter) and water use.

Today we see the concept of environmental management in Eskom being broad and including socio-economic issues, concept of ecosystem services, CCSD.

Although the legislative requirements for carrying out environmental impact assessments were only legislated in 1998, Eskom was undertaking these back in the 80s for projects such as Tutuka, Lethabo and Matimba coal-fired power stations as well as that for Koeberg nuclear power station, Palmiet and Drakensberg pumped storage facilities. Such proactive environmental assessments were also undertaken on power line projects such as the Ariadne Venus and the Palmiet Stikland Transmission power line in the early 90s.

While environmental management practices were in place before the 1990s, it was at this stage that Eskom appointed its first Environmental Manager. Since the 90s we have seen the following as Eskom's Environmental Managers: Mr Otto Graupner, Mr Zola Tsotsi (later to become Eskom's Chairman), Mr Paul de Kock, Ms Vanida Govender, Ms Wendy Poulton, Ms Deidre Herbst and to the present Ms Fiona Havenga.

#### **BIRDS AND POWER LINES**

Dr John Ledger and Peter Mundy founded the Vulture Study Group in 1973 to provide scientific direction for the study and conservation of these misunderstood and threatened birds. The Vulture Study Group was dissolved in 2007 and amalgamated into the Birds of Prey Working Group of the Endangered Wildlife Trust in 2007 At this same time the Endangered Wildlife Trust (EWT) was established. In 1977, Dr Ledger as a Trustee on the EWT started to engage with Eskom about the impacts of birds and power lines. This resulted in the formation of a strategic partnership between the EWT and Eskom which endures to this day. Eskom and the EWT formally entered a strategic partnership in 1996. The aim of the partnership was to systematically address the problem and to establish an integrated management system to minimise these negative interactions. Today, other partnerships are also in place with organisations such as Birdlife South Africa.

The "Eskom Red Data Book of Birds of South Africa, Lesotho and Swaziland" was one of the most significant scientific publications in the field of Biodiversity that Eskom is associated with. This publication is well known by all those involved in avian studies, science, protection, and conservation. It shapes government policy on species protection, used in EIA studies and determining areas for protection.



#### BIODIVERSITY

During the years of expansion (1980-89) and before the era of having legislative environmental impact assessments, Eskom planned for Matimba power station in the Lephalale area included measures to preserve the indigenous bushveld before construction started. It was also during this time that there was strong cooperation between Eskom and the provincial environmental authorities in the conservation of the sun gazer lizard (*cordylus giganteus*) at the site of the Majuba power station.

One significant learning from Eskom's strategic partnership with EWT from the 70s it has been the success of working in partnerships with environmental conservation NGOs. The Ingula Partnership with BirdLife South Africa and Middelpunt Wetlands Trust has proved invaluable towards the conservation of a very important biome ensuring the protection of the critically endangered White-winged Flufftail, Southern Bald ibis, other endangered species, and the habitat in which they exist. The Ingula Partnership has also resulted in Eskom leadership endorsing research funding to the Birdlife International Species Champion Programme, whereby Eskom will fulfil the Species Champion role for both the White-winged Flufftail and the Southern Bald Ibis. This initiative promotes the overall protection and conservation of these two bird species.





Koeberg Nature Reserve



Ingula Nature Reserve

Eskom's approach to the management of its land as conservation areas reached a highlight in 1991 when the Koeberg Nature Reserve was promulgated. In consultation with both national and provincial authorities, Eskom formally declared three nature reserves (Ingula Nature Reserve, Majuba Nature Reserve and Koeberg Nature Reserve) through the National Environmental Management: Protected Areas Act, 2003. The declaration of the nature reserves enables Eskom to have its licence to operate power generation activities within these natural environmental areas where the power stations have been constructed, while protecting South Africa's biodiversity and ensuring the long-term security of the country's natural heritage.

#### AIR QUALITY

Appendices

#### EMISSIONS AND PERFORMANCE

Atmospheric emissions include any emission that results in air pollution and includes particulate and gaseous emissions. Atmospheric emission licences (AELs) issued by the authorities allow Eskom only to emit atmospheric pollutants within certain limits.

The coal-fired power stations operate in general compliance with emission limits set in terms of their respective AELs. However, occasional non-compliance with these limits occurs and is subsequently reported to the authorities as required. Power station AELs require the reporting of emergency incidents referred to as National Environmental Management Act (NEMA) section 30 incidents.

Our coal-fired power stations' relative particulate emissions performance improved since March 2022 due to the completion of the focused maintenance of generating plant. However, performance has not shown a turnaround by the end of the year as system constraints increased. When compared to the previous year's performance we find that the emissions deteriorated.

#### Relative particulate emission performance (kg/MWh sent out) for the 2021, 2022 and 2023 financial years



#### KUSILE POWER STATION STACK FAILURE

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, their loss effectively increased the pressure to implement loadshedding of approximately two levels in isolation. We have implemented several 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 Flue Gas Desulphurisation (FGD) plants causing a predicted increase in SO<sub>2</sub> emissions in the area around the station.

Our environmental performance

We applied for approval from the Department of Forestry, Fisheries and the Environment (DFFE) and the Nkangala district to erect and operate temporary stacks at Kusile whilst the permanent repairs to the west stack are underway. Permanent repairs to the west stack are planned to be completed by end December 2024. On the 18th of March 2023 Eskom received approval to commence the construction of the temporary stacks, however approval to operate the temporary stacks was dependent on a favourable outcome of the Minimum Emission Standards (MES) postponement and Atmospheric Emission License (AEL) variation process. DFFE's decision to grant the postponement of MES was issued to Eskom by the DFFE National Air Quality Officer. This pertains to the sulphur dioxide (SO<sub>2</sub>) emission levels at Kusile Power Station. An updated AEL to Kusile Power Station was issued to reflect this postponement decision by the Nkangala District Municipality.

The postponement granted and the licences issued in June 2023 mean that Eskom will be able to operate the three units without the use of the FGD plant, which is equipped with emission-abatement technology for SO<sub>2</sub>, for a period of up to 31 March 2025 while the flue gas ducts in the permanent stack are being repaired. The postponement and licence are subject to several conditions, including the implementation of measures to mitigate the impact of SO, emissions on air quality. Eskom will comply with the conditions of the MES postponement and the AEL. 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, emissions on air guality. Two of the units have been returned to service, with the last expected to return in November 2023.

#### AIR QUALITY MANAGEMENT PLAN

An updated Eskom 2022 emission reduction plan was approved by the Eskom Board on 29 July 2022. The plan is based on Eskom 2035, JET, ambient air quality, broad environmental impact and affordability and focuses on PM reduction, limited nitrogen oxide reduction projects and sulphur dioxide reduction projects only at Medupi and Kusile power stations. Eskom's strategy is to facilitate the development of a future electricity sector that is competitive and enabled by modern power system technologies as South Africa strives to achieve net-zero emissions by 2050. Eskom's proposed JET would make it possible to simultaneously spur economic growth, create sustainable jobs and put emissions into structural decline, thereby ensuring an electricity supply that does not compromise economic growth.

Eskom has adopted a phased approach to its air quality improvement programme that considers the remaining lifespan of the power stations and their impact on the ambient air quality.

We continue to drive the implementation of the previously committed MES projects. Good progress has been made on particulate matter (PM) projects, and it is foreseen that all of these projects will be completed by 2025. There is a risk that some units at Tutuka Power Station with PM upgrades may be completed after the legal requirement of 31 March 2025, but work to minimise this risk is ongoing, and alternatives are also being considered. Eskom remains at risk of not meeting commitments made in previous minimum emission postponement applications due to project delays and constraints on available funding. The consequences of non-compliance could be the withdrawal of licences to operate, DFFE not granting further legal indulgences, or not meeting specific loan agreement conditions.

#### EMISSION STANDARDS

The MES for South Africa were published in 2013 and amended in 2018. These stipulated emission limits, which require Eskom to reduce gaseous emissions of sulphur dioxide and nitrogen oxides, as well as particulate matter. It aims to protect the environment by providing reasonable measures for the prevention of pollution and ecological degradation and to secure ecologically sustainable development. while promoting justifiable economic and social development.

In 2014 and again in 2019, Eskom committed to retrofitting several power stations to reduce emissions under postponement applications granted by the then Department of Environmental Affairs (DEA), now called DFFE. Full compliance with the new plant standards requires all coal-fired power stations to implement emission reduction technologies, such as fabric filter plant (FFP), low NO, burners and/or FGD.

Eskom submitted postponement applications in terms of the MES to DFFE during August 2020, with additional information submitted early in January 2021. Eskom received a decision on the application from DFFE in November 2021. A positive postponement decision was issued for power stations shutting down by 2030, namely Grootvlei, Arnot, Hendrina, Camden, Komati, Acacia and Port Rex. However, Eskom's request for postponements at Matla, Duvha, Matimba, Medupi and Lethabo were all declined in their entirety by the National Air Quality Officer (NAQO). Postponement applications for Majuba, Tutuka, Kendal and Kriel were partially approved.

The decision requires funding of approximately R340 billion and would affect the operating licence of 16 000MW immediately and a further 10 000MW post-2025 leading to further load shedding. An appeal of the decision was submitted to the Minister of DFFE on December 13, 2021. This suspends the decision and allows continued operation.

The Minister of DFFE established a Consultative Forum in 2022 to advise her in respect of the MES appeals. The Forum has a broad term of reference requiring it to consider environmental, climate change, health, security of supply and legal requirements. In November 2022, the Forum held a series of public consultations in respect of the MES appeals to obtain stakeholder and public input in respect of the MES appeals. The forum is required to provide a recommendation to the Minister in 2024.

#### ABATEMENT

Various emission abatement technologies have been installed at Eskom's coal-fired power stations.

These include:

- Electrostatic precipitators (ESPs) at Duvha, Kendal, Komati, Kriel, Lethabo, Matimba, Matla and Tutuka
- SO<sub>3</sub> flue gas conditioning plants to improve the efficacy of ESPs at the power 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
- FGD at Kusile

In line with commitments made, additional emission reduction projects to reduce particulate matter emissions (PM), as well as sulphur and nitrogen oxides continue. The following air improvement projects have now been completed:

- High-Frequency Power Supply (HFPS) Project units commissioned: Kendal I, 5, and 6, Lethabo 2 and 3, Matla 2, and Tutuka 4.
- Electrostatic Precipitator (ESP) Project units commissioned: Kendal 5 and 6.
- Contract placed for HFPS at Lethabo, Kendal, Matla and Kriel, Matla Unit 4 ESP, Tutuka ESP (4 units), Lethabo ESPs and flue gas conditioning, and flue gas conditioning at Tutuka.

#### AMBIENT AIR QUALITY MONITORING

Eskom has established a network of ambient air quality monitoring stations to monitor the air quality in communities potentially impacted by our operations. The measurements are used to identify the main sources of pollution in the communities and to determine the improvement in air quality as the interventions are implemented. The following parameters are monitored continuously: Particulate Matter (PMI0 and PM2.5), sulphur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>2</sub>), ozone (O<sub>3</sub>), temperature, wind speed and direction, rainfall, pressure and relative humidity.

The ambient air quality monitoring station in Kwazamokuhle was established in September 2014, and the monitoring station in Ezamokuhle was established in July 2017. The sites are operated by the Ambient Air Quality Monitoring Team at our RT&D Department. Both monitoring stations have received accreditation from the South African National Accreditation Society (SANAS).

#### AIR QUALITY OFFSET PROGRAMME

Air quality refers to the degree to which the air is suitable or clean enough for humans or the environment. Good air quality means the air is free of harmful substances.

Air quality in various areas of the country is affected by pollutants emitted by numerous sources. These sources include power generation activities, industrial processes, waste disposal, transportation (private and public vehicles), biomass burning, domestic fuel burning, landfill sites, wastewater treatment and agricultural activities. Air pollution can therefore impact human health and lead to environmental degradation.

The power station AELs for our coal-fired power plants require us to implement an offset programme to reduce particulate matter pollution in the receiving environment adjacent to the power stations. The offset is carried out on specific low-income houses and includes the installation of ceilings to improve insulation as well as electric and gas stoves to replace coal stoves.

Our air quality offset programme aims to reduce particulate matter emissions and thereby improve ambient air quality in communities adjacent to Eskom's coal-fired power stations by insulating homes with ceilings, switching households from coal to electricity and liquid petroleum gas, and addressing the burning of waste.

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There has been substantial progress on the air quality offsets programme during 2022/23, with the start of the stove swap implementation in Kwazamokuhle and continuation of work in Ezamokuhle.



#### WATER MANAGEMENT PLAN

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

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

Our environmental performance

Our just energy transition



#### PERFORMANCE MONITORING AND REPORTING

Water performance (measured as specific water consumption per unit of electricity sent out) met the target for the year. However, specific water usage in the generation of electricity deteriorated over the year. The deterioration is attributed to poor water management practices at power stations, including leaks and overflows at units; less recovery from on-site dams for reuse due to poor water quality, due to contamination with ash and oil; ashing with cooling water to control cooling water chemistry; as well as losses through discharge of polluted water into the environment, as the pollution control dams on these sites have more water flowing into the dams than can be contained.

Focused monitoring of the effective implementation of water management action plans, has not yet led to a significant decrease compared to the previous financial year, although some improvement has been recorded.

While higher rainfall during 2022/23 contributed to improved performance from financial year 2021/22 to financial year 2022/23, the reduced energy availability (EAF) and water management challenges resulted in a deterioration of specific water use. Specific water consumption performance ( $\ell/kWh$  sent out) for the 2022 and 2023 financial years (please take note that the water target has been revised from 1.31 $\ell/kWh$  sent out to 1.39 $\ell/kWh$  sent out due to the lower energy availability factor at the stations)



ACTIONS TO ADDRESS THE WATER CHALLENGES

More focus is still required at power stations to address the root causes of high inflows and prevent contamination of water to improve water recovery and water management practices. Regrettably, focused interventions have not yet led to a significant decrease in such water events when compared to the previous financial year.

We continue with the implementation of comprehensive water improvement management plans across all coal-fired power stations to reduce water consumption, ensure compliance with water use licences and maintain its assurance of water supply.

Specific water performance is dependent on several variables, including load factor, energy mix, rainfall and overall water management efficiencies at power stations, all of which are being addressed through the power stations' water management action plans.

#### BIODIVERSITY

Our activities in the generation, transmission and distribution of electricity can have an adverse impact on biodiversity and therefore the controls and practices that are put in place in Eskom. With the recognition that biodiversity is the complex web of life which sustains us all, we acknowledge that our contribution to protecting biodiversity is not just about saving animals or habitats, it's also about helping us cope with the worst effects of climate change. The status of biodiversity continues to be threatened by the increasing impact of uncontrolled human activities and therefore the critical role we acknowledge we play in this matter is South Africa.

One of the significant biodiversity challenges we continue to face is that of red data bird mortalities that occur on our extensive power line network across the country. At the end of the last financial year the red data bird mortalities had improved from 224 to 170 mortalities. Improvements in the implementation of mitigation that have been seen, can be attributed to the work of the Eskom field staff in identifying risk areas and implementation of mitigation measures.

The key initiatives undertaken to address this environmental impact include:

 implementing proactive bird mitigation programmes on highrisk power lines;

Ash sold from six of Eskom's coal-fired power station from the 2009/10 to 2022/23 financial years



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- implementing the recommendations that emanated from investigations undertaken on red data bird mortalities; and
   research work through Eskom's RT&D function in
- partnership with the Endangered Wildlife Trust.

We have contributed to biodiversity initiatives in South Africa such as through consultation with both national and provincial authorities, we have formally declared three nature reserves, being the Ingula Nature Reserve, the Majuba Nature Reserve, and the Koeberg Nature Reserve. In doing so, these nature reserves play a role in the protection of South Africa's biodiversity and ensure the long-term security of South Africa's natural heritage. The Ingula Nature Reserve, which is South Africa's 27th "Ramsar Site" that was added to the List of Wetlands of International Importance, was declared to protect the Drakensberg's high altitude grassland ecosystem, wetlands and escarpment forest that plays host to several threatened species, including the critically endangered White-winged Flufftail, Wattled Crane, Bearded Vulture and White-backed Vulture.

#### WASTE MANAGEMENT

**Appendices** 

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

#### ASH

The Minister of the DFFE approved our application to exclude ash and gypsum at our sites from the definition of waste when extracted for beneficial use. The exclusion by DFFE of ash and gypsum from waste requiring a waste management licence, when extracted for beneficial use at our sites, provides additional opportunities for ash beneficiation – such as the use of ash in bricks, cement, soil amelioration, road construction and mine backfilling. Camden Power Station had portions of its ash utilised for mine backfilling during 2020/21, demonstrating the beneficial use of ash in the mining environment

Our ash is sold from six of our coal-fired power stations. These ash sales are contracted to commercial partners. Over the past 10 years, ash sales by volume have increased steadily, these have decreased over the last two years.

Our environmental performance

### PHASE OUT OF POLYCHLORINATED BIPHENYL'S (PCB)

South Africa is a member of several international conventions, such as the Stockholm, Basel, and Rotterdam Conventions. The Stockholm Convention requires that each member develop and implement a National Implementation Plan (NIP) to meet its obligations (included in the NIP was the ban of PCB oil and containing materials).

The DFFE published regulations in 2014 under section 44 of the NEMA: 1998 to phase out the use of PCB materials and contaminated materials (>49ppm) by 2023.

An independent audit of Eskom's PCB phase-out plan was conducted during this reporting period. The report concludes that: Eskom has a DFFE approved PCB phase-out plan with specific milestones to achieve phase-out of the listed PCB contaminated equipment by 2023. The milestones in the approved phase-out plan indicates that all the identified PCB contaminated equipment will be phased out by 2022, however, this plan has since been updated and all equipment will be phased out by 2023. Eskom continues to make use of "windows of opportunity" to phase out PCB contaminated equipment, resulting in some operating units achieving their phase out milestones earlier than scheduled. We have implemented a plan to achieve the objective of phasing out all identified PCB contaminated equipment by 2023, with Transmission and ERI having successfully phased out PCB – containing equipment and materials ahead of the global phase-out date of 31 December 2023.

### ENVIRONMENTAL MANAGEMENT SYSTEMS (EMS)

Eskom's operational divisions (Generation, Transmission, Distribution and Group Capital) and subsidiary (ERI) have maintained certification in accordance with ISO 14001:2015 EMS standard.

The assessment of Eskom's environmental performance using several KPIs is an integral part of its EMS to drive continual improvement. The KPIs include air, water, waste, compliance, and biodiversity management. Red data bird mortalities are monitored, together with proactive and reactive mitigation programmes as part of the measurements of biodiversity. A total of 105 environmental legal contravention incidents were recorded (2022: 65). Most of these incidents are contaminated water releases and exceedances of emission limits at coal-fired power stations.





- Air quality
   Environmental impact assessment
- Waste

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

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Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Relative particulate emissions, kg/MWh sent out	0.26	0.30	0.30	•	0.70	0.34	0.38
Specific water consumption, l/kWh sent out <sup>sc, I</sup>	1.36	1.38	1.39	•	1.39	1.45	1.42
Net raw water consumption, MI	n/a	n/a	n/a	n/a	256 430	283 610	270 736
Environmental legal contraventions reported as a result of significant FBS, number <sup>2</sup>	I	I	I	•	10	7	7
Measure and unit	Target 2026	Target 2024	Target 2023	Target met?	Actual 2023	Actual 2022	Actual 2021
Carbon dioxide (CO <sub>2</sub> ), Mt <sup>3</sup>	n/a	n/a	n/a	n/a	187.5	207.2	206.8
Carbon dioxide equivalent (CO <sub>2</sub> e), Mt <sup>3</sup>	n/a	n/a	n/a	n/a	187.9	207.7	207.3
Sulphur dioxide (SO <sub>3</sub> ), kt <sup>3</sup>	n/a	n/a	n/a	n/a	I 449	I 671	I 604
Nitrous oxide (N <sub>2</sub> O), t <sup>4</sup>	n/a	n/a	n/a	n/a	I 438	56	I 527
Nitrogen oxide (NO <sub>x</sub> as NO <sub>2</sub> ), kt <sup>4</sup>	n/a	n/a	n/a	n/a	743	822	804
Methane (CH <sub>4</sub> ), t	n/a	n/a	n/a	n/a	I 483	I 466	I 442
Particulate emissions, kt	n/a	n/a	n/a	n/a	129.32	66.65	71.35

1. Relative particulate emissions values and specific water consumption include Medupi Units 2, 3, 4, 5, and 6, and Kusile Units 1 to 3, but exclude units synchronised but not yet in commercial operation. 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.

2. Particulate emissions reported at certain coal-fired power stations, specifically Kendal and Kriel, exceeded the range of the station's particulate emission monitors for periods during the year. This may have resulted in an understatement of particulate matter emissions. However, the extent of the understatement and its impact on the materiality of final figures cannot be guantified.

 Specific cases of environmental legal contravention incidents that are of very high significance in terms of their impact on the environment and/or on Eskom in that they have a material business impact and illustrate a significant FBS are recorded as incidents as a result of a significant FBS.

4. Emission figures are calculated based on coal characteristics and power station design parameters using coal analysis and coal burnt tonnages. Figures include coal-fired and gas turbine power stations and oil consumed during power station start-ups. For carbon dioxide emissions, it also includes the underground coal gasification plant.

5. N<sub>2</sub>O and NO<sub>x</sub> reported as NO<sub>2</sub> are calculated using average station-specific emission factors (measured intermittently) and tonnages of coal burnt.

6. No target is set for net raw water consumption or emission volumes. Therefore, the target for these measures is shown as not applicable.

#### OUR CLIMATE CHANGE PERFORMANCE

Eskom is committed to continually improving our understanding of the financial impacts associated with climate change. This report highlights our company's efforts to effectively communicate our climate change risks and opportunities, as well as our ongoing plans to respond to the global crisis within the context of our country's developing socio-economic environment.

Our long-term objective is to strive for net-zero emissions by 2050 through participation in the JET, which will position our company at the forefront of the global effort to combat climate change. This information is relevant to our investors, shareholders, and stakeholders who are impacted by the company's long-term sustainability.

Our environmental performance

Appendices



#### Task Force on Climate-related Financial Disclosures' (TCFD's) key disclosure themes



	Recommended disclosure		
Governance	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.		
	Describe management's role in assessing and managing climate-related risks and opportunities.		
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.		
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.		
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.		
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks.		
	Describe the organisation's processes for managing climate-related risks.		
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.		
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.		
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.		
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.		

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\* The information provided is structured according to the TCFD's key disclosure themes, providing a holistic overview of Eskom's approach to climate change.

We recognise the critical importance of our role in implementing the United Nations' SDGs. Our focus on the long-term sustainability of the company addresses the climate change risks, opportunities, and constraints facing the business, and our commitment to the UNGC further strengthens our dedication to sustainable and socially responsible practices. Through these efforts, we aim to enhance transparency and provide our stakeholders with com- prehensive information regarding our governance practices, strategic approach, risk management strategies, and the metrics and targets we employ in addressing climate-related challenges and opportunities.

#### ALIGNMENT TO THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

Aligning with the TCFD framework, we recognise the importance of integrating climate change disclosures into our main-stream filings. The TCFD emphasises four key thematic areas: governance, strategy, risk management, and metrics and targets, with up to three recommended disclosures per theme. In this section, we will outline our progress and alignment with the TCFD recommendations, focusing on disclosures within the Energy sector. At Exco level, management plays a critical role in governing, supporting, and regularly engaging in discussions surrounding the management of the JET initiatives and climate change-related matters. The progress and implementation of these initiatives are regularly assessed through the monthly JET Steering Committee, Exco, and Board meetings, ensuring that the company remains on track towards its climate goals.

The Board and its committees, in particular Board SES, 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, business plans, and major investments, and acquisitions. 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.

Building upon the governance structures and committees in place, we are committed to achieving our ambitious target of net-zero carbon emissions by 2050, while also creating sustainable job opportunities. This long-term goal is integrated into our overarching business strategy and is monitored and managed at the highest level of our organisation, through the Exco. The Exco is responsible for using the appropriate management and governance tools and systems to ensure that this target is on track to be achieved.

IThe JET office is accountable for driving development and implementation of the JET strategy. The JET Steering Committee provides strategic guidance and advice to the JET office activities and JET strategy implementation. All decisions are approved by the Exco.

Additional Governance structures to manage climate change risks include:

- Sustainable Development Advisory Committee,
- Environmental Steering Committee and the
- Research Steering Committees

There are also Divisional Governance structures to identify, assess and manage climate change risks particularly around climate change adaptation.

#### MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

We have established specific management positions and committees to assess and manage climate-related risks and opportunities. The GCE and Exco members play a key role in approving, implementing, and executing risk and resilience management across the business. To ensure effective management of climate-related issues, several sub-committees have been established, including the Risk Sub-committee, which provides feedback to Exco and the Risk and Resilience Governance Committee.

The CCSD department, overseen by a senior manager, is responsible for not only identifying and communicating climate-related issues but also reviewing and reporting on climate change risks, opportunities, and treatment plans. This department provides guidance and ensures that Eskom adheres to best practices for climate change compliance and sustainable development. They are also responsible for developing and facilitating the execution of Eskom's climate change strategies and policies, including the Climate Change Policy and the Eskom Integrated Risk and Resilience Management Procedure for Climate Change Adaptation.

Our environmental performance

Our just energy transition

The Board and its sub-committees play a crucial role in monitoring and managing climate-related risks and opportunities. These issues are regularly discussed at Board sub-committee meetings and Exco meetings. An organised agenda is followed at each meeting, with updates made to reflect the progression of climate-related discussions. The highest levels of management actively track and monitor priority climate-related risks to ensure they are being effectively addressed.

In this financial year there were various training initiatives like workshops focusing on environmental attributes ownership, grid emissions factors, carbon tax, TCFD and the broader implications of climate change to our business as we strive to entrench an understanding of climate change and a pro climate culture within the business. Additionally, we have prioritised compliance with the requirements set forth by the TCFD companies. These training programs reflect our commitment to staying informed about emerging environmental issues and aligning our practices with industry standards. By equipping our teams with the necessary knowledge and skills, we are better positioned to address climate-related challenges and contribute to a sustainable energy future.

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.

To seize the opportunities that come with transitioning to a low-carbon economy, Eskom is actively pursuing the connection between electrification and decarbonisation. We have identified various short- and medium-term climate-related opportunities that we can tap into. These opportunities and their potential financial impact on our business are further detailed in the table below. Our aim is to thoroughly assess the financial impact that these opportunities may have on our organisation.

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 analyses, 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.

Two scenarios that we have considered include the 'soft decarbonisation' scenario, which is based on South Africa's domestic policy considerations such as South Africa's Nationally Determined Contribution under the Paris Agreement and the DMRE's 2019 IRP. The 'ambitious decarbonisation' scenario requires more ambitious action beyond what has been specified in 2019 IRP and is envisaged to 2050. These scenarios were considered with a view to better understanding how climate-related risks and opportunities may impact our business over time and to test the resilience of our strategy to different futures.

In 2021, our Energy Planning and Market Development Department developed an energy pathway up to 2050 within a set of technical constraints. This pathway outlines the optimal coal shutdown plan to reduce GHG emissions and local air pollutants. We presented the Eskom 2035 plan and preferred pathway to the board for consideration.

To benchmark our pathways and scenarios, we refer to the four World Energy Outlook 2021 modelled scenarios developed by the International Energy Agency. At Eskom, we remain committed to using scenario analyses to inform our decisionmaking and ensure we are prepared to navigate the challenges and opportunities presented by climate change.

Our sustainability dimensions serve as a driving force to ensure that we achieve our mandate and key role in accordance with national requirements.

Our management of risks and opportunities related to climate change considers the relevant timeframes, considering the useful life of the organisation's assets and infrastructure, as well as the fact that climate-related issues often manifest themselves over the medium and longer terms. Our approach is aligned with Eskom's corporate strategy and focuses on short, medium, and long-term horizons.

Short-term	I-3 years	This horizon focuses on current situation and immediate future scenarios. Immediate actions and decisions that need to be taken to address the most pressing risks and opportunities in the short-term are prioritised during this time frame.
Medium-term	3-7 years	The medium-term includes the scenarios that may materialise by 2030, which includes the assessment of the JET. During this period, Eskom focuses on medium-term investments and strategic initiatives that will shape its 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 lifetime of Eskom's assets.

To balance immediate and long-term risks and opportunities, we consider these relevant time horizons when making strategic decisions that benefit the organisation, our stakeholders, and the environment over the long term.

We recognise that climate change is not just an environmental issue but 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.

Appendices

We are exposed to a range of physical climate risks, which include extreme weather events, an example of which is shown below.

Physical risk	Risk description	Risk types considered	Financial impact
Inability to safeguard Eskom assets and operations against extreme weather events.	Inability of the respective divisions to implement divisional adaptation plans to ensure resilience of assets and operations to extreme weather events. <b>Priority II risk rating</b>	Physical risks-acute <b>Risk drivers</b> 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 and supply interruptions resulting in an increased cost.

To mitigate the 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, which guides the development of adaptation plans for our divisions (Distribution, Transmission, and Generation) and subsidiary (ERI) to ensure resilience and adaptation to projected changes in climate. These adaptation plans are closely monitored and integrated into the daily operations of each division and subsidiary to ensure that they remain effective.

We 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.

We recognise the importance of understanding the potential implications of climate change on our business operations. To assist us in this task, we utilise climate-related scenario analyses, which help us identify strategic impacts and required management actions. This information is also valuable in identifying long-term indicators for our strategy and financial planning.

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

Periodic scenario analyses are important to assess resilience to climate-related risks and opportunities. Such assessments can provide new perspectives on potential financial im- plications. We will consider scenarios consistent with increased physical climate-related risks, including:

- How strategies may be affected by climate-related risks and opportunities
- How strategies might change to address potential risks and opportunities
- Potential impacts on financial performance and position, such as revenues, costs, and risks related to assets and liabilities.

Our environmental performance

Appendices

#### OUR CARBON FOOTPRINT

Aligned with the goals of the Paris Agreement, we have intensified our 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.

#### CARBON FOOTPRINT 2022

A carbon footprint estimates the total greenhouse gas (GHG) emissions in scope I, 2 and 3 caused by an organisation, expressed in tons of carbon dioxide equivalent (tCO,e).

This provides insights into the sources and magnitude of our GHG emissions and allows us to improve the management of our GHG emissions.

The 2022 Carbon 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 2021 results, are presented in the table below:

Emission source	2022 Scope I emissions (tCO <sub>2</sub> e)	2021 Scope I emissions (tCO <sub>2</sub> e)
Stationary combustion	193 157 386	207 230 321
Eskom fleet	71 623	78 138
Fugitive emissions	65 712	52 841
Waste disposal	81 972	3 366
Non-combustion product use	9 689	3
Total	193 386 382	207 364 669

\* Wastewater data is only for three power stations

Emission source	2022 Scope 2 emissions (tCO <sub>2</sub> e)	2021 Scope 2 emissions (tCO <sub>2</sub> e)
Purchased electricity (Transmission and Distribution grid losses)	85 171	-
Total	85 171	-

Scope 3 categories	Emission source	2022 Emissions (tCO <sub>2</sub> e)	2021 Emissions (tCO <sub>2</sub> e)
Purchased electricity	Purchases – Avon and Dedisa	494 263	_
Delivery to site	Road	264 993	252 743
	Rail	4 635 759	-
Waste generation	Waste disposal and treatment by third party	35	_
Business travel	Air	3 621	937
	Land – employee vehicle	8 598	6 003
	Land – vehicle rental	627	2 6
Total		5 407 896	260 899

The total GHG emissions for 2022 were 198 879 448 tCO<sub>2</sub>e, which is favourable compared to 2019 (base year). This indicates a decrease in Eskom's overall carbon footprint lower production and the shutting down of one of our power stations due to it reaching end of life. The majority of these emissions were caused by the burning of fossil fuels at our power stations for the generation of electricity. Coal, diesel and kerosene consumption contributed 97% of our GHG emissions.

In 2022 we incorporated delivery to site by rail, is the second highest source of emissions and purchased electricity, is the third highest source of emissions. We have noted a significant increase in emissions from waste disposal and non-combustion product use, due to improvement in reporting and data collation.

Divisional carbon footprint for 2022:

The carbon footprint study for 2022 covered purchased electricity from third party Independent Power Producers (IPP). Purchased electricity is accounted for as a Scope 3 emissions, because as an organisation we do not consume it. 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.

Previously the carbon footprint was reported for our organisation as a whole, in 2022 we have sub-divided the reporting into the specific divisional sources, to assist with better management of emissions and enable divisions to monitor their divisional footprint going forward.

2022 Emissions (tCO <sub>2</sub> e)	Generation	Transmission	Distribution	Corporate Services
Scope I				
Stationary Combustion	193 157 057	0	47	282
Eskom Fleet	8 771	5 138	57 714	0
Fugitive Emissions	0	52 064	13 648	0
Waste Disposal	81 972	0	0	0
Non-combustion product use	9 689	0	0	0
Scope 2				
Purchased Electricity (Transmission and				
Distribution grid losses)	0	17 034	68 137	0
Scope 3				
Purchased Electricity – Avon and Dedisa	494 263	0	0	0
Delivery to Site – Road	264 993	0	0	0
Delivery to Site – Rail	4 635 759	0	0	0
Waste Generation	35	0	0	0
Business Travel – Air	I 237	976	785	622
Business Travel – Land (employee vehicle)	304	88	5 166	247
Business Travel – Land (vehicle rental)	95	137	377	18
Total	198 655 175	77 230	145 874	1 169

\* Stationary combustion for Distribution and Corporate divisions accounts for standby generators, in future Transmission will be included.

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We recognise the significant impact of climate change on the energy sector and are committed to driving decarbonisation and facilitating transformation. As a key player, we align our 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 underway to improve GHG data integrity, identify feasible mitigation measures, and enhance disclosure of the financial impact of climate-related risks.

#### 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. In line with this, the Just Energy Transition Partnership (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 RE projects, upgrading the country's transmission grid, and improving municipal distribution systems. This allocation is crucial as it supports the planned decommissioning of 15 coal-fired power stations by 2034. By prioritising RE and investing in infrastructure upgrades, Eskom can facilitate a smoother and more sustainable energy transition.

ESKOM HOLDINGS SOC LTD Sustainability report 2023



## Our Just Energy Transition

### Eskom Just Energy Transition

The IET Framework guides the development of a renewables-dominant power system towards 2050. Our objective is to gradually, but decisively, increase the scale of RE generation to support five key objectives, the 5 Es of the JET.

**Appendices** 

#### Economy

Energy

Contribute to the reindustrialisation of South Africa by providing **sufficient** clean generation and catalysing new RE-based industries

#### Employment

Create new high-quality jobs through repowering and repurposing initiatives with focus on Mpumalanga

#### Equity

Catalyse re-skilling of staff and communities to ensure an equitable transition through training centres and repurposing projects tailored to each community



#### ESKOM'S 5 ES OF JET

#### ENERGY

The IET strategy contributes to greater energy security and reliability, while ensuring equitable access to more sustainable energy by making significant new investments to expand renewable generation and strengthen the national grid.

#### ECONOMY

The development of a renewables-dominant power system will contribute to industrial development in South Africa, not only by providing sufficient, clean generation, but by catalysing new RE-based industries, such as the manufacture, installation, maintenance and operation of renewable power plants and power storage facilities.

#### EMPLOYMENT

The JET strategy will create new, high-quality jobs in the energy value chain through the construction and operation of new RE generation sites and in the broader industrial value chain enabled be RE investments. Eskom is also committed to just repurposing and repowering initiatives to give its power stations a second life and create jobs and economic development with a focus on Mpumalanga

#### EOUITY

The transition must not unduly burden vulnerable South Africans, such as the workers and communities currently reliant on coal for their livelihoods, and the benefits of the transition must be felt equitably by all South Africans. Accordingly, Eskom will accelerate R&R projects at decommissioning power plants, such as the training centres and other repurposing projects at Komati and Grootvlei power stations already underway. These projects will provide re- and upskilling of staff and communities alike, ensuring an equitable transition.

#### ENVIRONMENT

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The proposed JET strategy will also contribute to South Africa's, and Eskom's, sustainability and environmental goals. Increasing RE generation will reduce carbon dioxide emissions, but also reduce other harmful pollutants, such as sulphur and nitrogen oxides. Additionally, Eskom's water consumption can be substantially reduced, unlocking water to be used in productive economic sectors such as agriculture.

A key factor in achieving these outcomes is our limited financial capacity, and it is acknowledged that the overall national power pathway and ambitions for the power sector will not be implemented entirely by Eskom, but in partnership with other actors in the public and private sector. We acknowledge the value of a reindustrialised and reinvigorated South African economy, catalysed by JET, and aspire to play a leading role in this transition well into the future.

Our environmental performance

Making this transition is not without its challenges. The shift to renewable technology will require extensive upgrade and modernisation of South Africa's transmission and distribution grid. It will also be essential that the transition is just, in that the costs and benefits of the transition accrue to South Africans equitably, and that communities linked to existing coal value chain are given new life through the transition. The associated reductions in carbon emissions will contribute towards South Africa's sustainability goals, which are aligned to other emerging economies, such as India and Indonesia.

#### AMBITION: Deliver on the 5Es required for a Just Energy Transition – Energy, Economy, Employme Equity and Environment



#### ENABLERS:

Enabling a Just Energy Transition

- Obtain and mobilise affordable finance to enable investments in JET
- Leverage collaboration to accelerate execution, catalyse growth and secure offtake agreements





Agrivoltaic and Aquaponics demo plants



Aquaponics demo plant

Our IET is driven and managed by the IET office within Generation Division. This office has made some strides since its inception, numerous projects have been undertaken to realise IET aspirations of a lower carbon future. These projects were presented at COP27. This international platform gave us an opportunity to engage and partner with various potential funders and form much needed partnerships. Since COP, we have continued our work to ensure that the energy transition, is implemented in a just manner. One of the levers utilised is the Socio-Economic Impact Assessment (SEIA) studies, which have been successfully completed for various power stations marked for shutdown in the future. From these studies, the relevance and applicability of these SEIA studies can be seen in the Komati Wind Energy Facility (WEF) which is one example that has resulted in work having commenced for the repurposing the Komati power station.

Energy transition relies heavily on stakeholder engagement. Numerous key stakeholders, including Government, have been engaged via various platforms and at various forums to enable collaboration and just transition.

The energy transition of the national power sector from being heavily heavy coal reliant to a renewables-dominant pathway will create jobs and stimulate economic growth. To ensure that communities currently reliant on coal power plants benefit from this transition specifically, we have further identified R&R projects to create economic opportunities in the affected communities. These projects will be a key component of JET as we seek to repower and repurpose existing coal plants to preserve jobs and utilise existing grid capacity across South Africa. These projects will prioritise Mpumalanga's oldest coal plants. Coal plants will be repowered by leveraging the existing infrastructure to build new generation capacity including solar, wind, batteries and/or synchronous condensers. The plants may also be repurposed into centres of new economic activity such as training centres, water treatment facilities, manufacturing plants, microgrid assemblies and modern farms. Transmission and Distribution capacity will be unblocked by investing in substations and transformers in provinces where solar resources are high when benchmarked against global standards. Therefore, a Just transition can be guaranteed for local communities through these repurposing and repowering activities which will help to retain economic activity, create jobs, and create new economic opportunities.

We have commenced the implementation of the R&R project in emerging markets at the Komati Power Station. The Komati R&R projects are expected to have a significant impact by 2030 including the following:

- ~660 direct, sustainable jobs and ~8 700 additional temporary jobs created
- ~300MW of renewable generation capacity, replacing remaining ~100MW of operational capacity at Komati when decomissioned
- ~200 people are expected to be trained in different vocations annually.

\$497 million dollars has been secured in funding from the World Bank for this project.

#### **PROGRESS AT KOMATI**

- Repowering projects underway are at various stages of implementation, these are mainly Photovoltaic (PV) and Battery Energy Storage System (BESS) focused.
- Several repurposing projects are currently underway, the construction of the PV component of an agrivoltaics plant is complete.
- Commissioning of the aquaponics system is planned for completion by the end of 2023.
- As mentioned, the business case for large scale rollout of microgrids is in progress, five Containerised Micro Grids (CMG) have been manufactured at Komati.
- The Eskom Academy of Learning (EAL) commenced community soft skills training in August 2023.

### COMMUNITY DEVELOPMENT AND ECONOMIC DIVERSIFICATION:

Eskom's repurposing and repowering initiative at Komati does not only focus on the employees and contractors. Communities established during the running of the power stations should not be left behind during the transition and are key to the success of the Komati project. Economic diversification is key to economic growth, which will benefit the local community, beginning with facilitating community engagement and other initiatives.



Komati power station

### REPURPOSING AND REPOWERING AT OTHER SITES

In the short term, we have substantial capital constraints in financing JET. We also currently have energy constraints which necessitate a revision of the rate at which we can shutdown/ repurpose the identified power stations. The National Treasury debt relief conditions include an independent assessment of the stations, which will influence how we proceed with the R&R approach. Funding for new generation projects has effectively been disallowed between 2023 and 2026 apart from the Komati R&R projects. We will continue to explore R&R projects in Mpumalanga specifically at Hendrina, Camden and Grootvlei. These projects will be site specific and may include options for partnerships. We are also progressing with the land lease initiative. Opportunities to repurpose decommissioned units at Komati where possible (e.g., through recycling and beneficiation of copper, steel, cement) are being explored.

Our environmental performance

Our just energy transition

Appendices

For Grootvlei, Hendrina and Camden, we are continuing with the planning and focusing on mitigating the socioeconomic impact of the shutdown.

### PROGRESS MADE ON OTHER JET ACTIVITIES MICROGRIDS

Over and above the 5 Microgrids built at Komati site, Eskom has built and commissioned and additional 15 CMG. A roll-out plan for 100 CMGs in the 2023/24 financial year is underway and we are in the process of compiling a business case for Eskom's subsequent large scale roll out of CMGs.

#### MPUMALANGA LAND

We have made land available in Mpumalanga, on a lease basis, for project developers to build additional capacity. Phase I saw five leases signed on eighteen (18) parcels of land, aggregating approximately 6000 hectares with a combined capacity of 2 I53MW. Phases 2 and 3 are on hold pending the outcome of phase I.



Microgrid at Komati power station

#### DISTRIBUTED PV AND BESS

Phase I: Eskom's flagship BESS project is well underway with construction at Pongola and Elandskop having started in October 2022. Additionally, Eskom and Hyosung Heavy Industries marked the beginning of the first storage facility (8MW, ~32MWh) under the BESS project.

- The forecasted completion dates for Pongola, Elandskop and Hex are between August and October 2023 respectively.
  Skaapvlei, Graafwater and Paleisheuwel The forecasted
- completion date for Skaapvlei is 31 March 2024. Graafwater and Paleisheuwel completion date cannot be confirmed.The forecasted completion date for both Melkhout and Rietfontein is August 2024.

Phase 2 of the BESS project includes the installation of a further 144MW of storage capacity, equivalent to 616MWh at four Eskom Distribution sites and one Transmission site. The solar PV capacity in this phase will be 58MW. The BESS project will use large-scale utility batteries with the capacity of 1 440MWh/d and a 60MW of PV capacity. While the current conditions associated with the Eskom Debt Relief do not allow for Eskom to initiate construction on this phase, project cultivation effort will continue to ensure that once allowed, ground can be broken soon thereafter.

#### SOCIO-ECONOMIC IMPACT STUDIES FOR THE SHUTDOWN AND REPURPOSING OF ESKOM POWER STATIONS

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

We have completed socio-economic impact studies to understand the impact and opportunities associated with station shutdown and have begun development of new renewables in the form of solar PV, Wind and battery energy storage to be built at power stations while they remain operational and without impacting the operations of those stations. We plan to go to market soon for a 75MW PV plant at Lethabo and for the 100MW PV plant at Komati. The aim is to proactively to assess the prevailing socio-economic conditions within the immediate and greater Mpumalanga area, and identify impacts, risks, and opportunities to mitigate the economic and societal impacts of the station shutdown and create a basis for continued, sustainable livelihoods for the affected communities through a JET.

#### APPROACH TO THE SEIA

The general approach to the study and identifying R&R mitigation actions was as follows: (i) a baseline assessment (this is the worst case scenario (i.e. shutdown with no mitigation) to determine socioeconomic conditions and the impact of shutdown in the absence of mitigation measures); (ii) repowering options were considered to build as much capacity on Eskom owned land in the vicinity of the power station and assessed using an option assessment framework (iii) repurposing (assessed based on their ability to maximise value chain opportunities; and their feasibility for co-location with the repowering options that were identified); and (iv) alternative projects (options for other interventions that can help to mitigate the loss of economic activity from the power station R&R were identified). The repowering options were assessed against five categories of criteria through a multi-criteria decision-making process. The five criteria were: (i) align with Eskom JET objectives; (ii) operationally feasible and sustainable; (iii) financially feasible and sustainable; (iv) regulatory barriers; and (v) a feasible market strategy. The study identified repowering options, repurposing options, and alternative projects, as well as enabling initiatives.

A comprehensive mitigation strategy aimed at enhancing opportunities for affected workers and communities has been developed, this comprises five pillars, all coalescing to drive repurposing and repowering initiatives. As indicated in the graph below, the foundational pillar is to stabilise the local economy by setting up new economic activities and creating new jobs in the community. The next pillar is to develop through reskilling, upskilling, and developing new skills among power station employees and the local community workforce. The third pillar strengthens the communities by addressing the existing gaps and challenges in the community. The fourth pillar communicates plans and engages with stakeholders throughout the project life cycle. The final pillar facilitates the Growth of SMMEs and the economy through the localisation of supply chains and other business opportunities.

There are multiple stakeholders with varying levels of interests and influence that are associated with the power stations ranging from international bodies, DFI's, to national government, Mpumalanga province, district and local municipalities, NGOs, advocacy groups, private sector, civic organisations, CBO's community members. Our analysis points to competing demands, interests, and needs among various stakeholders, some with entrenched vested interests. Extensive stakeholder engagement and periodic consultations with different stakeholders has been undertaken as part of the studies. This was aimed at promoting local community involvement, and empowerment using a collective and participative approaches to solving the problem. The principles of the just transition process also make it clear that social dialogue is an important pre-condition for appropriately supporting workers and communities to manage the transition in a way that does not exacerbate existing socio-economic fragilities. Media advertising including radio and newspaper advertisements and interviews on air.

#### ැඩි Stabilise

Stabilise the local economy by setting up new economic activities and creating new jobs in the community through Focus

• Repurposing and repowering (R&R) projects focus

Economic opportunities in the community

#### Enable, support and realise



Our environmental performance

#### KOMATI POWER STATION

The Komati Power Station SEIA study was completed and the report can be accessed online

#### 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 R&R 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 RE training facility. In total, 370MW of RE – including wind and solar – and battery storage is planned to be deployed. Commissioning of the plant is expected in the second quarter of the coming year.

The R&R of Komati will be funded through a concessional loan facility from the World Bank. World Bank granted Eskom a R9 billion loan in 2022 to repurpose the Komati Power Station. The Komati Training Facility is being established in partnership with the SARATEC to facilitate the skilling of Eskom workers and the local community in the Komati area. It is also envisaged to provide upstream skilling of workers at other power stations. The establishment of community-based agricultural small, medium, and micro enterprises is 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.

### SOCIAL RISKS FROM THE SHUT DOWN AND REPURPOSING OF POWER STATIONS

We have identified the social and economic risks associated with the shutdown of the power plants including mitigation measures. Risks associated with the shutdown of power plants fall into three major categories- social, economic, and built and environment risks. The World Bank defines risks as the possibility that something of environmental or social value will be lost or damaged as a result of a Project action." (World Bank)

Social and economic risks are due to the adverse impacts of the shut down and repurposing on: (i) employment and livelihood systems; (ii) displacement and out-migration of workers and communities; (iii) impact on social identities of coal-dependent communities and heightened vulnerabilities of excluded groups, including women, historically disadvantaged groups, migrant workers, and youth; (iv) exclusion of communities and disadvantaged groups from decision-making, including those that are directly impacted from the closure of the power station; (v) decrease in land value, business growth/opportunities, and increase in informal settlements; and (vi) risks associated with temporary labour influx, labour and working conditions during the R&R. Settlements around the power station may experience a decrease in land value, businesses may become less viable and informal settlements may increase. This is particularly likely if no alternate economic activities and jobs are created in the local area.

Social risk for a business includes actions that affect the communities around the power station. Social risk is found within a population's underlying tensions and its struggle to acquire basic needs.





Komati village – Mpumalanga

Community behind Komati power station



Our environmental performance

**Appendices** 

Economic risk refers to the possibility that changes in macroeconomic conditions will negatively impact a company or investment. For instance, political instability or exchange rate fluctuations can impact losses or gains.











We have identified mitigation measures to address these potential risks as part of the SED implementations plans. The implementation of the various projects proposed to mitigate the impact of the power station shutdown is dependent on the provision of support and partnerships with various stakeholders and entities, community buy-in, and social dialogue, which stems from the nature of the JET. A broader integrated plan for the local area and region is required to support the shutdown of coal-fired power stations in Mpumalanga.

### SKILLS DEVELOPMENT TO SUPPORT A JUST TRANSITION

Our workforce must be upskilled and reskilled in response to the changing nature of work, JET, and evolving energy landscape. In July 2021, we commenced with a skills audit to determine skills requirements, assess our current skills base, and identify training and development needs. Despite experiencing initial delays due to low participation, the skills audit was concluded in October 2022, with participation from over 50% of the workforce. The results of the skills audit will aid the development of a fit-for-purpose skills strategy that drives the development of current and future-fit career paths.

In September 2022, the EAL launched an accredited RE training facility at Komati Power Station, in partnership with the SARATEC. The facility aims to develop skills and capabilities in the RE sector in South Africa and support the implementation of the JET strategy. 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 R&R plans.

Built and environment risk refers to actions that affect the surrounding environments whether manmade or natural.

Appendices





## Our Social Performance

### Our Social Performance

Our social commitment is to our employees, our investors and customers and communities at large. Considering that our operational footprint spans the whole of South Africa and even extends to our neighbouring countries, it becomes imperative to ensure that not only are our contractors, employees operating under safe working conditions but that the communities we impact are not impacted negatively. We pride ourselves in being a good corporate citizen and demonstrate this by being a good employer, providing fair and competitive salaries, safe working conditions and ensuring we have policies and procedures in place that protect the employees' rights and are underpinned by the country's labour laws. Being a conscious service provider by ensuring that our customers and communities safety and health remains paramount in the way we conduct business. Our environmental, health, safety and sustainability policies not only protect our employees but the communities they live in as well.

When necessary, as we monitor and measure our impact, especially where we negatively impact people, we review and realign our policies and procedures accordingly. We make a significant contribution to national transformation imperatives, although there are areas for improvement. In terms of aspects of SED, our positive contributions relate to employment creation, employment equity, training and skills development, investment in local communities, enterprise, and supplier development, and being a good employer.

#### Our 2023 social spend highlights

Items	Amount
Skills development	RI.I billion
Salaries and benefits	R32.3 billion
Placed   424 procurement contracts	R70.1 billion
Total measured procurement spend	R206.2 billion
Local content contracted amounted	R70.1 billion
Corporate social investment (CSI) and SED	R63 million impacting 438 094 people (2021/22: R75.1 million benefitting 785 085 people)
Number of employees	39 601

#### Human resource benefits

Employment	• We help create jobs and lower unemployment – our group headcount (including fixed-term contractors) was 39 601 on 31 March 2023 (2022: 40 421).
Salaries	<ul> <li>Competitive salaries.</li> <li>Guaranteed benefit package for managerial staff including medical aid, pension, dread disease cover, and group life and death benefits.</li> <li>Basic salary for bargaining unit employees, split to include a thirteenth cheque and benefits, such as pension, medical aid, death benefits, housing, cell phone, and car allowances, subject to qualifying criteria.</li> <li>Our employee value proposition (EVP) to enable retention of workers.</li> </ul>
Skills development Quality education	<ul> <li>Support the growth and development of staff R1.1 billion in skills development (2022: R0.86 billion).</li> <li>CSI initiatives on education through the Eskom Foundation, Generation, Transmission and Distribution operational divisions and Group Capital Division (GCD).</li> </ul>
Gender quality	<ul> <li>Driving gender representation and inclusivity across the business at senior and middle management levels.</li> <li>The Eskom Women Advancement Program has advanced Women in Operations Programs and created Women Mentoring Circles.</li> <li>We also promote employment of people with disabilities.</li> </ul>
Reduce inequalities	<ul> <li>The Employee Relations Department facilitates dialogues between our leadership, employees, and organised labour to achieve good workplace relations.</li> <li>We have agreements and formalised systems in place that govern our engagement with organised labour.</li> <li>Our leaders play a crucial role in fostering meaningful participation through the Eskom Employee Engagement Programme.</li> </ul>

Our environmental performance

Our just energy transition

#### EMPLOYMENT AND BENEFITS

We are one of the largest employers in the country. We employed 39 601 people as at 31 March 2023, with a decrease of 820 from our March 2022 numbers. We have reduced our staff over the past few years, primarily through natural attrition resulting in a gross staff turnover rate of around 6.7% for the past financial year and 7.9% in 2022. Employee costs have declined by R0.7 billion, or 2%, when compared to the prior year largely due to a 2% decline in headcount, although this was largely offset by the annual increases implemented.

Employee benefit costs amounted to R32.3 billion (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. 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).

An increase of 7% was implemented for bargaining unit employees from 1 July 2022, based on the outcome of the negotiations from the 2022 Central Bargaining Forum. Furthermore, a 7% increase was implemented for professional and middle management employees from 1 October 2022, and subsequently for senior management at E-band level. An additional 1.5% salary adjustment was awarded to bargaining unit employees by the Commission for Conciliation, Mediation and Arbitration (CCMA), and backdated to 1 July 2021, in respect of the outcome of the 2021 wage negotiations.

#### TRAINING AND SKILLS DEVELOPMENT

Skills development remains priority in our business. We have been one of the industry leaders in skills development since the dawn of democracy to fulfil the needs for the national future pipeline. Our programs are targeted at increasing access to high-quality and pertinent education, training, and development opportunities through technical and non-technical bursaries, apprenticeships, learnerships, and workplace integration learning (WIL), thereby enabling equitable economic participation for all South Africans and lowering disparities.

We have availed and concluded memoranda of understanding with external funders to host youth across all demographics on WIL in the artisans, technicians, and engineering disciplines, with a particular focus on the previously disadvantaged sectors of our society. We collaborated with the Energy and Water Sector Education and Training Authority (EWSETA) in the implementation of an instrumental, life changing artisan program that has given many young people opportunities. We drive the development and growth of our staff through numerous skill-development programs that include internal and external training interventions, additional education, and on-the-job training for our personnel.

As a result of the COVID-19 pandemic, numerous training programs have switched to online platforms, which has reduced costs. Employees are enrolling in more advanced study programs and earning credentials in their field of work, our workforce's skill base has grown increasing the potential for leadership among staff members.

Eskom invested RI.I billion in training and skills development (2022: R0.9 billion). This represents an increase of 28%. There are 795 employees enrolled for further studies (2022: 843), of which 55% are women and 2% are persons with disabilities. Over two-thirds pursuing a bachelor's degree or higher gualifications. We support a healthy and leaner pipeline of technical disciplines. In total, 1 568 learners (2022: 1 238) learners were in our pipeline, comprising 1 345 in technical disciplines (of whom 41% are artisans) and 223 in non-technical disciplines (representing 4% of our headcount).

#### EMPLOYMENT EOUITY

We made a significantly contribution in achieving employment equity in South Africa throughout the years, both in terms of representation at all occupational levels and overall employment. Through our employment equity plan, we support the NDP's objective of improving society and promoting diversity, equity, and inclusion (DEI) in terms of race, gender, culture, and disability. We have specialised programs aimed at raising our DEI standing. The Eskom Women Advancement Programme is one of these initiatives, which promotes the participation of women in technical and management positions.

Eskom is a signatory to the United Nations Women Empowerment Principles in South Africa and continues to have engagements with UN Women to address Women Empowerment Principle (WEP) analysis outcomes. Racial equity (Eskom company level not Eskom group) at senior management saw a slight decline from 76.6% to 76.3%, monitoring continues to ensure no further negative growth in line with the Eskom EE Plan and at middle management/professionally gualified levels improved from 81.7% to 83.6% over 2022/23. Gender equity at senior and middle management/professionally qualified levels saw a slight drop sitting at 42.3% this year. Gender equity target for middle management was achieved at 41.6%.



At the end of March 2023, 88.4% of Eskom employees were black, 37% of the total were female, and 32% black females. In total, 3% were employees with disabilities, which is above the market average and national EAP target of 2%. Our Employment Equity Plan 2023-2025 demonstrates Eskom's commitment to comply with legislative requirements, including developing persons from designated groups and driving equitable representation across all occupational levels.

#### HEALTH AND WELLNESS

We place a high priority on the health and happiness of our employees. Our robust health and wellness initiatives strive to equip employees to make sound, healthy choices through prevention, treatment, care, support, education, and collaboration. The early detection and prevention of occupational and lifestyle diseases and injuries is managed through routine medical monitoring, fitness-for-duty evaluations, and other wellness programmes. We run an employee assistance programme (EAP) of psychosocial services including counselling, financial wellness, and trauma assistance.

Our health and risk hazard surveillance programme was launched in January 2023 to monitor the public health diseases outbreaks and their impact in business operations. Since the program was established, alert notifications for outbreaks of cholera, malaria, and diphtheria have been detected and managed through the outbreak epidemic and pandemic plan.

Our response to the COVID-19 pandemic has been integrated into normal business operations, following the relaxation of South Africa's lockdown measures in lune 2022.

Between | April 2022 to 3| March 2023, a total of 4 248 employees and dependents were reached through external EAP services. Of the 4 248 participants who utilised the service, 3 473 were individual cases, and 775 were participants reached through group interventions, such as trauma

interventions, family counselling, couples counselling, and child counselling. Of the 3 473 participants (Individual cases) who accessed the service, 3 066 cases were self-referrals, 264 were assisted referrals and 143 were formal referrals. The overall engagement rate during the reporting period | April 2022 to 31 March 2023 was 9.3%.

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Mental health and stress-related problems, which increased during the COVID-19 pandemic, are receiving attention through awareness and education programmes.

The *EmpowerU* initiative has also been implemented to support employees with the stresses and pressures related to the changes taking place in the organisation, especially as the workforce gears up for the constrained winter months. Our EmpowerU initiative focuses on three levers; leadership support and coaching, enhanced EAPs and strengthening workplace relations to resolve matters that had reached an impasse earlier this year. Positive changes have been observed since the program's launch in April, especially regarding workplace relations with unions.

#### ORGANISATIONAL EFFECTIVENESS (OE)

We aim to drive OE and a sense of belonging and connectedness to Eskom by fostering a high-performance ethical culture, engaging with employees, and offering a rich EVP.

#### ESKOM ORGANISATIONAL CULTURE AND CHANGE MANAGEMENT

The Eskom 1:1:6:10 Culture Transformation Programme conveys that, we have one purpose, one aspirational culture, six culture cornerstones and ten culture levers. Our culture cornerstones, being accountability, operational excellence, people prioritisation, financial prudency, a values-driven culture, and customer-centricity are supported by ten key levers of organisational culture.



Our environmental performance

Our just energy transition

## ( Eskom



1:1:6:10 Eskom culture transformation programme Powering growth sustainably



### 1:1:6:10

### Aspirational/ Culture

P	ur	P	os	e	

Powering growth sustainably

#### "to-be" culture cornerstones High-performance Accountability Operational excellence People prioritisation Financial prudency

Empowerment Technology Governance and ethics Change agility Teamwork Celebration Engagement Wellness Leadership Strategy

Culture enablers/levers

#### "When you're green, you're growing" – Ray Kroc

Values-driven culture

Customer-centricity

Our 1.1.6.10 Eskom Culture Transformation Programme is a key enabler for delivering a high-performance ethical culture as we drive the turnaround plan and power growth sustainably. Key initiatives and milestones are also being tracked as part of the Eskom Turnaround Programme and are currently being used by line divisions as they build their optimal "future-fit" culture, improve productivity, and drive business efficiencies. Divisions are implementing their divisional culture dashboards, culture KPIs, and action plans to address the HC OE survey divisional gaps. Divisional leadership teams are also expected to actively engage, establish commitment, drive performance, and obtain buy-in from their employees as we thrive in an ever-changing energy landscape.

culture

Our Eskom Change Management Strategy focuses on three objectives, alignment, engagement, and buy-in and behaviour modification among key stakeholder groups, supported by five distinct focus areas (change pillars) around which the relevant change management initiatives are built as we drive successful completion of numerous strategic projects.

#### ACHIEVEMENTS

- In June 2022, the Eskom Exco were tasked to design and develop their Divisional Culture Commitments/KPIs to support business turnaround and culture transformation. These Divisional Culture Dashboards have since been tracked and reported on monthly basis by the Divisional Change Champions and the HR OE Centre of Excellence (CoE).
- 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 (Eskom Leadership Development Programmes) programmes and strategic initiatives, including Eskom's 2035 strategy, turnaround plan and the JET.
- Strategic Communication and engagement on the 1.1.6.10 culture; through 268 GCE Internal Communication, a total of 87 leadership engagement sessions and 14 culture workshops to drive greater awareness, accountability, and alignment across the organisation.
- HR OE CoE has been supporting more than 20 Eskom-wide Strategic Projects with change management and communication activities,
- We are developing an integrated system of incentives and consequence management, linked to KPIs, to foster a high-performance ethical culture.

#### ESKOM EMPLOYEE VALUE PROPOSITION (EVP)

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Our all-inclusive EVP focuses on retention strategies that go beyond rewards and recognition, such as offering market-related compensation packages and competitive benefits in terms of leave, health, and death, learning and development opportunities both domestically and internationally, a variety of career opportunities, and exposure to big-scale initiatives and cuttingedge technology.

Flexible work practices have been put in place to improve employee wellbeing and allow gualified workers to work remotely with intermittent on-site obligations, depending on operational requirements and the type of work performed. EVP offers services and psychosocial programs to support employees and their family as they prioritise their physical and emotional health and adjust to the new working environment. Employees can now access loyalty and reward programs to access financial savings with affiliated businesses.

#### ESKOM EMPLOYEE ENGAGEMENT PROGRAMME

Employee engagement is the heartbeat of our value proposition, delivered through multiple platforms, including leadership site visits, executive interviews, and communiqués. together with employee events to promote recognition and celebrate success across the organisation. To ensure we thrive in the everchanging energy landscape, our leadership team is also expected to continue actively engaging their workforce, establishing commitment, fostering performance, addressing non-conformance, and gaining employee buy-in. The Eskom line divisions are also actively driving various customerfocused programmes and initiatives to improve stakeholder relationships and manage electricity supply and demand.

Our robust Internal communication, leverages platforms such as digital publications, allow staff members to stay informed about company developments and interact with our leadership. The opinions and perceptions of the workforce are important for guiding our people management strategies as we implement our turnaround plan. By strengthening employees' sense of connection to the company and one another, these engagement efforts all play a significant part in restoring morale by improving the sense of employees' connection to the business and one another.

The annual Eskom Human Capital OE Survey and other pulse surveys are designed to assess employee views on several key dimensions. Our Human Capital OE Survey achieved a 20.51% response rate, i.e., 8 009 Guardians participated across the Eskom business areas. The survey had an overall index of 3.57, this being made up of a score of 3.59 for Organisational Culture, 3.61 for Employee Engagement and 3.50 for EVP. There was an overall increase in the participation in this survey.

Our environmental performance

Our just energy transition

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#### OCCUPATIONAL HEALTH AND SAFETY

Our safety matters are managed by the OHS Department. Its mandate is to promote compliance and continuous improvement to entrench a culture of Zero Harm, as well as zero defects, to people, assets, and the environment, thereby enabling Eskom's licence to operate and maintain its reputation. The future focus will be on re-evaluating and addressing gaps on the identified areas in the operational plans to strengthen and sustain Eskom's OHS strategic objectives.

#### LOST-TIME INJURY RATE (LTIR)

The progressive LTIR is a proportional representation of the occurrence of lost-time injuries over 12 months per 200 000 working hours and includes occupational diseases and fatalities (a lower score is more desirable). The table below reflects Eskom's tolerance level with respect to LTIR. In accordance with Eskom's value of Zero Harm, the true target is zero.

#### LTIR performance for the period ended 31 March 2023

KPI – Focus on safety	Tolerance/target	Actual March 2023	Actual March 2022
Lost-time injury rate, index (including occupational diseases)	0.30	0.26	0.24
Fatalities	0.0	4	6

The major causes of employee LTIs are incidents due to falls on the same level, confirmed occupational diseases and motor vehicle accidents. The major causes of contractor LTIs are incidents due to being struck by moving objects, falls on the same level and caught between or under (crushed/amputation) incidents. Eskom group recorded 23 confirmed employee occupational diseases for the period: 18 due to noise-induced hearing loss, three chronic obstructive pulmonary disease, one work-exacerbated asthma, and one severe allergic sinusitis.

We facilitated two workshops, comprising representatives from the business, to influence the draft Department of Employment and Labour (DOEL) regulations that were published for comment, covering regulations on noise-induced hearing loss and physical agents. All inputs were consolidated and reviewed by the Legal Department, and feedback submitted to the DoEL for their consideration.

To reduce the number of lives lost on the roads, the business was encouraged to focus on current and emerging vehicle and driver safety risks during the school holidays and Easter weekend.

Our electricity safety content is available on the E-classroom website which is supported by the Department of Basic Education and where more than 300 000 teachers and parents are reached. A small competition launched the content asking pupils the following question: Is it safe to touch damaged electricity cords? A total of 4 058 competition entries were received, with Gauteng (2 277 entrants), Western Cape (807 entrants), and KwaZulu-Natal (640 entrants) contributing the most entrants.

Our Occupational Health Approved Inspection Authority submitted its report to the DoEL, to provide the Department with a summary of all the occupational hygiene activities that were executed by the AIA during the past six-months (October 2022 to March 2023). Six-monthly reporting is a compulsory requirement to maintain the DoEL's approval for Occupational Hygiene. This information is used by the Department to monitor compliance to the occupational exposure limits, generate statistics and intervene where necessary. The report listed occupational hygiene surveys conducted at the different business units and highlighted compliance/non-compliance with the occupational exposure limits

#### **OUR COMMUNITIES**

Eskom's social license to operate is reflected in the socioeconomic advancement of the communities in which it operates. We believe in supporting the development of communities wherein we operate by improving the lives of community members and ultimately leaving a positive footprint. We have forged strategic partnerships with our contractors delivering innovative CSI and SED initiatives to create positive social change and to develop the local community, thus strengthening our relationship with our stakeholders.

#### ELECTRIFICATION

Since 1991, we have connected around 5.9 million previously disadvantaged households and farm dweller houses in our licensed areas of supply through DMRE's Integrated National Electrification Programme (INEP). This programme enables us to provide a direct contribution to delivering universal access to electricity in South Africa.

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 most of our citizens. 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.

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.



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 project in Ficksburg, Free State, which has been operating since November 2018, we are planning the use of microgrids to provide electricity to rural and remote areas. A total of 216 microgrid installations are targeted over the next five years.

#### CAPITAL EXPANSION PROGRAMME

One of our biggest contributions to SED is our capital expansion program, which includes the Medupi and Kusile new build sites, and large Transmission projects. These projects support the NDP objectives through procurement – local content and subcontracting, job creation, skills development, and CSI which has offered opportunities and enable community development.

#### NEW BUILD

In 2022/23, we awarded 129 contracts worth R7.6 billion Local content of R4.4 billion

In 2021/22, we awarded 83 contracts worth R6.9 billion

Local content of R3.9 billion

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

#### ESKOM DEVELOPMENT FOUNDATION IMPACT

The Eskom Development Foundation is a non-profit company and is a wholly owned subsidiary of, and receives its mandate from, Eskom. A CSI investment of R63 million was made by the Eskom Foundation, affecting 438 094 beneficiaries (2022: R75.1 million and 785 085 beneficiaries). The reduction of beneficiaries was due to the planned and co-ordinated change in strategy from a focus on CSI to that of CSR. This was done to ensure that the development intent is re-directed internally to the core business function, thereby de-risking the business.

We also provide essential services to some of the communities near our power stations, including electricity, potable water, and waste removal. These basic amenities support livelihoods in these neighbourhoods.

Unfortunately, inadequate technical oversight on infrastructurerelated initiatives and insufficient resources continue to prevent us from executing all our planned initiatives on time. The Foundation remains committed to optimising the value, impact and sustainability of its programmes given financial constraints.

#### OUR 2022/23 COMMUNITY DEVELOPMENT FLAGSHIP PROJECTS

- Eskom Foundation CSI programmes
- Contractor Mkhulu Electronic Distribution
   Project restores hope in rural communities
- Siemens Energy donates science kits to a local technical school – Lephalale
- Generation CSI and SED projects

Appendices

#### MATHS AND SCIENCE PROGRAMME

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

The Free-State Maths and Science high school competition is one of the Eskom's Maths and Science programmes. It focuses on promoting the maths and science to the youths to close the scarce skills gap in South Africa.

Eskom has initiated a similar program in partnership with Nkomazi Mathematics & Science centre. The programme is currently being implemented in Mpumalanga. Eskom has approved funding of RI.6 million that will impact 8 554 beneficiaries.

#### ESKOM EXPO FOR YOUNG SCIENTISTS (EEYS)

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



Expo young scientist participants

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



The EEYS currently operates in 35 regions in all nine provinces of South Africa and has an international presence. Expenditure for 2022/23 financial year was R25.6 million.

#### SCIMATHUS

SciMathUS is a university preparation program in the Education Faculty, managed by SUNCEP, offering National Senior Certificate upgrades in Mathematics, Physical Science, and Accounting, and foundational skills for higher education access. The SciMaths programme currently takes 100 students a year. Funding is sourced from various philanthropic donors on an annual basis to support the programme. Eskom development foundation donates R3 million per year that benefits 157 previously disadvantaged learners including educators.

#### ENERGY AND SUSTAINABILITY TRAINING

Education is critical to sustainability, both in terms of raising awareness of the magnitude of the problem and determining the best solutions. Eskom Development Foundation launched an Energy and Sustainability Training program in 2022, targeting Grade 11 students in Geography and Life Sciences, focusing on marginalised communities. The program is being implemented in five provinces, with 10 schools selected per province, with 25–30 participants attending a one-day session.

#### CONTRACTOR MKHULU ELECTRONIC DISTRIBUTION PROJECT RESTORES HOPE IN RURAL COMMUNITIES

Mkhulu Electronic Distribution Project (EDP), a contractor of Eskom's Power Delivery Projects (PDP), donated R0.4milliom worth of material and equipment to four schools in the Thabazimbi Local Municipality in Limpopo as well as equipment to assist the elderly and those living with disability to the Moses Kotane Local Municipality in North-West. The material and equipment include blankets, walking stick for the virtually impaired, school chairs, teacher's chairs, printer, fixing of toilets and fixing broken windows and doors at the community hall.

The benefitting schools are in the Northam and Thabazimbi area being Groenvlei Secondary School, Krause Primary School, Northam Comprehensive Secondary School, and Ysterburg Primary School.

Mkhulu EDP was appointed by Eskom to build the Masa-Ngwedi 400kV section C&D line project running through the two local municipalities in Limpopo and North West. This project is part of the transmission capital expansion projects in line with Transmission's Investment Strategy.

Mkhulu EDP, Ms Cindy Masuku stated that "We believe in supporting the development of communities wherein we operate by improving the lives of community members who are less fortunate and ultimately leaving a sustainable footprint. As we strive to improve the living conditions of these communities, we also create a sense of customer satisfaction and loyalty to our client, Eskom."

Mr Andries Ramasobana from Ysterberg Primary School thanked Eskom and Mkhulu EDP for remembering the rural schools in their local municipality as this donation is an investment on the learners bound to yield permanent and positive returns. Ms Nontuthuko Matumba of Eskom appreciated the fruitful partnership with Mkhulu stating that "Strategic partnerships with our contractors are key in ensuring that the PDP accomplishes its mandate of building sustainable projects. This initiative will make a great difference to the community and the learners will have an opportunity for a better education."Matumba also emphasised the importance of education in alleviating poverty in rural communities.



Junior Environmental Category winner

Our environmental performance



CREATING A CIRCULAR ECONOMY – ASH BENEFICIATION

Eskom power plants generated 33 million tons of ash during the 2022–2023 fiscal year, of which 70% was used for effluent treatment. The remaining ash was made available for beneficiation. Our ash beneficiation activities involve the processing of bottom ash, fly ash, and clinker ash. The fly ash is mostly used for cement manufacture and cement blending, while the coarse ash is used for brick making. A total of 3.2 million tons of ash including dump construction were recycled in the financial year (2022: 3.6 million tons).

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	Ash sold				Majuba and Kendal	
Month	Fly ash	Coarse ash	Clinker	Cenospheres	Ash dump construction	Total ash beneficiated
Apr	166 656.80	28 449.30	24 072.35	60.00	I 840.00	221 078.45
May	208 132.85	33 307.44	31 903.84	8.00	5 689.68	279 041.81
Jun	212 421.54	30 683.97	30 715.85	30.75	3 246.00	277 098.11
Jul	227 278.00	25 011.87	25 925.31	38.00	8 956.19	287 209.37
Aug	224 288.17	30 383.46	21 287.96	36.75	20 457.22	296 453.56
Sep	213 196.41	33 951.79	30 748.33	33.60	7 808.38	285 738.51
Oct	219 869.99	30 405.68	23 146.22	42.00	3 047.40	276 511.29
Nov	190 390.00	22 753.03	43 164.70	28.95	159 380.00	415 716.68
Dec	140 362.89	17 092.50	18 148.90	_	_	175 604.29
Jan	163 759.80	20 494.72	18 014.93	16.75	I 473.00	203 759.20
Feb	141 499.66	12 566.88	25 100.29	15.75	I 079.25	180 261.83
Mar	201 408.11	18 414.70	21 997.00	95.75	I 329.04	243 244.60
	2 309 264.22	303 515.34	314 225.68	406.3	214 306.16	3 141 717.70

65

Ash Sales Volumes from 2022/23 financial year

#### Ash beneficiation 2022 figure



#### CHALLENGES The year under re

The year under review was challenging due to several factors. Load shedding and ash plant breakdowns impacted our beneficiation activities. The construction industry saw a decline, and the South African economy performed weakly. Additionally, our ash beneficiation is still limited to the cementitious industry, emphasising the need to diversify our markets in the future.

Ash sales for the 2022/23 financial year decreased from the previous year due to a number of factors including:

- Reduced demand: Lack of infrastructure projects in the construction industry hinders demand for ash products, making sales targets difficult. To overcome this, efforts must be made to find new markets and identify new uses. Eskom load shedding: Load shedding impacts ash sales by making it difficult for companies to operate at full capacity causing delays in product delivery. Effective communication with clients and collaboration are crucial to minimise delays.
- Lack of Infrastructure for Export Market: Lack of infrastructure impacts export markets, which impacts our sales targets. Collaboration with authorities, port improvements, and exploring alternative logistics solutions and exploring new markets are crucial for achieving sales targets.

In heartfelt gratitude ClIr Nketu Nkotswe, the Mayor of Moses Kotane Local Municipality, was thankful for the support, saying that "The blankets will keep the elderly warm in winter, whereas the wheelchairs will go a long way in capacitating the physically challenged. Furthermore, the visually impaired will walk confidently using their new walking sticks."

#### CONTRACTOR SIEMENS ENERGY DONATES SCIENCE KITS TO A LOCAL TECHNICAL SCHOOL – LEPHALALE

An Eskom contractor, Siemens Energy, donated portable modern science kits and related laboratory equipment worth R711 000.00 to Mabalane Seleka Technical School in the Ellisras Circuit, Lephalale on Tuesday, 26 July 2022. The donated science portable kits are inclusive of thermodynamics, hydraulics, technology and chemical equipment and consumables.

Siemens Energy has contracts for boiler protection system maintenance, generator transformers, laboratory, and on-line analyses, as well as control and instrumentation at Medupi Power Station.

This event was graced by the Siemens Energy Chief Executive Officer, Mr Thabo Molekoa, Department of Education, Ms Ledwaba and Eskom was represented by the General Manager for Matimba Power Station, Ms Obakeng Mabotja and the Project engineering manager for Medupi Power Station Project, Mr Rofhiwa Nemutandani amongst others.

Mabalane Seleka was started in 2012 and currently has 472 enrolled learners but has for years lacked resources as most learners did not have access to laboratory equipment.

"Siemens Energy is a great example of the 'it takes a village to raise a child' narrative; and learners must take care of the kits so that generations to come can also benefit," said the Chairperson of the school governing body, Ms WT Modise.

According to Ms Ledwaba from the Department of Education-Ellisras Circuit, the school must come up with plans to ensure that the laboratory facilities are also benefitting other learners in Lephalale. She further stated that "We are grateful because teaching of chemical science theory will now be supplemented by a practical experience. You have a responsibility to protect and preserve this precious donation because Mabalane is the only school chosen in the area out of six others within the circuit," she continued. Speaking on behalf of Eskom, Ms Mabotja echoed that Siemens Energy has always been responsive to the needs of the local communities which is demonstrated through the donations they made to Lephalale TVET College and Mananye Secondary School. Mr Nemutandani in his message of support highlighted that "Through this donation, Siemens Energy has planted a seed which must be watered and nurtured by the learners and educators."

seriously so that they can be pioneers of the future as the world of work today needs people who are creators of work as opposed to job seekers. "Take this opportunity to come with science experiments to help find solutions for the future," said Molekoa. Mr Molekoa also pointed out that the donation is not about Siemens but about their belief of empowering and re-energising the society. "It is within our philosophy and DNA to do more than just business; this has been reinforced over 160 years in South Africa. Personally, I have experienced what education can do to a person; hence I believe that a child without education is like a bird without feathers," he expounded. Molekoa indicated that it is Siemens hope that this donation ignites the love of science within the learners.

Mr Molekoa from Siemens, who hails from the Waterberg

district in Limpopo, urged learners to take their schoolwork

In his closing remarks, the principal of the school, Mr Patrick Makotla emphasised that "Siemens Energy is our rock as it supports and recognises the needs of the communities it operates in. This donation is highly appreciated and will be utilised for the benefit of the learners,"

Representative of the learners, Ms Mmahae Kopano praised Siemens for their kind contributions to the school.

KRIEL AND MATLA POWER STATION DONATE II CLASSROOMS TO EASE OVERCROWDING AT BONGINHLANHLA PRIMARY SCHOOL Kriel and Matla power stations in partnership with their contractors GE Steam Power, Steinmüller, Seriti – Kriel Colliery, and Exxaro joined forces to respond to the dire needs of Bonginhlanhla Primary School in Thubelihle, Mpumalanga province.

The school had a challenge of dilapidating infrastructure, inadequate classrooms which led to overcrowding, and a problem of substandard ablution facilities.

Kriel power station led the team in mobilising resources to respond to the needs. The effort managed to raise more than R60 million. The money was used to build 11 state-of-the-art school classrooms which can accommodates more than 1200 learners. The new structure is also equipped with modern technology apparatus, ablution facilities and a guard house.

The project is being executed in phases, phase 1 is completed, phase 2 is expected to resume shortly and it will include removal harmful asbestos infrastructure in old buildings, construction of an administration building, school hall, kitchen, garden store, sports facilities, and security fences.

The project started in 2017 and it was officially handed over to the Mpumalanga Department of Education on 1 June 2023.

#### ESKOM HOLDINGS SOC LTD Sustainability report 2023

Our environmental performance

Our just energy transition

- Market Development: We recognise the need to develop additional markets for our ash to increase sales. Opportunities exist to expand ash markets for soil amelioration, road construction, and mine backfilling, while upgrading rail infrastructure for export markets.
- Ash Off-takers face performance challenges; companies must collaborate to find new markets, find new uses, and explore alternative transport options.

#### SUCCESSES In the 2022/23 financial year

- Despite these difficulties, contracted companiesmaintained job retention in first guarter, but reduced CSI investment in communities, employing a total of 250 ash disposal employees (34% women and 22% youth).
- Two ash extraction plants were erected at Kusile power station despite financial challenges due to the economic climate in South Africa. This will promote more ash uptake by local businesses.
- Three extraction plant engineering change management applications were approved by the engineering departments at Medupi, Matimba, and Arnot power stations each.
- ( Ash research: Our ash beneficiation research and proof of concept projects successfully developed high-ash content materials for road construction, geopolymer electric poles. We also investigated mine drainage at the Eyethu mine and extraction of rare earth elements.

#### ASH BENEFICIATION RESEARCH

Several beneficiation technologies are being researched by Eskom to support off-takers with technical direction on the various applications that can be commercialised. Eskom RT&D explores ash usage in road construction, serving as filler and for use as structural support. Guidelines for coal ash use will be developed, intended for SANRAL and civil engineers. Ash application in acid mine drainage treatment (AMD) and backfilling research aims to assess environmental impact of ash mine backfilling.

The following table summarises the status of some of the research projects:

Project	Description and progress		
Geohydrology in mine backfilling	To develop a model for the prediction of possible contamination when using unstabilised coal ash for mine backfilling. Project to be completed in March 2024.		
Geopolymer poles	To produce a coal ash geopolymer pole to replace wooden poles utilised in Transmission and Distribution. To protect against moisture, pests, and fire damage.		
	Project to be completed August 2024.		
Ash in road construction	The use of coal ash for the formation of the base and subbase structures in road construction.		
	Project report and Guidelines to be completed by March 2024.		
Geopolymer applications and rare earth elements	The use of coal ash for the production and application of ash geopolymer (alkali activation) concrete development and the development of new applications for Eskom business.		

Project to be completed March 2024.

Our Ash beneficiation activities faced obstacles in 2022/23, but we remain committed to expanding markets, upgrading rail infrastructure, and innovation to service the huge export market. Our successful research and proof of concept projects demonstrate our ongoing commitment to innovation and sustainable development. Eskom and ERI must collaborate to develop new markets, ash product uses, and achieving our strategic objectives of cost avoidance, commercialisation, and job creation.

#### OUR SOCIOECONOMIC PERFORMANCE

We support economic development and supplier transformation to foster the creation of a sustainable economy advancing the NDP goals through our supplier programme. We place particular emphasis on developing local suppliers in line with South Africa's transformation goals, with specific emphasis on local supply sectors important to our industry. We also support Government's commitment to local development programmes, including development of local industries thereby enhancing local production and manufacturing as prescribed in the Shareholder Compact and Eskom's Transformation Plan. We play a major role in the coal industry due to our large offtake. Our coal purchases provide economic opportunities and jobs across the value chain.

#### PROCUREMENT

Our contribution to nation building includes enterprise and supplier development initiatives agreed with the shareholder. We leverage our procurement spend to promote sustainable supplier development, localisation, and industrialisation thereby advancing the government's policies and transformation objectives. Targets for enterprise and supplier development and the NIPP were achieved for the year.

We held supplier workshops, the majority of which took place online. Our Enterprise development was impacted by a lack of funding to implement meaningful interventions, such as incubations for small and medium-sized enterprises (SMEs). Our Supplier development performance was negatively affected by limited subcontracting opportunities as we rely on main contractors to implement this. We have developed an enterprise and supplier development plan to progress our performance going forward.

Total measured procurement spend (TMPS) for the group at the end of March 2023 on all active contracts amounted to R206.2 billion (72.8% was spent on B-BBEE-compliant suppliers (2022: R176.8 billion and 75.9%). Procurement spend with black-owned and black youth-owned suppliers achieved at 42.48% (2022: 47.08%) and 4.26% (2022: 5.4%) of TMPS, respectively, exceeding their targets of 40% and 2%.

#### LOCAL CONTENT

Awarded I 424 contracts worth R70.1 billion Eskom-wide local content contracted of R61 billion (87.02%)

217 contracts contributed 100% natural local content and local manufacturing in designated sectors Total and local content R41.4 billion (59.09%)

By 31 March 2023, we awarded 1 424 contracts (2022: 1 971) to the value of R70.1 billion (2022: R77.6 billion), with local content accounting for R61 billion (2022: R61.7 billion). Local content for designated sectors amounted to R41.4 billion.

Eskom's B-BBEE certificate was renewed in January 2023 and is valid for one year. We maintained a B-BBEE recognition level of 100% and a B-BBEE status of level 4 at year end, which is an affirmation of our commitment to South Africa's transformation agenda.

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

#### COAL SALES AND ITS CONTRIBUTION TO SOCIOECONOMIC DEVELOPMENT

Appendices

Due to our substantial offtake, which accounts for over 50% of the total national coal production, we play a significant role in the coal business. In 2023 financial year about 98.4 million tons of coal was purchased and transported to the power stations. We purchased the majority (35%) of the coal through shortand medium-term contracts, with 34% coming from long-term cost-plus contracts, 31% from fixed-price agreements.

Our large coal purchases, which make up more than half of our operational expenses, present opportunities to support the NDP's goals of inclusive economic growth and employment through a shareholding of suppliers, supplier development and localisation, transportation contracts with B-BBFF suppliers, and CSI interventions. These opportunities exist across the value chain, including sourcing, transport (haulage), and disposal.

We are transforming the mining industry by purchasing from companies that meet the 26% mining charter criteria. The supplier development and localisation (SD&L) requirements in these contracts have generated a number of jobs. Additionally, these businesses operate several CSI programs in the regions where they do business, such as constructing homes and schools for the poor and providing bursaries.

A negative impact is the damage to the road infrastructure in Mpumalanga because of the high number of trucks delivering coal to the power stations. Due to the large number of trucks bringing coal to the power plants. Mpumalanga's road system has been damaged. We are implementing our coal haulage and road-to-rail migration plans to lessen and manage this impact. but the recent difficulties TFR has encountered have hindered the development of these plans.

#### IMPLEMENTING COAL HAULAGE AND THE **ROAD-TO-RAIL MIGRATION PLAN**

Our rail delivery of coal to Majuba is through Transnet Freight Rail, utilising B-BBEE-compliant loading, and offloading sidings. The objective is to provide all the coal for Majuba Power Station through rail once the Majuba Coal Transportation System (CTS) from Ermelo to Majuba is operational.

Less coal was delivered by rail in FY22 and FY23, mostly due to the Majuba Power Station's rail dumping facility's ongoing unavailability as a result of a fire event in December 2019. Rail operations at Majuba resumed in October 2021 but remain limited. Cable theft, vandalism of rail infrastructure, and availability of operational resources, including locomotives negatively affect rail operations. Eskom Security Services are engaging with Transnet Freight Rail on opportunities to cooperate to reduce the instances of cable theft (feedback).

Our environmental performance

According to our long-term coal procurement policy Eskom will require roughly 650Mt of coal for a few of our power plants. This will lead to economic opportunities in the area and stimulate the regional economy. In some situations, contracts were won after we put requests for proposals (RFPs) to the market for supplies to Arnot, Camden, Kriel, Matla, and Tutuka. We purchased about 267kt of limestone from Idwala Lime in Danielskuil from the Northern Cape during the year for the operation of the Kusile FGD plant. To transform its value chain and boost economic activity in the Northern Cape, Idwala must subcontract with or purchase goods and services from blackowned businesses in the nearby neighbourhood. Additionally, it supports employees' skill development.

#### SALES

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).

Local sales volumes were 5.6TWh (3.1%) lower than budget and declined by 8TWh (4.3%) when compared to the prior year, although sales volumes would have declined significantly further without the increased use of OCGTs to minimise loadshedding. Every sector has experienced a decline in sales volumes when compared to the prior year, although the industrial sector was less impacted due to the recovery of the global commodity markets, leading to increased production and electricity demand at times. Eskom's sales volumes were impacted by generation supply constraints, leading to load curtailment and loadshedding, as well as prevailing economic conditions. Large industrial and mining customers remain exposed to volatile commodity prices and external economic factors.

#### MUNICIPAL DEBT

We continue to execute the municipal debt management strategy to ensure maximum collections from non-paying municipalities. Eskom has aligned its collection processes with the Intergovernmental Relations Framework Act, 2005 and discussions are ongoing to reinforce National Treasury's role in providing financial oversight in terms of the Municipal Financial Management Act.

Regrettably, Eskom has been interdicted from interrupting supply to various defaulting municipalities, with court applications brought by municipalities, third parties – such as municipal customers – or provincial government departments. During litigation, arrear debt continues to escalate as some municipalities take a payment holiday (no payment) or make small payments.

The actual growth for FY23 was R13.8 billion, taking the cumulative outstanding debt to R58.5 billion. Payment levels for municipalities including metros averaged at 89.9% for FY23.

We are advocating an active partnering solution whereby Eskom supports municipalities with distribution, reticulation, and revenue collection services. We continue to work closely with the Department of Co-operative Governance and Traditional Affairs, National Treasury, and other government departments as well as relevant stakeholders to resolve the systemic challenges which have given rise to municipal arrear debt.

In the National Budget Speech on 22 February 2023, the Minister of Finance announced Government's municipal debt relief plans to address the arrear debt, subject to certain conditions. National Treasury published Budget Circular No. 123 on 3 March 2023 and Budget Circular No. 124 on 31 March 2023, which provide further detail on the municipal debt relief plan, the application process for municipalities and the related conditions. Eskom is engaging with National Treasury on the debt relief process and conditions included in the circulars.

#### FINANCIAL RECOVERY AND SUSTAINABILITY

Since inception of the turnaround programme in 2020, our financial recovery has centred on (1) improving the income statement and (2) strengthening our balance sheet with the focus on (a) revenue security, (b) debt reduction, (c) municipal debt reduction and (d) cost containment. The business was beginning to see the first fruits of financial recovery in FY22 with improvements noted in all key financial indicators. The gains made in FY22 have been partially eroded by the decline in operational performance experienced in FY23 – this coupled with lower-than-expected tariffs and non-payment from municipalities placed significant strain on Eskom's income statement and balance sheet in FY23. Despite these challenges, we have made significant strides in our financial recovery and achieved notable wins in FY23.

#### IMPROVE THE INCOME STATEMENT

While the tariff increases granted for FY24 (18.65%) and FY25 (12.74%) were still below expectations, this marks an important step towards achieving cost reflective tariffs and revenue security going forward. The business was able to maintain its cost savings of >R20 billion p.a. with R27.8 billion in savings reported for FY23.

#### STRENGTHENING THE BALANCE SHEET

The Minister of Finance announced a significant debt relief package of R254 billion for Eskom to be implemented from FY24–FY27 – this relief is expected to strengthen Eskom's balance sheet, reduce the burden of unsustainable debt servicing costs and is a milestone in the path to financial sustainability. Based on the conditions associated with the debt relief, careful management of costs and capital expenditure will be needed going forward to manage our liquidity and ensure a sustainable impact of the debt relief on the balance sheet.

Also noteworthy to mention is that the sale of Eskom Finance Company (EFC) is at an advanced stage in the process and the disposal of non-core properties is well underway with Eskom Real Estate (ERE) committing to deliver R2.3 billion in disposal over the next five years.

Appendices

While we have made significant progress in improving our income statement and strengthening our balance sheet, our operational performance and non-payment by municipalities remain key risks to our financial position and path to financial sustainability. It is essential that we recover generation performance and reach a conclusion on the municipal debt recovery. This is not only important within the context of financial sustainability but is also necessary to enable the business to allocate financial resources to areas that require much needed investment, i.e., maintenance, refurbishment and strengthening of the existing generation fleet and networks, and expansion of the networks to integrate additional capacity. This is critical to Eskom's path to achieving financial sustainability and resolving loadshedding.



() Eskom

Appendices



Abbreviations

AEL	Atmospheric emission licence
B-BBEE	Broad-based black economic empowerment
всм	Business Continuity Management
BESS	Battery Energy Storage System
ССМА	Commission for Conciliation, Mediation and Arbitration
CCSD	Climate Change and Sustainable Development
CDP	Carbon Disclosure Project
CMG	Containerised Micro Grids
CoE	Centre of Excellence
СОР	Conference of Parties
COPD	Chronic Obstructive Pulmonary Disease
CPUT	Cape Peninsula University of Technology
CSI	Corporate social investment
CSR	Corporate social responsibility
DFFE	Department of Forestry, Fisheries, and the Environment
DMRE	Department of Mineral Resources and Energy
DPE	Department of Public Enterprises
DoEL	Department of Employment and Labour
Dx	Distribution – one of Eskom's three operational divisions
EAL	Eskom Academy of Learning
EAP	Employee Assistance Programme
EMS	Environmental Management System
ESG	Environmental, Social, and Governance
ERCC	Emergency Response Command Centre
ERI	Eskom Rotek Industries
EVP	Employee value proposition
Exco	Executive Management Committee
FBS	Failure of Business Systems
FGD	Flue Gas Desulphurisation
GCE	Group Chief Executive
GHG	Greenhouse gas
GRI	Global Reporting Initiative
Gx	Generation – one of Eskom's three operational divisions
INEP	Integrated National Electrification Programme
IPP	Independent power producer
IRP	Integrated Resource Plan
JET	Just Energy Transition
JETP	Just Energy Transition Partnership
JICA	Japan International Cooperation Agency

## Appendices

Our environmental performance

Our just energy transition

Appendices

King IV™	King IV Report on Corporate Governance for South Africa, 2016		
крі	King iv Report on Collporate Covernance for South Ainea, 2010		
	National Development Plan		
NDMAF	National Disaster Management Advisory Forum		
NDMC	National Disaster Management Centre		
NECOM	National Energy Crisis Committee		
OE	Organisational Effectiveness		
OHS	Occupational Health and Safety		
РСВ	Polychlorinated Biphenyl		
PDMAF	Provincial Disaster Management Advisory Forum		
PFMA	Public Finance Management Act		
PRT	Provincial Resilience Teams		
PV	Photovoltaic		
RE	Renewable energy		
RT&D	Research, Testing and Development		
R&R	Repowering and Repurposing		
SADC	Southern African Development Community		
SDGs	Sustainable Development Goals		
SARATEC	South African Renewable Energy Technology Centre		
SED	Socio-economic development		
SEIA	Socio Economic Impact Assessment		
SES	Social, Ethics and Sustainability Committee		
SME	Small and medium enterprise		
TCFD	Task Force on Climate-Related Financial Disclosures		
TMPS	Total Measured Procurement Spend		
Tx	Transmission – one of Eskom's three operational divisions		
UNGC	United Nations Global Compact		
WEP	Women Empowerment Principle		
Z-LED	Zero liquid effluent discharge		
WEP Z-LED	Women Empowerment Principle Zero liquid effluent discharge		

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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/