Eskom

Redefining for a better future

INTEGRATED REPORT

FOR THE YEAR ENDED 31 MARCH 2024

Navigating our report

SIX CAPITALS

The following navigation icons are used to depict the six capitals (refer to page 10 for definitions):

- Our finances (financial capital)
- Our infrastructure (manufactured capital)
- Our interaction with the environment (natural capital)
- Our people (human capital)
- Our role in communities (social and relationship capital)
- Our know-how (intellectual capital)

TURNAROUND OBJECTIVES

- OR Operations recovery
- FR Financial recovery
- PCE People, culture and ethics
- LS Legal separation

PERFORMANCE INDICATORS

Throughout this integrated report, performance against target is indicated as follows:

- Actual performance met or exceeded target
- Actual performance almost met target (within a 5% threshold)
- Actual performance did not meet target
- SC Indicates that a key performance indicator is included in our annual compact with the shareholder

ADDITIONAL CONTENT

- Information block or case study
- Information available online

OUR SUITE OF REPORTS

As part of our comprehensive integrated and financial reporting, our reporting suite for 2024 consists of the following

IR
Integrated report

AFS
Annual financial statements

SR
Sustainability report

To complete a short survey on our reports, please click here

Please use the tabs at the top of this report as well as the buttons to navigate digitally

Return to contents page | Previous page | Next page | Return to previous view

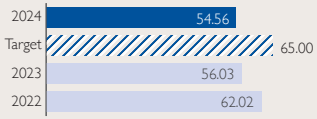
The year in review

Below we set out performance for the year (with targets and comparatives) on several key ratios, together with other notable developments

Plant availability continued to deteriorate to

54.56%

with average plant unavailability over 15 500MW for the year



Loadshedding on

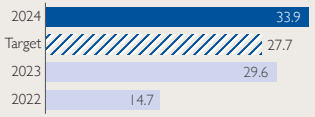
329 days

partly due to three Kusile units being unavailable for six months

Spend on Eskom and IPP OCGTs increased to

R33.9 billion

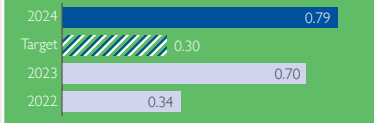
to mitigate loadshedding



Particulate emissions at

0.79kg/MWh

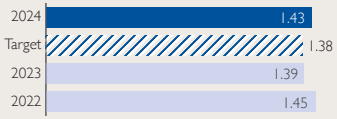
sent out continued to deteriorate



Specific water consumption at

1.43ℓ/kWh

sent out increased slightly off lower coal-fired production



Kusile Unit 5

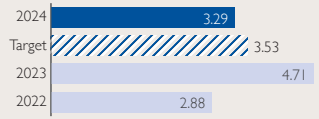
synchronised

to the grid on 31 December 2023, delayed by a year due to a fire in September 2022

System minutes lost of

3.29 minutes

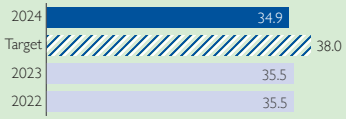
recovered to within expected levels



SAIDI of

34.9 hours

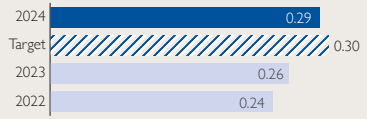
showed slight improvement, remaining well within target



LTIR of

0.29

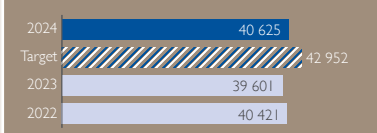
showed a decline, but remained within target



Headcount increased to

40 625

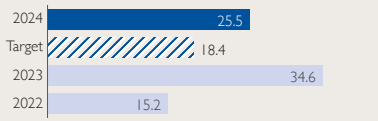
supplemented by the appointment of 519 YES learners



Loss before tax reduced to

R25.5 billion

on the back of an 18.65% tariff increase



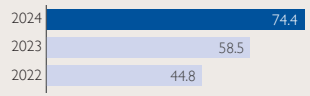
R76 billion

received under Government's three-year debt relief programme to meet debt service outflows of R89.8 billion

Arrear municipal debt escalated to

R74.4 billion

despite introduction of the municipal debt relief programme



Dan Marokane

appointed as permanent GCE after a year-long recruitment process

Suspensive conditions met for legal separation of Transmission business to NTCSA

Our suite of reports and approach to reporting

OUR REPORTING SUITE

Our 2024 reporting suite covers the financial year ended 31 March 2024. The reports were approved on 18 December 2024 and can be accessed at www.eskom.co.za/investors/integrated-results/

Our suite of reports comprises the integrated report, annual financial statements and sustainability report. Each of these reports is prepared for a specific audience and serves a particular purpose. Various frameworks and regulations are applied in the preparation of these reports, and each is subject to certain materiality considerations. Finally, the reports are subject to various levels of assurance. The particulars of each report is set out below.

What it covers	Frameworks applied	Materiality	Assurance
INTEGRATED REPORT Our integrated report aims to provide a holistic account of how we create and preserve value, our strategy, risks and opportunities, performance and outlook, as well as governance of these areas. Supplementary information is included at the back of the report. It is a holistic report to stakeholders covering all our areas of our value creation journey and is aimed predominantly at providers of financial capital – lenders, bondholders and other investors, as well as the shareholder, representing the people of South Africa. Nevertheless, the report aims to provide information to a wide range of stakeholders. The report considers our performance in the context of our internal framework that covers environmental, social and governance (ESG) practices.	The integrated report is prepared in accordance with the Integrated Reporting Framework, issued in January 2021 by the International Integrated Reporting Council, which later merged with the Sustainability Accounting Standards Board to form the Value Reporting Foundation, which was then consolidated into the IFRS Foundation. The content is further guided by legal and regulatory requirements, such as the Companies Act, 2008 and the King IV Report on Corporate Governance™ for South Africa, 2016[1] (King IV) as well as global best practice. Certain disclosures required under regulations issued by National Treasury relating to the disclosure of information under the Public Finance Management Act, 1999 (PFMA), are also covered in the report. In June 2023, the International Sustainability Standards Board (ISSB) issued IFRS® Sustainability Disclosure Standards S1 and S2 which cover the general requirements for sustainability-related disclosures and climate-related disclosures respectively. These standards may be implemented for financial years beginning on or after 1 January 2024, subject to certain transitional provisions and adoption by local regulators. We are in the process of assessing the impact of these standards on our future reporting.	In accordance with the Integrated Reporting Framework, we believe in providing a balanced, transparent and complete account of our performance, by focusing on matters material to our ability to create or preserve value, or to limit the erosion of value over the short, medium and long term. We apply the concept of double materiality in the integrated report, in other words, by considering both those external matters that may have an impact on our financial results (financial materiality), as well as those internal matters that have an impact on the outside world (impact materiality). We also consider qualitative and quantitative matters material to our operations and our turnaround and strategic objectives, as well as strategic risks and opportunities.	We apply combined assurance to the content in the integrated report. Eskom's Internal Audit Department provided reasonable assurance of quantitative information (other than financial information subject to external audit) in the report. The group's independent external auditors, Deloitte & Touche, were engaged to provide reasonable assurance on selected key performance indictors (KPIs) disclosed in the integrated report. All but one of the 40 KPIs scoped for reasonable assurance received an unqualified opinion. The list of KPIs subject to reasonable assurance by the external auditors are set out from page 123 of this report. Deloitte & Touche's independent sustainability assurance report is included from page 126.
ANNUAL FINANCIAL STATEMENTS The consolidated and separate annual financial statements set out the financial performance of the Eskom group and company. It includes the directors' report and a report by the Audit and Risk Committee, as well as statements covering the financial position at year end, and the profit and loss, changes in equity and cash flows for the year ended 31 March 2024, together with detailed notes. Events subsequent to the reporting date are also covered, together with an assessment of the impact of new standards and interpretations affecting financial reporting requirements. It is aimed at a broad range of stakeholders, including the shareholder and other investors, creditors, regulators, analysts, employees and the general public. The financial statements intend to provide a fair and comprehensive view of the group and company's financial position, performance and cash flows, to provide decision-useful information to users and ensure transparency and comparability across different reporting periods and entities	The consolidated and separate financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (IASB) as well as the requirements of the PFMA and the Companies Act.	The financial statements have been prepared with reference to financial materiality. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of the entity's financial statements.	The consolidated and separate financial statements have been audited by Deloitte & Touche, who issued a qualified opinion relating to the quantification and disclosure of information required in terms of the PFMA. Except for this qualification, the financial statements are considered to be fairly presented in terms of IFRS Accounting Standards. Furthermore, the independent auditors have emphasised a number of matters in their report, including a material uncertainty relating to Eskom's ability to continue as a going concern. However, these matters do not affect their opinion. The independent auditor's report is included in the financial statements.
SUSTAINABILITY REPORT Eskom's sustainability report supplements and provides more detailed information than the integrated report on our sustainable development impacts. The report is aimed at a wide range of stakeholders with an interest in Eskom's sustainability impacts.	The sustainability report is guided by the reporting principles of the Global Reporting Initiative (GRI) and also considers our contribution to the United Nations' Sustainable Development Goals (SDGs). It includes disclosures based on the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), which have now been incorporated into IFRS S2 *Climate-related Disclosures*. We have established an internal framework that covers our ESG practices by setting out the material ESG risks and opportunities we face and the governance structures that provide oversight on the plans in places to address these. We measure our performance through targeted metrics.	Matters dealt with in the sustainability report are based on impact materiality, being those matters that represent the organisation's most significant impacts on the economy, environment and people.	The Internal Audit Department provided reasonable assurance on quantitative information and certain qualitative aspects of the report.

1. Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Our suite of reports and approach to reporting *continued*

OUR APPROACH TO INTEGRATED REPORTING

At its core, integrated reporting is based on integrated thinking – looking at the business as a whole and considering the trade-offs between different areas, without focusing exclusively on financial performance.

REPORTING PERIOD

This integrated report reviews our financial, operational, environmental, social and governance performance for the most recent financial year from 1 April 2023 to 31 March 2024, and considers the outlook for the future where appropriate. Unless otherwise stated, both financial and non-financial performance data in this report relates to the 2024 financial year. Significant events to 18 December 2024, being the date that the Board approved the report, have been included.

We connect our reliance and impact on the six capitals to our identified material matters, strategy, organisational and strategic risks, performance and KPIs through our short-term turnaround and longer-term strategic objectives. In this report, *short term* means within one year after year end, *medium term* within one to five years, and *long term* more than five years. Accordingly, when reporting on KPIs in this report, we have included the short-term targets for the 2025 financial year, as well as the medium-term targets for the 2027 financial year. Where applicable, we disclose the targets agreed in the annual compact with the department representing the South African Government as our shareholder.

IR Our assessment of the six capitals is covered on page 10

REPORTING BOUNDARY AND COMPARABILITY

The report covers the group performance of Eskom Holdings SOC Ltd (Eskom) and its major operating subsidiaries, and where appropriate, the risks, opportunities and outcomes related to our interaction with external stakeholders.

Information presented is comparable to that of prior years, unless otherwise stated. Although the integrated report contains a set of condensed financial statements, it should be read in conjunction with the financial statements, for a complete overview of the group's financial performance.

Financial information in the integrated report is presented in South African Rand, Eskom's functional and presentation currency.

PREPARATION PROCESS

The integrated report, including supplementary information, is produced by a team from the Group Finance Division, under the supervision of our Group Chief Financial Officer, Mr Calib Cassim CA(SA). This team relies on representatives from areas across the business to supply the information presented.

On a quarterly basis, Eskom is required to submit a report to our shareholder, based on National Treasury regulations and reporting guidelines applicable to state-owned companies (SOCs). The shareholder report discusses performance against the shareholder compact, and also covers financial, operational, governance and restructuring matters required by the Eskom Debt Relief Act, 2023 as amended. The quarterly shareholder report forms a key input into the integrated report, together with Eskom's strategic Corporate Plan which is submitted to our shareholder annually.

Technical, financial and other KPIs reported in this report are based on internally developed measure specification documents which set out the measurement criteria. Financial figures are sourced from the group annual financial statements, prepared in accordance with IFRS Accounting Standards.

The content of the integrated report is influenced by the material matters determined during the preparation process. The content of the report is reviewed by subject matter experts from the business, as well as executives and Board members.

IR Our materiality determination process and the resulting material matters are covered from page 20

The Audit and Risk Committee and the Social, Ethics and Sustainability Committee formally recommend the integrated report for approval by the Board. By approving the integrated report, the Board assumes ultimate accountability for the content, completeness and reliability of the report.

We are a proud supporter member of

BOARD APPROVAL

The Board has considered the integrated report and is satisfied that it has been prepared in accordance with the Integrated Reporting Framework and adequately identifies Eskom's material matters. Taking into account the reliability of information presented and the completeness of material items addressed in the report, and based on the combined assurance process followed, the Board approved the 2024 integrated report and supplementary information on 18 December 2024.

Dr Mteto Nyati
Chairman of the Board

Dan Marokane
Group Chief Executive

Calib Cassim
Group Chief Financial Officer

Fathima Gany

Lwazi Goqwana

Clive le Roux

Ayanda Mafuleka

Leslie Mkhabela

Dr Tsakani Mthombeni

Bheki Ntshalintshali

Tryphosa Ramano

Dr Busisiwe Vilakazi

Dr Claudelle von Eck

Who we are and how we create value

Understanding our business

WHO WE ARE

Eskom is South Africa's national electricity utility, and our operations span the length and breadth of the country. Given our mandate, we have a considerable positive impact on the economy and the everyday lives of all South Africans. However, we acknowledge the negative impact on our customers and the country when we can't execute our mandate by implementing loadshedding and load curtailment, as well as through the burden we create on the fiscus and by extension, the taxpayer, through our reliance on Government financial support. This impacts the Sovereign credit rating and cost of borrowings, ultimately affecting the funds available for other Government programmes. To comprehensively address our financial sustainability and limit our reliance on Government support, we require a cost-reflective tariff and a solution to the systemic municipal arrear debt challenge – debt relief alone will not return us to financial sustainability.

ESKOM'S MANDATE

We are tasked by our shareholder to provide electricity in an efficient and sustainable manner. This should assist in lowering the cost of doing business in South Africa and enable economic growth. We also support Government's developmental objectives

OUR VISION

Sustainable power for a better future

OUR MISSION

1. Turn around the existing business and improve financial and operational sustainability
2. Create a sustainable Eskom that drives economic growth by providing electricity reliably and efficiently
3. Make a positive social impact by enabling shared growth

KEY BOARD FOCUS AREAS

- B1 Stabilising the leadership team and building a leadership pipeline
- B2 Turning around operational performance to reduce and, ultimately, end loadshedding
- B3 Strengthening the balance sheet
- B4 Executing the legal separation and securing Eskom's rightful place in the changing electricity supply industry
- B5 Fighting crime, fraud and corruption
- B6 Reconnecting with stakeholders

TURNAROUND OBJECTIVES

- FR Financial recovery
- OR Operations recovery
- PCE People, culture and ethics
- LS Legal separation

STRATEGIC OBJECTIVES

- S1 Fix the current business
- S3 Prepare for competition
- S2 Leverage technology
- S4 Transition responsibly

SIX CAPITALS

- Financial capital
- Manufactured capital
- Natural capital
- Human capital
- Social and relationship capital
- Intellectual capital

KEY STAKEHOLDERS WE IMPACT

- Business and suppliers
- Employees
- General public and media
- Investors
- Customers
- Regulators
- Government and parliamentary committees

OUR VALUES = ZIISCE

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

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

We interact with a diverse range of stakeholders, such as our shareholder, represented during the year under review by the Department of Public Enterprises (DPE), as well as lenders, investors, employees, customers, suppliers, regulators, civil society and other areas of Government. Subsequent changes to our shareholder representative are discussed later in this section.

IR Our business model sets out how we transform various inputs into electricity supplied to customers, and it considers the impact of our business on the six capitals. It is set out from page 10

OVERVIEW OF THE GROUP

Eskom Holdings SOC Ltd heads up the group, with a head office in Johannesburg and administrative offices in most major centres. The Eskom group comprises the holding company with its subsidiaries and joint ventures. The holding company houses most of the electricity business and holds investments in subsidiaries, and certain subsidiaries provide strategic services to Eskom and its employees. The business housed in the Eskom holding company is by far the biggest contributor to group performance.

Eskom is one of the last remaining vertically integrated utilities in the world. However, we are transforming the structure in response to the *Roadmap for Eskom in a Reformed Electricity Supply Industry* (Government's Roadmap) released by DPE in October 2019. The legal separation process will result in the creation of three independent subsidiaries.

The legal separation of Eskom is an important step forward in creating an independent Transmission System Operator that will enable more investment in the generation sector by enabling connection to the grid and reduce the risk associated with one company being responsible for almost all the electricity generation needs of the country. While the exact form of the Transmission System Operator is being finalised, the National Transmission Company South Africa SOC Ltd (NTCSA) will fulfil this role in the interim. The legal separation process is also intended to improve transparency and management focus and accountability by treating each of these businesses as standalone entities into the future.

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

Understanding our business *continued*

NTCSA was set up to house the transmission business. The operationalisation of NTCSA has been delayed due to several key policy and regulatory dependencies.

All three licences required by NTCSA to trade have been granted by the National Energy Regulator of South Africa (NERSA). The buyer role assignment, cost recovery letter and amendment of independent power producer (IPP) generation licences were approved by NERSA by March 2024. The relevant power supply and power purchase agreements with Distribution and Generation have been signed. All lender consents have been received, and 119 contracts with IPPs have been transferred to NTCSA.

Consequently, the suspensive conditions to effect the merger and subscription agreements were met by 31 March 2024, resulting in the disposal of the relevant transmission and other related assets to NTCSA. Transmission employees were transferred to NTCSA under the same employment contract and with the same conditions of employment as they had with Eskom.

The entity commenced trade on 1 July 2024 on the legal implementation date of the merger agreement, after the transfer of people and systems from Eskom's Transmission Division to NTCSA.

This milestone marks NTCSA's establishment as a duly constituted and distinct wholly owned subsidiary of Eskom. It is a key milestone in the execution of Eskom's turnaround plan, and a significant step in delivering against Government's Roadmap to transform the electricity supply industry.

Independent non-executive directors were appointed to the NTCSA board from 1 February 2024 and have met several times for induction and meetings. The NTCSA board oversees the activities and affairs of the company, and reports to the Eskom Board as its shareholder representative. NTCSA's board committees are in place and fully functional.

The National Electricity Distribution Company South Africa SOC Ltd (NEDCSA) was registered to house the distribution business, but the separation process has also suffered delays due to key external dependencies, with some dependency on progress in the NTCSA separation. Corporatisation and, consequently, the licence application and lender engagement have been delayed allowing the publication of Eskom's annual financial statements for the year ended 31 March 2024 prior to initiating the lender engagement process. The final submission of the NEDCSA licence application to NERSA as well as the lender engagement process will commence after signature of the merger and subscription agreements.

The duration of the lender consent phase (initially estimated at about 18 months) will be extended, given the expectation that the lender engagement for Distribution will be more complex than the Transmission process. This is mainly due to non-payment of municipal arrear debt which impacts the financial sustainability of NEDCSA. The Distribution board has recommended that the solution to the payment shortfall because of the municipal debt be elevated to the relevant intergovernmental structures and incorporated into the timeline assumptions. The project timelines will be revised to incorporate the deferral of the signing of the merger agreement and the extended lender engagement time allocation.

Options are being considered for the future of the generation business, with the timing of the establishment of the company being dependent on legislation and Government policy. The current focus for the Generation business is finalising the remaining power purchase agreements, ringfencing all aspects of Generation from Corporate, and developing a future-fit Generation operating model and structure that incorporates its clean energy business portfolio.

Other than NTCSA, Eskom's major subsidiaries are:

- Eskom Enterprises SOC Ltd (EE) is an investment holding company. Its main operating subsidiary, Eskom Rotek Industries SOC Ltd (ERI), provides technical support to the electricity business, including lifecycle and plant maintenance services.
- Escap SOC Ltd is a wholly owned insurance captive company. It manages and insures the business risk of Eskom and its subsidiaries.
- Eskom Finance Company SOC Ltd (EFC) provides housing and other loans to employees. The process to dispose of EFC, which is mandated by the shareholder, is expected to be completed during the 2025 calendar year following PFMA and other regulatory approvals, after the Board accepted an offer from African Bank in October 2024.
- The Eskom Development Foundation NPC (the Foundation) is a non-profit company under section 21 of the Companies Act, 2008. It implements Eskom's corporate social investment (CSI) programmes, aimed at improving the quality of life of communities where we operate.

Each of the subsidiaries has a board of directors which reports to the Eskom Board.

AFS Full details of Eskom's equity-accounted investees and subsidiaries at 31 March 2024 are set out in notes 11 and 12 of the consolidated annual financial statements

WHAT WE DO

We create and preserve value through the generation, transmission, distribution, purchase and sale of electricity.

Eskom owns and operates most of the base-load and peaking generation capacity in South Africa. We own 30 power stations with a nominal capacity of 46 788MW which generate electricity by transforming inputs from the natural environment, such as coal, fuel oil, diesel, nuclear fuel and water into energy. Power is also purchased from IPPs and imported from cross-border suppliers in several countries in the region.

Supply = Eskom + IPPs + imports

Demand = local & international customers + technical & non-technical energy losses

Our System Operator balances the supply and demand of electricity in real time to maintain the integrity of the national power grid, by maintaining the frequency of the power system at 50Hz.

We operate a transmission and distribution network consisting of just over 409 000km of high-, medium- and low-voltage power lines. Under the Transmission Development Plan (TDP), a priority programme will enable grid connection of 37GW of new generation capacity, mostly from IPPs, with most of the capacity targeted in the Western Cape (12GW), Eastern Cape (7GW), Northern Cape (6GW) and Mpumalanga (5GW).

IR We provide detailed information on our power stations, power lines and substation capacities from page 118

Understanding our business *continued*

IPPs account for 7 495MW of capacity in total and supplement the country's generation capacity, mainly in the form of wind and solar photovoltaic (PV) power, with some non-renewable sources. The energy supplied by renewable IPPs is not dispatchable, which means that we cannot decide when and how much energy is generated. At times, this puts considerable strain on our own plant, as we often need to either cut back on our own generation when there is an oversupply by renewable IPPs, or make up the shortfall if IPPs don't supply as expected due to unfavourable weather conditions. Unfortunately, output from our plant can only be reduced to a certain point, otherwise the boiler becomes unstable, but units can't be shut down and started up again at short notice – at this level, units are effectively idling at about 60% capacity to maintain boiler stability.

During the year, we had to rely extensively on the use of expensive Eskom-owned and IPP open-cycle gas turbines (OCGTs) and frequently had to implement loadshedding due to an overall shortage of generation capacity. This was caused by:

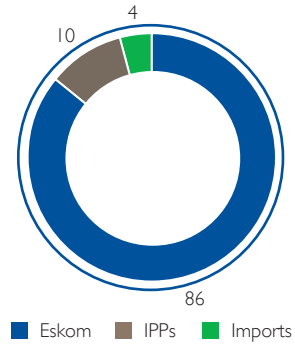
- Poor Eskom generation plant performance (shortfall of about 1.7TWh for the year)
- Delays in renewable IPP programmes that have not yet delivered capacity in line with Government's outlook in the IRP 2019 (shortfall of about 1.4TWh)
- Delays in short-term and risk mitigation IPP programmes – which are required to augment our inadequate capacity – that have not come online as we had expected (shortfall of about 7.4TWh)
- Lower-than-budgeted power imports (shortfall of about 1.6TWh)

Electricity is sold mainly to customers in South Africa, with some exports to the region, although the extent of exports has diminished due to supply constraints over recent years. Mozambique is our most significant trading partner for both imports and exports.

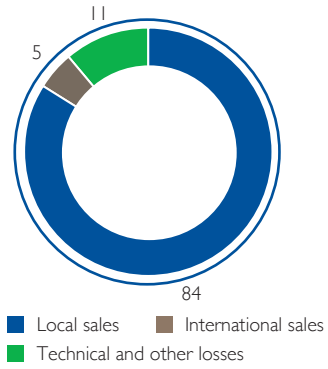
IR The number of customers, with sales volumes and revenue by customer segment are shown on page 121

The Southern African Power Pool (SAPP) forms an interconnected grid, supporting grid stability in the region. The SAPP relies on sufficient and reliable transmission grids in neighbouring countries to facilitate the transmission of electricity throughout southern Africa.

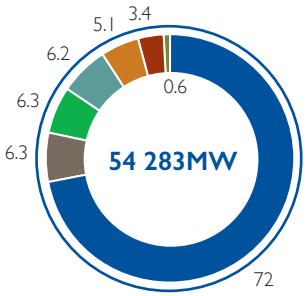
Energy breakdown by supplier, %



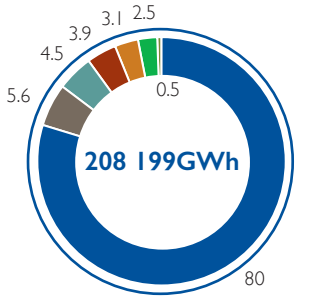
Energy breakdown by destination, %



Overall capacity by Eskom and IPPs, by source, %



Total energy supplied by Eskom and IPPs, by source (net of pumping and excluding wheeling), %



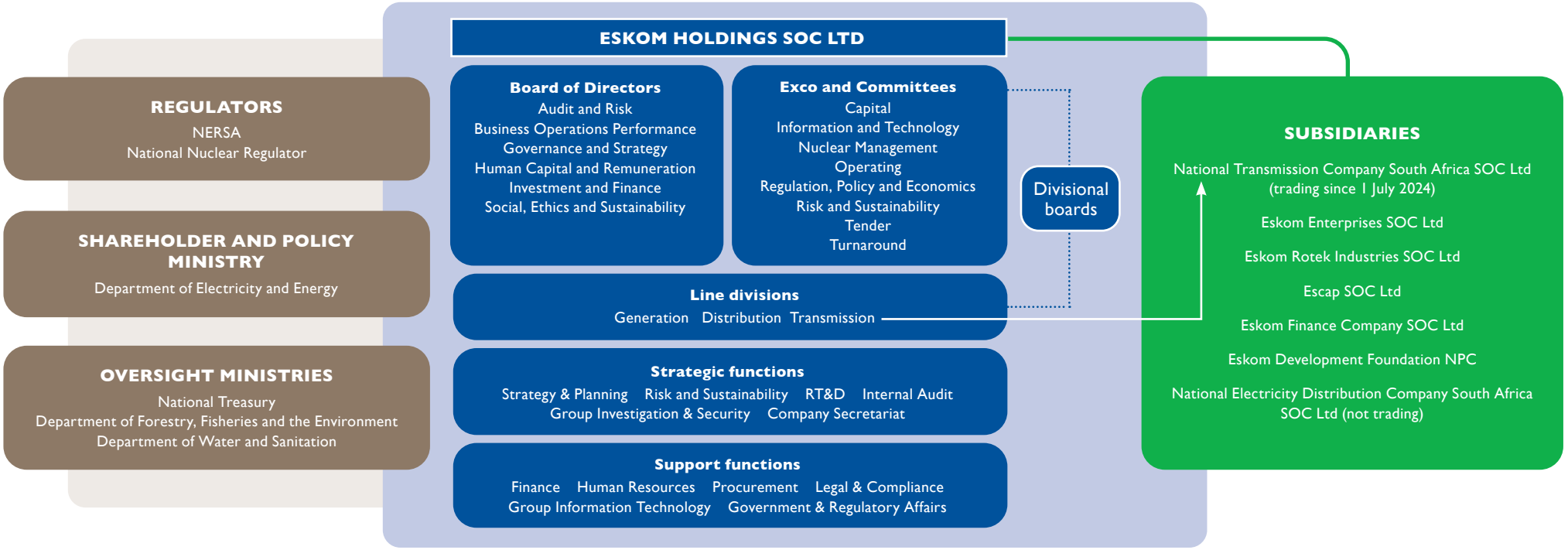
The supply and demand of electricity is depicted below.

Source, GWh	2024	2023	2022
Coal-fired stations	**166 606**	171 131	184 568
Nuclear power	**8 172**	9 803	12 355
Pumped storage stations	**4 386**	4 081	4 743
Hydro stations	**1 448**	3 060	1 943
Open-cycle gas turbines (OCGTs)	**3 634**	3 018	1 826
Wind	**329**	214	253
Eskom generation	**184 576**	191 307	205 688
Pumping by pumped storage stations	**(5 710)**	(5 504)	(6 434)
Net sent out by Eskom	**178 866**	185 803	199 254
Independent power producers (IPPs)	**20 183**	17 957	15 973
Imports	**9 150**	8 654	8 500
Wheeling[1]	**2 449**	2 904	2 499
Energy available for distribution	**210 648**	215 318	226 226
Technical and other losses[2]	**(23 502)**	(23 879)	(24 811)
Internal use	**(329)**	(345)	(516)
Wheeling[1]	**(2 449)**	(2 904)	(2 499)
Unaccounted[3]	**(1 057)**	211	(119)
Local and international sales	**183 311**	188 401	198 281
Additional information			
Estimated loadshedding and load curtailment[4]	**13 215**	13 476	1 605
Percentage of demand not met[4]	**5.92%**	5.91%	0.71%

1. Wheeling refers to the movement of electricity between international customers through Eskom's network, without the power being available to customers on the South African grid.
2. Technical losses include energy losses incurred during the transmission and distribution process. Non-technical losses are due to electricity theft through illegal connections, meter tampering and the use of illegal electricity tokens on prepaid meters, as well as meter reading and billing errors.
3. The unaccounted figure, which is in essence a balancing figure, arises due to different cut-off dates for recording information relating to sales and production.
4. This is an estimate by the System Operator of the sales lost and demand not met due to loadshedding and load curtailment, based on forecast versus actual demand at a given time. It does not take account of load shifting in response to loadshedding patterns.

Understanding our business *continued*

HOW WE ARE REGULATED AND GOVERNED



EXTERNALLY

Eskom Holdings is wholly owned by the South African Government. Previously, DPE acted as our shareholder ministry, setting our mandate and overseeing our performance. Since the formation of South Africa's Government of National Unity in June 2024, followed by changes to the structure of governmental departments, Eskom is now overseen by the Department of Electricity and Energy (DEE).

Dr Kgosientsho Ramokgopa was appointed as Minister of Electricity in March 2023 to focus on solving the energy crisis, by overseeing the electricity crisis response under South Africa's Energy Action Plan. Since June 2024, energy has been added to his portfolio.

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

- National Treasury, the Department of Forestry, Fisheries and the Environment (DFFE) and the Department of Water and Sanitation (DWS) oversee aspects of our activities and ensure compliance with various regulations.
- The former Department of Mineral Resources and Energy (DMRE) was responsible for setting the country's energy policy, which is contained in the country's Integrated Resource Plan (IRP), with IRP 2019 being the latest approved plan. A revised draft IRP was issued early in 2023. Since June 2024, energy has been removed from this portfolio.

On the operations side, the electricity supply industry is regulated by the NERSA under the National Energy Regulatory Act, 2004 and the Electricity Regulation Act, 2006, by providing licences, regulatory rules, codes and guidelines. NERSA determines our allowed revenue in accordance with the Electricity Pricing Policy. After year end, Parliament passed an amendment to the Electricity Regulation Act, to cater for the separation of Eskom and the creation of an independent electricity market.

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

Under the PFMA, we are required to submit a strategic Corporate Plan to the shareholder and National Treasury on an annual basis, which sets out our strategic objectives, backed by organisational and divisional plans and targets to achieve those. The latest plan approved by the Board in March 2024 covers the five-year period to 2029.

Understanding our business *continued*

On an annual basis, we also agree on a compact with our shareholder, to track the KPIs that support our mandate and the strategic objectives set out by the shareholder's Strategic Intent Statement for Eskom. Performance against the shareholder compact is reported to the shareholder and National Treasury in the quarterly shareholder report.

The Corporate Plan, shareholder compact and quarterly shareholder report are approved by Eskom's Board prior to submission to the shareholder.

IR Performance against the 2024 shareholder compact is set out in the directors' report in the financial statements. Throughout tables in the integrated report, KPIs contained in the shareholder compact are denoted using [SC]. Where relevant, these KPIs are also included in the statistical tables, available at the back of this report, on pages 113 to 117

Eskom is subject to numerous laws and regulations, including conditions relating to tariffs, environmental duty of care, procurement and human resources. Our licensing conditions place limits on plant emissions and responsible use of water to limit our environmental impact.

INTERNALLY

Eskom's approach to governance is based on continuously improving and entrenching good corporate governance practices across the group, to enable the Board and management to exercise their fiduciary duties through effective oversight and quality decision-making. In the spirit of good corporate governance, we strive to apply the principles and practices of King IV.

Did you know?
We conduct an annual assessment of our application of King IV. The latest application register is available at www.eskom.co.za/about-eskom/leadership/

The wholly owned subsidiaries of the group are governed by a subsidiary governance framework. Considering Eskom's legal separation process, the Board identified that the governance of subsidiaries needed to be enhanced. Subsequent to year end, the framework was reviewed to address the identified governance shortcomings relating to the oversight of and reporting by subsidiaries. The revised framework will be implemented during the 2025 financial year.

Our governance framework relies on clarity of roles between the shareholder, the Board and management, to achieve our strategic priorities within the legislative, regulatory and policy environment in which we operate. The powers of the Board and the shareholder are defined in Eskom's memorandum of incorporation (MOI).

Clear accountability for decision-making is assigned through our delegation of authority policy (DoA) and significance and materiality framework (SMF), which guide the referral of matters from management to the Board, and from there to the shareholder and National Treasury, where required by law. The DoA applies to Eskom as well as its subsidiaries. The DoA was reviewed during the year and a revised policy was implemented with effect from 1 June 2024, to improve role clarity between the shareholder, the Board and management, as well as support changes arising from Eskom's legal separation.

The Board, supported by several committees, is the focal point of our governance framework. It is accountable to the shareholder for performance against financial, operational and other business expectations. Furthermore, the Board is responsible for providing strategic direction to the organisation and ensuring its sustainability and prosperity.

The Executive Management Committee (Exco) is accountable for exercising executive control over day-to-day operations and to execute the strategy approved by the Board.

IR Refer to pages 13 to 16 for the composition of the Board and Exco

Divisional boards for Generation and Distribution serve as transitional structures towards Eskom's legal separation and drive separate accountability for each division. Although the divisional boards function relatively independently, they report to Exco to ensure that decision-making is aligned with Eskom's overall strategy. The divisional boards do not constitute a board of directors in accordance with the Companies Act, 2008, but function as operational boards until the legal separation of each division is concluded. Once separated, the boards of the wholly owned subsidiaries will still be accountable to the Eskom Board, in line with good corporate governance practices.

Delivering value through our business model

The availability and quality of our six capital inputs empowers us to deliver on our strategy and turnaround objectives. This enables us to deliver essential electricity services and outcomes that drive long-term value for our stakeholders and enable the growth and sustainability of South Africa.

OUR SIX CAPITALS	OUR INPUTS TO THE CAPITALS
FINANCIAL CAPITAL Financial capital includes retained earnings, equity from National Treasury and Government-guaranteed debt funding. Lenders earn interest, but shareholders do not receive dividends due to financial constraints at this time.	R23.6 billion Funding raised (2023: R29.6 billion) R76 billion Government support (2023: R21.9 billion)
MANUFACTURED CAPITAL Manufactured capital consists of power stations as well as transmission and distribution networks, supplemented by IPPs and imports. It is enhanced by commissioning new units, extending power lines, and maintaining existing plant.	46 788MW Nominal power station capacity (2023: 46 788MW) 7 495MW IPP capacity (2023: 7 110MW) 409 088km Power lines and cables (2023: 405 173km)
NATURAL CAPITAL Natural capital includes non-renewable energy sources like coal, water, and nuclear fuel, consumed to generate electricity. Waste is produced, impacting the environment. We aim to transition to renewable energy and mitigate impacts on bird life from transmission networks.	99.5Mt Coal burnt (2023: 102.4Mt) 260 680Mℓ Net raw water used (2023: 256 430Mℓ) **Non-renewable energy sources** 166 607GWh Coal (2023: 171 131GWh) 8 172GWh Nuclear power (2023: 9 803GWh) 5 143GWh Eskom and IPP OCGTs (2023: 4 116GWh) 518GWh Other (2023: Nil) **Renewable energy sources** 15 026GWh Hydro (2023: 15 687GWh) 11 573GWh Wind (2023: 10 394GWh) 6 401GWh Solar (2023: 6 425GWh) 469GWh Other (2023: 362GWh)
HUMAN CAPITAL Human capital involves employees' competencies, focusing on racial, gender and disability equity. Despite financial constraints, we enhance skills through training, balancing headcount changes with preserving our knowledge base. Loss of competent staff impacts this base.	39 601 Employees (at 31 March 2023) R1.4 billion Training spend (2023: R1.1 billion) 1 024 Headcount increase (2023: 820 decrease) 2 086 Technical and non-technical learners (2023: 1 568) 519 Youth Employment Services learners appointed (2023: 523)
SOCIAL AND RELATIONSHIP CAPITAL Social and relationship capital involves interactions with stakeholders, supporting economic growth, job creation, B-BBEE and socio-economic development. We acknowledge the negative health impacts of our operations and are working on projects to reduce emissions.	R93.1 million CSI committed spend (2023: R63 million) R240.4 billion Total measured procurement spend (2023: R206.2 billion) R2.9 billion Electrification spend funded by Government (2023: R2.4 billion)
INTELLECTUAL CAPITAL Intellectual capital encompasses technology, organisational knowledge, systems, policies and innovation. Our System Operator manages the supply-demand balance, maintaining the frequency at 50Hz, and is crucial for future technological advancements and operational improvements.	R123.5 million Research, testing and development spend Information technology, telecommunications and operational technology Organisational knowledge, intellectual property, systems, policies and procedures

OUR TURNAROUND OBJECTIVES

- OR Operations recovery
- FR Financial recovery
- PCE People, culture and ethics
- LS Legal separation

IR Read more about the turnaround plan from page 34

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

SR Read more about our impact on the SDGs in the sustainability report

Delivering value through our business model *continued*

Eskom generates, transmits, and distributes electricity to industrial, mining, commercial, agricultural and residential customers, as well as redistributors, including municipalities and metros.

GENERATION

Power stations produce electricity from coal, nuclear and renewable resources, using primary energy inputs such as coal, water, limestone, fuel oil, diesel and nuclear fuel

Coal and gas: We generate electricity from coal and gas, optimising asset performance and utilising Eskom and IPP stations for peaking capacity

Nuclear: We operate Koeberg, Africa's only nuclear power station

Renewables: Renewable energy (hydro, wind and solar) is supplied from Eskom, IPPs and imports

TRANSMISSION

High-voltage electricity is transmitted via the national grid using transformers and transmission lines

These transformers lower the voltage of the electricity

SYSTEM OPERATOR

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

DISTRIBUTION

Medium- and low-voltage electricity is distributed to customers and redistributors using substations and reticulation lines and cables

OUTPUTS

PRODUCTS

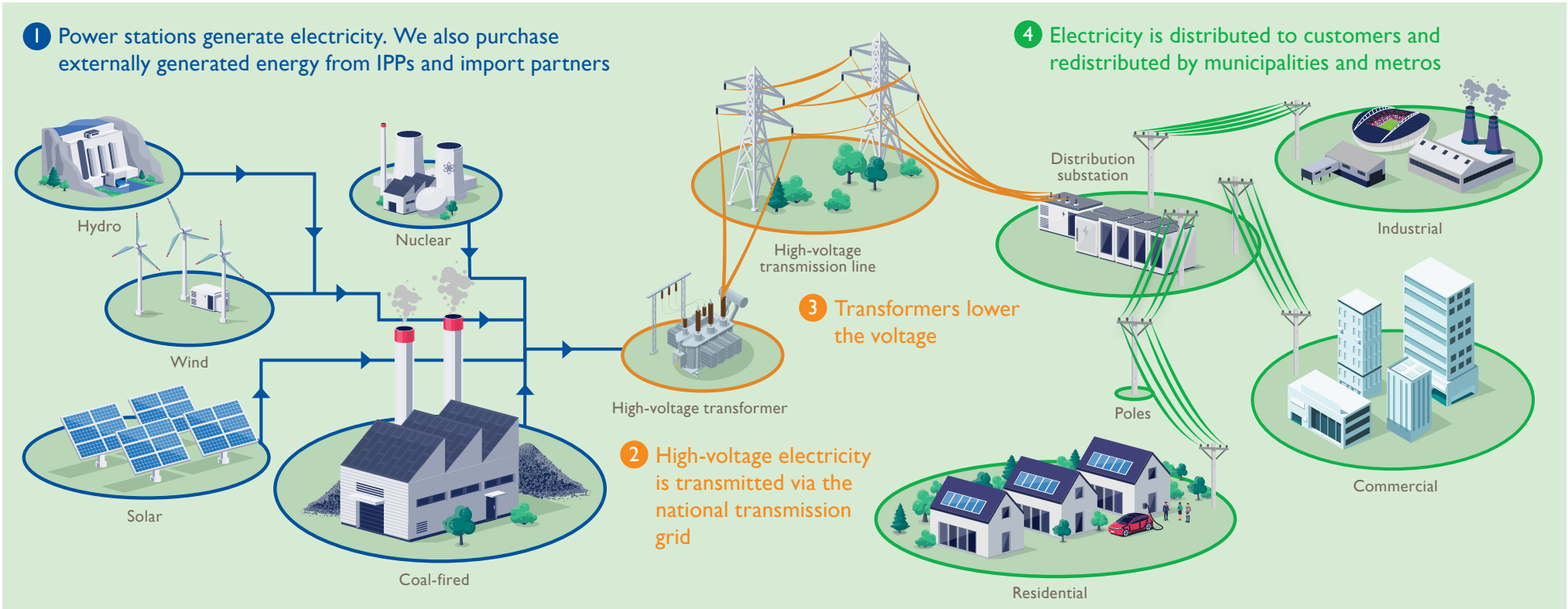
183 311GWh
Electricity sales to distributors and industrial, commercial, international, residential and other customers
(2023: 188 401GWh)

WASTE AND BY-PRODUCTS

29.27Mt
Ash produced
(2023: 30.20Mt)

145.30kt
Particulate emissions
(2023: 129.32kt)

190.4Mt
CO_2 emitted
(2023: 187.5Mt)



Delivering value through our business model *continued*

OUR CAPITAL OUTCOMES

+ Value created — Value eroded = Value preserved

FINANCIAL CAPITAL

- R89.8 billion Debt and interest repaid (2023: R72.2 billion)
+ R295.8 billion Revenue (2023: R259.5 billion)
- R33.9 billion Eskom and IPP OCGT spend (2023: R29.6 billion)
+ R43.4 billion EBITDA (2023: R34.6 billion, restated)
- R74.4 billion Arrear municipal debt (2023: R58.5 billion)

MANUFACTURED CAPITAL

+ 74.4km Transmission lines installed (2023: 326.1km)
+ R37 billion Capital expenditure (2023: 33.9 billion)
- 54.56% Energy availability factor (2023: 56.03%)
+ Eskom's Standard Offer and Emergency Generation short-term IPP programmes, as well as Government's RMIPPPP have come online
+ 799MW from the synchronisation of Kusile Unit 5

NATURAL CAPITAL

- 68 Environmental legal contraventions (2023: 105)
- 0.79kg/MWhSO Relative particulate emissions (2023: 0.70kg/MWhSO)
- 1.43ℓ/kWhSO Specific water consumption (2023: 1.39ℓ/kWhSO)

HUMAN CAPITAL

+ 40 625 Employees at year end
- 0.29 Lost-time injury rate (2023: 0.26)
- 5 Employee and contractor fatalities (2023: 5)
+ R37.1 billion Gross employee benefit expense (2023: R34.3 billion)
+ 930 Employees enrolled for further studies (2023: 795 employees)
+ 3 062 Appointments through internal hires and promotions (2023: 2 595)

SOCIAL AND RELATIONSHIP CAPITAL

+ 88.1% Key customer delight (2023: 88.4%)
+ 272 217 CSI beneficiaries (2023: 438 094)
+ 114 800 Electrification connections (2023: 102 590)
- 329 days Loadshedding (2023: 280)

INTELLECTUAL CAPITAL

+ Agrivoltaics training facility accredited at Komati Power Station to develop local skills and capabilities in the renewables space
+ Deployment of containerised smart microgrid solutions to support electrification
+ Advancements in ash beneficiation research to reduce environmental impact

IMPACT ON MATERIAL MATTERS

= M1 Enhancing financial sustainability
- M2 Improving operational stability
- M3 Recovering environmental performance
= M4 Addressing climate change
+ M5 Regaining leadership stability
+ M6 Ensuring adequate skills
+ M7 Fulfilling Eskom's developmental mandate
= M8 Focusing on governance, compliance and ethics
= M9 Combatting crime, fraud and corruption
+ M10 Executing the legal separation

IR Refer to the material matters on page 20

KEY STAKEHOLDERS WE IMPACT

Business and suppliers
Employees
General public and media
Investors
Customers
Regulators
Government and parliamentary committees

IR For more information on stakeholders refer to page 21

Board of Directors at 31 March 2024

IR Refer to page 109 for full details of directors' qualifications and directorships

DR MTETO NYATI (59)
Chairman

Appointed to the Board in October 2022; appointed as Chairman in October 2023
Engineer with experience in ICT; served as CEO of MTN SA and Altron

G

MR DAN MAROKANE (52)
Group Chief Executive

Appointed to the Board in March 2024
Engineer with previous Eskom executive experience from 2010 to 2015, including in Group Capital, Primary Energy as well as Technology and Commercial

MR CALIB CASSIM (52)
Group Chief Financial Officer

Appointed to the Board in July 2017
Chartered Accountant (SA), serving as Group Chief Financial Officer since July 2017; acted as Group Chief Executive from February 2023 to February 2024

MS FATHIMA GANY (48)
Independent non-executive director

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

A G H S

MR LWAZI GOQWANA (48)
Independent non-executive director

Appointed to the Board in October 2022
Engineer with experience in manufacturing, construction, financial services, logistics, energy and government services

B H I

MR CLIVE LE ROUX (72)
Independent non-executive director

Appointed to the Board in October 2022
Engineer with experience as power station general manager at Matimba and Koeberg; served as Eskom Chief Nuclear Officer

B G I S

MS AYANDA MAFULEKA (44)
Independent non-executive director

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

A B H

MR LESLIE MKHABELA (51)
Independent non-executive director

Appointed to the Board in October 2022
Legal professional with experience in restructuring of state-owned assets, commercial law and dispute resolution

A H S

DR TSAKANI MTHOMBENI (44)
Independent non-executive director

Appointed to the Board in October 2022
Engineer with experience in sustainable development, energy management and climate change strategy

B I S

MR BHEKI NTSHALINTSHALI (70)
Independent non-executive director

Appointed to the Board in October 2022
Former trade unionist; served as general secretary of the Congress of South African Trade Unions (COSATU)

G H S

Demographics

7 ACI males

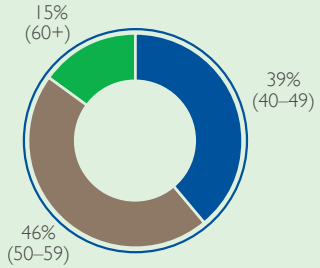
5 ACI females

1 White male

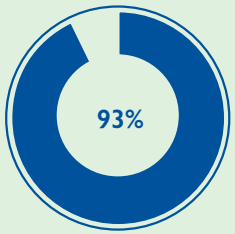
ACI refers to African, Coloured and Indian population groups

Ages are shown at 31 March 2024.

Age diversity



Board meeting attendance



94

Board and Board committee meetings held during the year (2023: 80)

Membership of Board committees

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

Board of Directors at 31 March 2024 *continued*

MS TRYPHOSA RAMANO (52)

Independent non-executive director

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

B G I

DR BUSISIWE VILAKAZI (40)

Independent non-executive director

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

A B S

DR CLAUDELLE VON ECK (53)

Independent non-executive director

Appointed to the Board in October 2022
Organisational development and change management professional; former CEO of the Institute of Internal Auditors South Africa

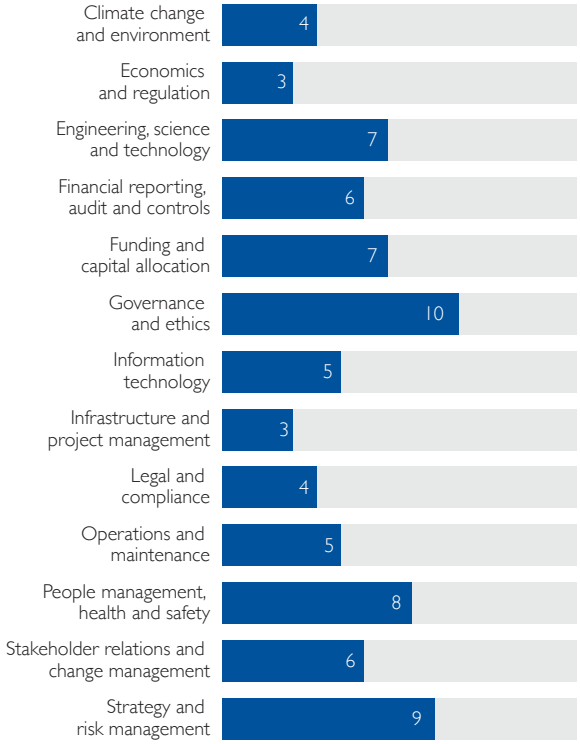
A G H S

Ages are shown at 31 March 2024.

Membership of Board committees

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

SKILLS AND EXPERIENCE



BOARD INDEPENDENCE

In terms of King IV and governance best practice, the Board should comprise a majority of non-executive directors, the majority of which should be independent.

Our Board is comprised of

11 independent non-executive directors

2 executive directors

CHANGES TO THE BOARD COMPOSITION

In terms of Eskom's MOI, the Board may consist of a maximum of 15 directors. The majority of the Board must be independent non-executive directors, and there must be at least two executive directors. At the start of the year, the Board was fully constituted with 13 independent non-executive directors and two executive directors in an acting capacity.

On 30 October 2023, Mr Mpho Makwana resigned as Chairman of the Board and Dr Mteto Nyati was appointed as Chairman in his stead. Furthermore, Dr Rod Crompton resigned on 27 February 2024 as an independent non-executive director.

Following an extensive recruitment process, Cabinet approved the appointment of Mr Dan Marokane as Group Chief Executive (GCE) in December 2023. Mr Marokane officially joined Eskom on 1 March 2024, although he was involved in the development of Eskom's Corporate Plan for the 2025 to 2029 financial years from February 2024. At the same time, Mr Calib Cassim, previously acting as GCE after the departure of Mr André de Ruyter in the prior year, returned to the position of Group Chief Financial Officer (GCFO) under a permanent employment agreement. Mr Martin Buys, previously acting as GCFO, returned to the position of General Manager: Financial and Management Reporting and is no longer an executive director.

At year end, the Board therefore comprised 13 directors, including 11 independent non-executive directors and two executive directors. Based on the latest independent board evaluation, the Board contains an appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its roles and responsibilities objectively and effectively, in line with King IV.

IR Refer to "Report by the Board" on page 44 for the Board's activities and decisions for the year, its future focus areas as well as the results of the board evaluation

Subsequent to year end, the Board has requested the shareholder to appoint two independent non-executive directors to ensure a fully constituted Board of 15 directors. Specifically, the Audit and Risk Committee requires expertise in digital transformation and insurance, while the Investment and Finance Committee requires an additional member with expertise in corporate finance. The Board has also revised Eskom's MOI to authorise the shareholder to appoint a lead independent director to strengthen governance and oversight and has made a recommendation for the shareholder's consideration.

Executive Management Committee at 31 March 2024

IR Refer to page 111 for full details of Exco members' qualifications and directorships

MR DAN MAROKANE (52)
Group Chief Executive

Appointed to Exco in March 2024
5 years in Eskom (from 2010 to 2015)

B Sc Chemical Engineering (University of Cape Town), M Sc Petroleum Engineering (University of London), MBA (University of Cape Town)

MR CALIB CASSIM (52)
Group Chief Financial Officer

Appointed to Exco in July 2017
22 years in Eskom

B Accounting Sciences (Unisa), Chartered Accountant (SA), Master of Business Leadership (Unisa)

MR MONDE BALA (50)
Group Executive: Distribution

Attended Exco in a participatory role from April 2023; appointed to Exco in June 2023
27 years in Eskom

B Sc Electrical Engineering (University of Cape Town), Master of Engineering (University of Witwatersrand)

MS FAITH BURN (55)
Chief Information Officer

Appointed to Exco in May 2020
3 years in Eskom

M Sc Mathematics (University of Johannesburg), Master of Business Leadership (Unisa)

MR BHEKI NXUMALO (55)
Group Executive: Generation

Attended Exco in a participatory role from April 2023; appointed to Exco in June 2023
27 years in Eskom

National Higher Diploma in Chemical Engineering (Vaal University of Technology), MBA (North West University)

MS ELSIE PULE (56)
Group Executive: Human Resources

Appointed to Exco in November 2014
26 years in Eskom

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

MS JAINTHREE SANKAR (52)
Chief Procurement Officer

Appointed to Exco in March 2021
30 years in Eskom

B Com (Hons) Business (Unisa), MBA Sustainable Business (University of Southern Queensland), Master of Project Management (University of Southern Queensland)

MR SEGOMOCO SCHEPPERS (60)
Group Executive: Transmission

Attended Exco in a participatory role from April 2023; appointed to Exco in June 2023
30 years in Eskom

B Sc Engineering (University of Witwatersrand), MBA (University of Witwatersrand)

Demographics

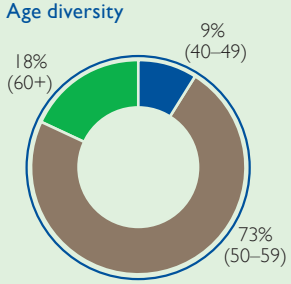
7
ACI males

4
ACI females

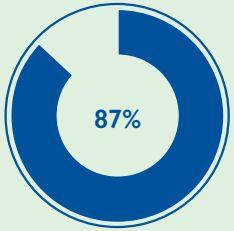
ACI refers to African, Coloured and Indian population groups

Ages are shown at 31 March 2024.

Age diversity



Exco meeting attendance



20
Exco meetings held during the year (2023: 15)

Years of service

Executive Management Committee at 31 March 2024 *continued*

MS NATASHA SITHOLE (61)

Acting Group Executive: Government and Regulatory Affairs

Appointed to Exco in August 2023
31 years in Eskom

B Com (Unisa)

MR VUYOLWETHU TUKU (48)

Group Executive: Transformation Management Office

Appointed to Exco in July 2020
3 years in Eskom

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

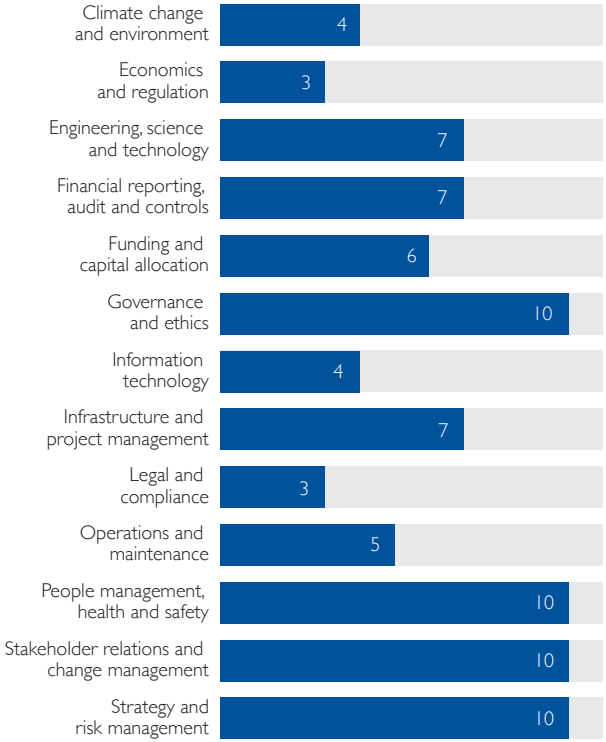
MR STHEMBISO VEZI (50)

Acting Group Executive: Legal and Compliance

Attended Exco in a participatory role from January 2024
1 year in Eskom

B Proc (University of Transkei), Admitted Attorney, Master of Business Leadership (Unisa)

Skills and experience



Ages are shown at 31 March 2024.

CHANGES TO EXECUTIVE MANAGEMENT

The Executive Management Committee (Exco) is accountable for executing the strategy of the Board and managing Eskom's day-to-day operations. Exco is established by the GCE and is supported by several subcommittees.

IR The structure of the Exco subcommittees is shown on page 8

The following changes took place during the year:

- Mr Bheki Nxumalo was appointed as Group Executive: Generation with effect from 1 April 2023
- Mr Jan Oberholzer retired from Eskom on 30 April 2023 and the position of Group Chief Operating Officer (GCOO) was subsequently removed from the organisational structure. The executives for Generation, Transmission and Distribution, previously reporting to the GCOO, attended Exco in a participatory role from 1 April 2023 and were appointed as members of Exco from 1 June 2023
- Ms Nthato Minyuku resigned as Group Executive: Government and Regulatory Affairs on 30 April 2023. Ms Sumaya Nassiep acted in the position from 1 June 2023 and subsequently resigned from Eskom on 31 August 2023. Ms Natasha Sithole has been acting in the position from 10 August 2023
- Ms Mel Govender resigned as Group Executive: Legal and Compliance on 30 June 2023. Ms Winile Madonsela acted in the position from 7 July 2023 to 14 December 2023, followed by Ms Dawn Jackson from 15 December 2023 to 31 January 2024. Mr Sthembiso Vezi attended Exco in a participatory role from January 2024 and was appointed to act in the position from 1 April 2024
- Mr Dan Marokane was appointed as GCE from 1 March 2024. Mr Calib Cassim, previously acting as GCE, returned to the position of GCFO

Subsequent to year end, the following changes took place:

- Mr Jerome Mthembu was appointed as Head of Legal and Compliance on 1 May 2024
- The departure of Ms Elsie Pule, Group Executive: Human Resources, was announced in June 2024, with her last day on 31 July 2024. To ensure leadership stability and business continuity, Mr Monde Bala was appointed to act in the position with effect from 24 June 2024, in addition to his role as Group Executive: Distribution, while the recruitment process is underway
- The fixed-term contract of Mr Vuyolwethu Tuku, Group Executive: Transformation Management Office, came to an end on 30 June 2024

In May 2024, the GCE announced a new Exco structure to address existing business challenges and future-proof Eskom to enable growth and long-term sustainability.

The new Exco structure includes a combination of existing and new roles to enable responsive decision-making required to deliver on our strategic initiatives and navigate the rapidly changing environment in which we operate, including focusing on the expansion of Eskom's renewable energy portfolio in line with our Just Energy Transition strategy.

The structure focuses on the execution of our legal separation activities and the necessary adaptations for the future generation, transmission and distribution subsidiaries. The group executives for Generation and Distribution serve as the divisional managing directors of their respective divisional boards while the separate subsidiaries are being established. Mr Segomoco Scheppers, Group Executive: Transmission, is serving as the interim CEO of NTCSA while the recruitment process is underway.

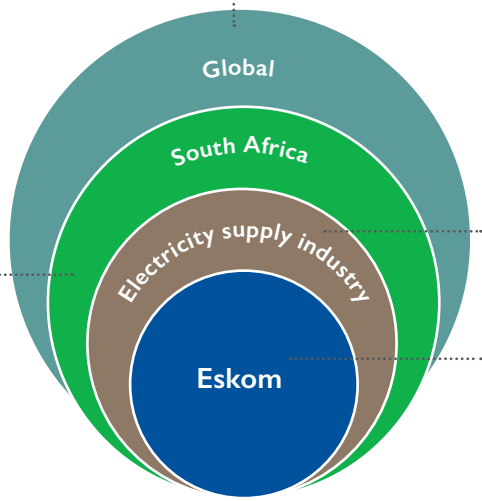
The following executives were appointed in terms of the new Exco structure from 1 November 2024: Ms Portia Mngomezulu, Group Executive: Corporate Services; Ms Nontokozo Hadebe, Group Executive: Strategy and Sustainability; Mr Roman Crookes, Group Executive: Group Capital; and Mr Len de Villiers, Chief Technology and Information Officer. Mr Alfred Seema was appointed as Group Executive: Strategic Delivery from 1 December 2024.

Mr Jerome Mthembu, Ms Natasha Sithole, Ms Jainthree Sankar and Ms Faith Burn are no longer members of Exco.

Considering our operating context

- Decarbonisation, decentralisation, digitisation and democratisation
  - Shift away from large-scale coal assets towards cleaner, decentralised systems underpinned by decreasing renewable technology costs, more stringent environmental policies, and commitment to Paris Agreement

- Constrained fiscus with limited GDP growth outlook, exacerbated by socio-economic issues, impacting government support and appetite for tariff increases
- SOC structures and role developments: State-owned holding company formation underway to consolidate SOCs, Minister of Electricity appointed to address energy crisis (MOU with DPE)
- Implementation of SA level policies: e.g. NDP aims to drive social and economic advancement, Climate Change Act, 2024, which enables climate change response and just transition



- Electricity supply industry-related policy and regulatory decisions at varying levels of implementation: e.g. Electricity Regulation Act as amended, draft Integrated Resource Plan, Government's Roadmap for Eskom, Electricity Pricing Policy
- Government support for market liberalisation, leading to competition and increase in self-generation that requires grid capacity
- Interventions to increase grid capacity include "first ready first served" grid allocation rules, curtailment, private sector investment in grid expansion projects, etc.

- Financial challenges: high fixed cost structure, increasing costs of production (diesel) – outdated tariff structure and inadequate tariff level, reducing energy sales, escalating municipal debt, National Treasury debt relief (R250 billion) to support going concern assumption, with associated conditions
- Operating challenges: plant reliability challenges, non-technical electricity losses, grid constraints
- Environmental legal challenges: compliance to Minimum Emission Standards, legal contraventions, significant cost to address (around R340 billion). A negative decision from DFFE may require plant of up to ~16GW to shut down by 2025

GLOBAL OUTLOOK

Energy dynamics globally are characterised by the four D's – decarbonisation, decentralisation, digitisation and democratisation. These dynamics are affected by commitments to climate change, as well as geopolitics impacting fuel and technology value chains.

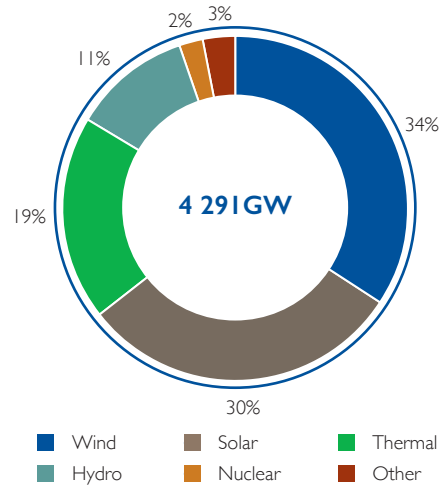
Decarbonisation is a shift towards more carbon-efficient energy sources driven by technological developments, decreasing renewable energy technology costs and more stringent environmental policies in line with the Paris Agreement. Geopolitical issues, like Russia's invasion of Ukraine and the conflict in the Middle East, continue to impact fuel prices, energy policies and trade agreements. Large utilities and traditional customers are increasing their participation in distributed energy resources, which brings about new roles and participants in the power market.

Decentralisation will require utility operations to be decentralised for local area control. Future energy systems will further incorporate many customer technologies through decentralised generation and ownership – democratisation.

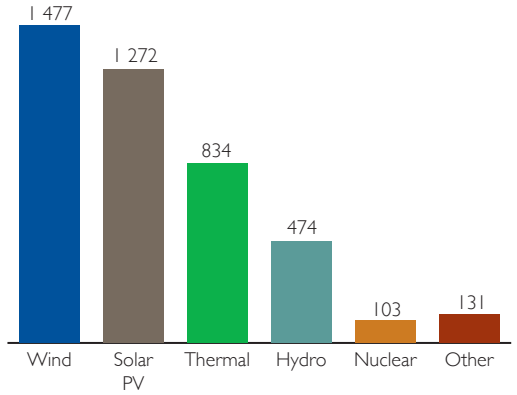
Despite the sluggish economic outlook, global electricity production is expected to increase by 2 490TWh or 8.7% by 2025, with renewable energy expected to see the greatest increase, at almost 30% of the current levels of energy generated by renewables. A global overview of new generation projects planned between 2024 and 2030 show that over 75% of all planned power generation projects coming online by 2030 are renewables, specifically solar PV and wind. Thermal projects, based on coal, gas and dual fuel, are generally utilised to complement renewables.

Within the African continent, demand for energy services is set to grow rapidly, while electricity affordability remains a priority. Given that Africa has the world's lowest levels of per capita use of modern energy, the demand for modern energy in Sub-Saharan Africa is expected to increase by one-third between 2020 and 2030, due to the growing population. Solar-powered microgrids and standalone systems are considered the most viable solutions to electricity access, with over 29 300 microgrids planned worldwide, 95% of which is in Africa and South Asia. Microgrid development is becoming more popular due to declining costs, projected to decrease from $0.55/kWh in 2018 to $0.20/kWh by 2030, and a need for electrification of areas without electricity.

Breakdown of planned projects by technology



GW planned new capacity



Source: GlobalData, 2024.

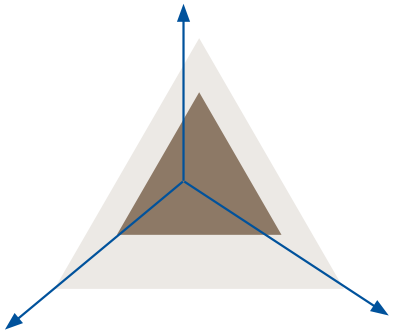
Considering our operating context *continued*

SOUTH AFRICAN CONTEXT

South Africa, like most developing countries, is grappling with the competing objectives of balancing energy security, equity and sustainability, commonly referred to as the energy trilemma.

Energy security

Unreliable performance of Eskom's generating plant and delay in IPP programmes, leading to 4 000MW to 6 000MW shortfall in available capacity to meet demand



Energy affordability and access

SA's socio-economic status and high levels of poverty, unemployment and inequality

Low GDP growth, negatively affected by the energy crisis

Energy sustainability

Around 80% of electricity generation is fossil fuel based, contributing around 40% to SA's greenhouse gas emissions

Significant risk presented by non-compliance with air quality standards

Over the last year, electricity supply shortages have disrupted economic activity and increased operating costs for businesses, many of which rely on costly generators. Weak structural growth and the residual impact of the COVID-19 pandemic have exacerbated socio-economic challenges. South Africa has recovered its pre-pandemic gross domestic product (GDP), but other socio-economic indicators such as unemployment and inequality remain stubbornly weak.

The economy is expected to grow by only 1.8% in 2024, slower than other emerging markets, because of high levels of loadshedding and structural challenges in transport and logistics, which negatively impact investor confidence. Unemployment remains above pre-pandemic levels, at 32.6% in 2023. The unemployment rate is highest among youths aged between 15 and 24, at around 61%. Inequality in South Africa remains among the highest in the world, with poverty estimated at over 60% based on the upper-middle-income country poverty line.

These trends are increasing the demand for Government support, putting further strain on the sustainability of public finances. As a result, Government's ability to support Eskom going forward will be limited, which, coupled with little appetite for substantial electricity tariff increases given prevailing socio-economic conditions, could see Eskom's financial challenges continuing over the medium term. Furthermore, as a state-owned entity, Eskom needs to identify opportunities to maximise its socio-economic contribution and alleviate unemployment.

THE ELECTRICITY SUPPLY INDUSTRY WITHIN THE LOCAL CONTEXT

The South African electricity supply industry has seen several key developments recently, such as the announcement of the country's Energy Action Plan, promulgation of the Electricity Regulation Amendment Act, 2024 and the release of the draft Integrated Resource Plan (IRP 2023).

Specific to electricity policy and direction, the National Energy Crisis Committee (NECOM), led by the Minister of Electricity and Energy, is working to implement the Energy Action Plan announced by President Ramaphosa in July 2022.

The Energy Action Plan has five objectives:

1. Fix Eskom and improve the availability of existing supply
2. Enable and accelerate private investment in generation capacity
3. Accelerate new generation capacity
4. Enable businesses and households to invest in rooftop solar
5. Fundamentally transform the energy sector

Progress has been made against the Energy Action Plan:

- Fixing Eskom and improving the availability of existing supply: Improved plant performance has already brought down the number of breakdowns this year, with a target of increasing available capacity by 3 000MW by next year
- We have reintroduced the Distribution Demand Management Programme (DDMP) which will pay qualifying businesses to reduce their power usage by investing in energy efficiency technologies or shifting their operations to off-peak times
- Procurement of additional capacity: An additional 400MW has been secured from Cahora Bassa in Mozambique, with plans to import additional power from neighbouring countries
- Government has approved the procurement of new wind, solar and battery storage projects with capacity of over 14 000MW from IPPs
- Businesses and households to invest in rooftop solar: Government introduced special tax incentives for businesses and households who install solar during the 2024 year of assessment, and a revised bounce-back loan scheme to help small businesses transition to solar. As an added benefit, in certain areas surplus power generated can be sold back to the grid
- Enabling private generation: The Electricity Regulation Act has been amended to make it possible for the private sector to invest in much larger energy projects without any regulatory limitation on size. This has unlocked a pipeline of new energy projects which are in development or construction across the country. It is estimated that 6.43GW of projects have been registered with NERSA, which will go a long way in contributing to electricity supply
- Eskom's Standard Offer and Emergency Generation programmes have been implemented to buy power from companies that can provide additional capacity over the next three years. This additional power contributes to lowering the utilisation of OCGTs, reducing the overall cost of meeting demand

Did you know?

Using sophisticated modelling, we have estimated that more than 6.1GW of behind-the-meter rooftop PV capacity has been installed in South Africa. Our estimate has been corroborated by the South African Photovoltaic Industry Association.

In support of the transformation of the electricity supply industry, the Electricity Regulation Amendment Act, 2024 was gazetted on 20 August 2024, with an effective date of 1 January 2025. It lays the legislative foundation for the development of electricity market rules as well as the establishment of an independent state-owned Transmission System Operator within five years from the Act being promulgated. The Transmission System Operator will provide a platform for generators, consumers, traders and retailers to trade with one another, as is the case in other countries around the world. While the exact form of the Transmission System Operator is being finalised, NTCSA will fulfil this role in the interim; it will purchase power from Eskom's Generation Division, IPPs and cross-border suppliers. NTCSA must now apply for the relevant licences to carry out that function. Work is underway to clarify the role and associated implications set out by the Electricity Regulation Amendment Act beyond the transition period of up to five years.

This development facilitates the future transformation of the electricity supply industry by enabling more players in the generation sector and allowing consumers to choose from which energy supplier they want to buy power. This will enable competition and efficiency from multiple electricity generators. The commencement of trade by NTCSA further paves the way for the creation of an independent market that will enable more participation, competition and efficiency in the electricity supply industry in the medium to long term.

Considering our operating context *continued*

The draft IRP 2023 has been released by the then DMRE, and aims to ensure security of supply by balancing supply with demand, considering the environment and total supply costs. The plan considers two horizons: it addresses generation capacity constraints up to 2030 and considers long-term electricity generation planning from 2031 to 2050, to achieve a resilient net zero energy sector by 2050. The update of the IRP 2023 provides much-needed certainty in planning for the energy sector and allows us to update our long-term planning outlook. The initial outcomes of the draft IRP have been considered against global developments and the Eskom 2035 strategy, which is under review.

IR For a discussion of Eskom's strategy and strategic objectives, refer to "Our strategic and risk landscape – Our strategy and turnaround plan" from page 34

The biggest difference between the global planned projects and the South African outlook is that the global outlook features hydro and nuclear projects before 2030. South Africa has initiated a nuclear procurement process, which is only expected to reach commercial operation beyond 2030. No hydro or pumped storage was indicated in the draft IRP 2023 plan prior to 2030, given the lengthy timelines associated with this technology. All the outlooks – be it the global planned projects, the draft IRP or Eskom's modelling – indicate a significant amount of solar and wind generation leading up to 2030, at over 50% of all new capacity. This analysis of global and policy development allows us to identify the likely pathway for future generation which in turn influences investment decisions across the value chain.

The Climate Change Act, 2024 was assented to by the President, but is yet to come into effect. It sets out the framework for the regulation of greenhouse gas emitting sectors.

Lastly, the draft National State Enterprises Bill was tabled in Parliament, although it was not approved before Parliament was dissolved ahead of South Africa's general election at the end of May 2024 and will have to be tabled before the newly constituted Parliament. The Bill is set to create a new state-owned holding company which will manage the finances of the nation's various state-owned enterprises. This Bill is intended to ensure that Government focuses on policy and regulatory issues, while a board of experienced professionals oversees operations to ensure the financial sustainability of state-owned enterprises.

These developments, together with the progress in the restructuring of Eskom, the Eskom Debt Relief Act, 2023 as amended, the promulgation of the Electricity Regulation Amendment Act, 2024 and the revision of the IRP, illustrate Government's continued commitment to ensuring the long-term sustainability of the electricity supply industry.

THE ESKOM PERSPECTIVE

The most significant operational challenge is the continuing deterioration in the generation plant energy availability factor (EAF). This has led to the highest number of days of loadshedding since it was introduced in 2007, and exceptionally high utilisation of OCGTs. Furthermore, our revenue continues to be affected by escalating municipal arrear debt and growing electricity theft, with almost R23 billion of potential revenue being lost due to electricity theft. Together, these challenges have reduced our bottom line by around R60 billion during the year under review.

Environmental risks remain significant to the generation business. We have experienced legal challenges relating to compliance with the Minimum Emission Standards (MES) and have recorded a high number of legal contravention incidents.

The Transmission Development Plan (TDP) indicates that the transmission network capacity must be increased by around 14 000km of high-voltage lines by 2032. To meet the required grid capacity, we are exploring many interventions to increase the average line build rate to 1 400km per year. The timely acquisition of servitudes, increasing contractor capacity and effective project delivery will be required to deliver against these targets.

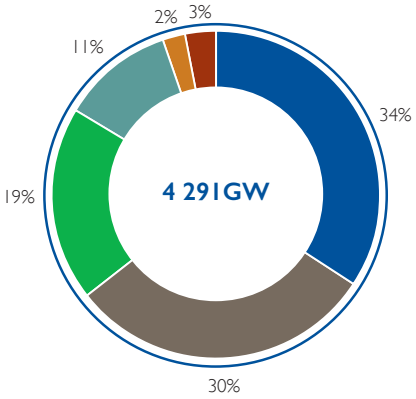
In the short term, we are implementing several innovative approaches to alleviate grid constraints. First, the grid allocation rules have been revised to shift from the "first come first served" approach to adopting the "first ready first served" principle. Secondly, a curtailment framework is being implemented to increase renewable energy supply in grid-constrained areas. Thirdly, an initiative to secure the supply of transformers for grid expansion has been launched, which includes the accreditation of international suppliers as well as the establishment of enabling agreements for all transformer classes. All these interventions are intended to ensure that additional capacity is connected to the grid in the shortest possible timeframe.

In the distribution sector, we have to contend with the addition of renewable energy sources, rapid urbanisation and digital technology. Globally, distribution networks are navigating a surge in electricity and energy demand, which increases pressure on our infrastructure. Large industrial and commercial customers are opting to generate their own renewable energy, while residential customers are supplementing their supply with rooftop solar PV installations. Sales volumes have reduced by 2% annually for the last seven years and are projected to decline by a further 1% per year into the future, driven by ongoing electricity shortages and defection of customers.

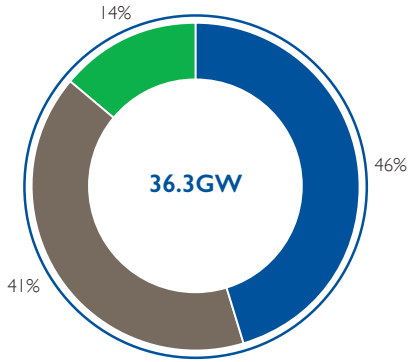
Therefore, it is critical to counteract customer defection with additional or new revenue streams to ensure sustainable revenue streams. Once the Distribution System Operator is established, new energy trading platforms for Distribution will be introduced, allowing for an increase in revenue. Apart from electricity theft, the most serious threat to the Distribution balance sheet is escalating municipal debt, both of which must be managed for long-term success.

Our biggest challenges are improving energy availability, acquiring servitudes for grid expansion, halting the escalation of municipal arrear debt and dealing with electricity theft. In addition to these, the evolution of the electricity supply industry requires that we adapt our business model to participate optimally under the new energy market rules. Changes anticipated in the energy sector present numerous opportunities associated with clean energy generation, implementing smarter trading and decision-making platforms through the establishment of the system operator structures, focused customer solutions, and expansion of the grid to enable renewable energy connection.

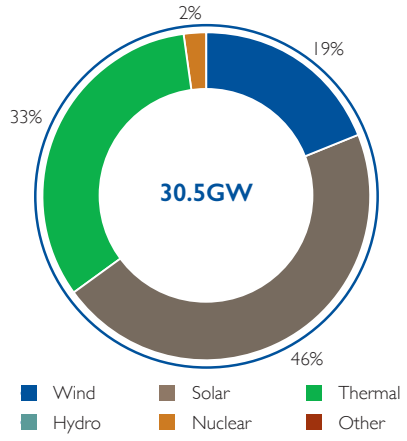
Global view of future projects



Eskom 2035 outlook (under review)



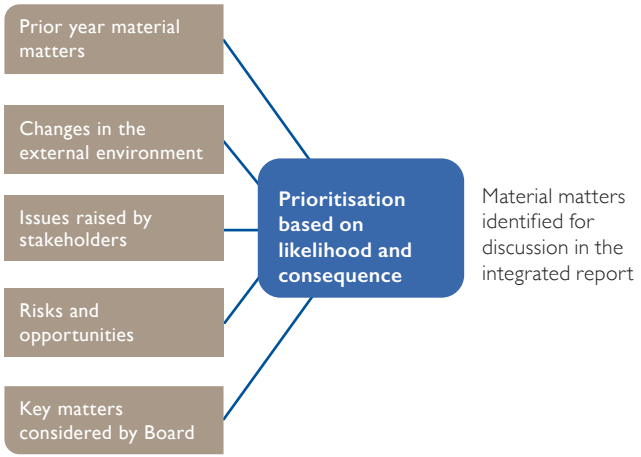
Draft IRP 2023



Determining material matters

We classify material matters as those high-likelihood, high-consequence factors that significantly impact the creation, preservation or erosion of enterprise value over the short, medium and long term. By their very nature, these include both positive and negative matters. We apply the concept of double materiality in the integrated report, in other words, by considering both those external matters that may have an impact on our financial results (financial materiality), as well as those internal matters that have an impact on the outside world (impact materiality). We also consider qualitative and quantitative matters material to our operations and our turnaround and strategic objectives, as well as strategic risks and opportunities, the Board's key focus areas and the six capitals.

Focusing on material matters ensures alignment of efforts towards addressing environmental, social and governance matters and those factors with the most critical impact on long-term sustainability and value creation if they are not managed properly.



This process has resulted in the identification of the following material matters, which have been considered and endorsed by the Audit and Risk Committee (ARC) on behalf of the Board.

Key board focus areas

- B1 Stabilising the leadership team and building a leadership pipeline
- B2 Turning around operational performance to reduce and, ultimately, end loadshedding
- B3 Strengthening the balance sheet
- B4 Executing the legal separation and securing Eskom's rightful place in the changing electricity supply industry
- B5 Fighting crime, fraud and corruption
- B6 Reconnecting with stakeholders

Item	Material matter	Description	Turnaround objective	Key Board focus area
M1	Enhancing financial sustainability, through cost-reflective tariffs, managing costs as well as the Government and municipal debt relief programmes	This speaks to our ability to remain financially viable and meet our obligations in the future. It encompasses all elements of financial performance, such as revenue generation, cost management and long-term financial planning based on tariff certainty. It further considers the availability of sufficient cash and resources to meet short- to medium-term obligations and includes our ability to continue operating as a going concern. It relies on Government support through the debt relief programme, and includes addressing the payment of arrear municipal debt through the municipal debt relief programme	FR OR	B2 B3 B6
M2	Improving operational stability to lessen and, ultimately, end the electricity crisis	Encompasses efforts to enhance the stability and reliability of our operations to lessen and, ultimately, end the electricity crisis, thereby ensuring a secure and reliable supply of electricity to meet the needs of consumers and industries. It covers our generation plant and network performance, as well as ensuring sufficient generation capacity being added through the new build programme and IPPs. It further relies on primary energy security and access to sufficient water resources to support generation activities. By reducing loadshedding, the increased supply of electricity would generate additional revenue, thereby positively impacting financial performance. Conversely, operational stability relies on sufficient liquidity to plan and execute outages and maintenance effectively	FR OR PCE	B1 B2 B3 B4 B5 B6
M3	Recovering environmental performance and compliance	We need to adhere to environmental regulations and beyond that, minimise our environmental impact through sustainable practices, emission reduction and renewable energy initiatives	FR OR PCE	B2 B3 B6
M4	Addressing climate change and implementing Eskom's Just Energy Transition	Covers our strategies and actions in response to climate change, including reducing carbon emissions and transitioning to cleaner energy sources. It includes promoting a sustainable and equitable energy transition aligned to the goals of the Just Energy Transition	OR LS	B2 B4 B6
M5	Restoring leadership stability and strengthening the quality of leadership	Ensuring consistent and effective leadership within Eskom to provide strategic direction, effective decision-making and stability within the organisation, which is crucial to address challenges and building a high-performance ethical culture	OR PCE	B1
M6	Ensuring adequate skills in a high-performance ethical culture	Fostering a work culture that promotes high performance, ethics and integrity while ensuring that Eskom has the necessary skilled workforce to effectively execute and manage operations, drive innovation and address future challenges	OR PCE	B1 B6
M7	Fulfilling Eskom's developmental mandate	We support Government's developmental and transformation objectives, through the transformation of our workforce, electrification initiatives funded by Government, CSI programmes and transformation of the procurement landscape	OR	B2 B5 B6
M8	Focusing on governance, compliance and ethics	Upholding strong corporate governance practices and ensuring compliance with relevant laws, regulations and standards to promote transparency, accountability and ethical conduct within Eskom's operations	FR OR PCE	B2 B3 B6
M9	Combatting crime, fraud and corruption	To turn around the organisation successfully, we have to deal proactively and effectively with fraud, corruption and the criminal elements that have infected the organisation	FR OR PCE	B2 B3 B5 B6
M10	Executing the legal separation	Advancing the legal separation of Transmission, Distribution and Generation based on DPE's Roadmap, which involves the creation of separate subsidiaries to enhance operational efficiency, transparency and accountability	OR LS	B4 B6

Turnaround objectives

FR Financial recovery | OR Operations recovery | PCE People, culture and ethics | LS Legal separation

Building effective stakeholder relationships

Through the adoption of sustainable practices, Eskom generates value not only for the organisation, but also for the wider society within which it operates. Stakeholder collaboration is crucial to formulating business strategy and direction. We closely engage with stakeholders to meet their expectations while considering the impact of our operations.

Eskom remains vulnerable to reputational risk and low levels of support from key stakeholders. We actively mitigate reputational risks through continuous stakeholder engagements and the implementation of strategic communication plans.

RESPONSIBILITY FOR STAKEHOLDER MANAGEMENT

In alignment with the King IV governance principles, the Board has adopted a governance model that prioritises stakeholders and emphasises accountability.

King IV accountability principles				
Inclusivity	Materiality	Responsiveness	Impact	Transparency

The Board remains dedicated to acknowledging the importance of being accountable and transparent to stakeholders in relation to Eskom's performance management. In fulfilling its governance mandate, the Board adopts a stakeholder-inclusive approach to effectively balance the needs, interests and expectations of material stakeholders in Eskom's long-term best interest.

The Social, Ethics and Sustainability Committee (SES) has delegated the management of stakeholder relationships to executive leadership. Therefore, Exco:

- Acts as the custodian for all Eskom's key stakeholder groups, with Exco members assigned to various relationships as set out in a stakeholder matrix, which identifies key stakeholders
- Oversees and monitors stakeholder engagement performance and outcomes through weekly briefings and quarterly reports
- Measures and assesses the impact of Eskom's short-, medium- and long-term engagements through a six-monthly pulse check survey. Key areas for improvement are translated into actions within stakeholder engagement plans
- Monitors, tracks and responds to non-technical risks through a weekly issues meeting

RESPONDING TO STAKEHOLDERS

We have developed a comprehensive stakeholder framework founded on a robust understanding of stakeholder concerns and Eskom's future trajectory. The framework encompasses relationship management, engaging with stakeholders and responding to stakeholder concerns, all of which relies on effective communication. Both the Board and Exco oversee the execution of a stakeholder strategy and engagement plan which underpin the business direction and the management of organisational risks.

We actively manage stakeholder concerns through oversight and by making well-considered decisions in response to legitimate stakeholder issues. We regard our social licence to operate within the context of our reputation, where successful implementation depends on interactions with an extensive network of stakeholders, including communities and civil society groups.

Stakeholder management is considered a key risk category, and treatment plans are in place to manage the associated risk.

We acknowledge the significance of feedback as a crucial component in establishing trust, transparency and accountability. While we are dedicated to operating as a transparent organisation that communicates material concerns in a balanced way, we must also adhere to legal and regulatory obligations. Consequently, we will conform to laws, shareholder expectations and internal processes when addressing the needs of stakeholders, while ensuring compliance with the Promotion of Access to Information Act, 2000 and the Protection of Personal Information Act, 2013.

Stakeholders are likely to have varying opinions on whether Eskom achieved its objectives, therefore, feedback should be assessed in terms of a business approach embodying open and transparent business practices, ethical behaviour, respect for stakeholders and a commitment to add economic, social and environmental value.

Stakeholder perception survey
Please highlight the areas of concern and help us to meet your expectations

1. Indicate your business sector
   - ◯ Government
   - ◯ Business organisation
   - ◯ Investor/Financial group
   - ◯ Industry
   - ◯ Academia
   - ◯ Civil society
   - ◯ Employee
2. Do we engage frequently enough?

To gauge the quality of relationships, a six-monthly pulse check survey serves as a relational survey tool aimed at evaluating stakeholders' experience. The survey questions are designed to address the key dimensions of inclusive stakeholder engagement. This approach facilitates a comprehensive understanding of stakeholders' overarching perceptions of their interactions with Eskom. The concise and straightforward nature of the survey questions has yielded a notable increase in stakeholder responses. The survey findings are disseminated to Exco and the Board to inform their oversight responsibilities, ultimately shaping future stakeholder engagement strategies.

Based on the feedback, stakeholders appear satisfied with the frequency of engagements and timeliness of our responses, as well as the accessibility of information and that priority issues are pursued. Of concern is that stakeholders are ambivalent regarding the trustworthiness of our information and whether stakeholders' responses are considered in Eskom's decision-making.

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

Did you know?

Eskom's Media Desk increasingly employs social media to monitor stakeholder conversations and utilises media analysis to provide valuable insight and knowledge to keep stakeholders informed on pertinent topics. Effective media management is an important instrument in rebuilding trust and fostering robust relationships with the public and other stakeholders.

STAKEHOLDER LANDSCAPE

Our stakeholder groups have distinct interests, concerns and expectations. Investors focus on returns and financial stability, together with future predictability, whereas Government agencies and regulatory bodies emphasise compliance and effective implementation of energy and other policy. Customers prioritise reliable and affordable electricity, while employees value job security and a supportive work environment. Local communities are concerned about the social and environmental impacts of our operations, and environmental organisations advocate for sustainable practices.

Building effective stakeholder relationships *continued*

The table below sets out our various stakeholder groups and why they matter. It also indicates what their various concerns are and how we respond. We also demonstrate the link to our material matters:

Stakeholder	Impact on value creation	Concerns	Response	Material matters
Business and suppliers Organisations involved in business activities and supply chain	Their involvement in our supply chain and business activities contributes to operational efficiency and success, despite the possibility of fraud and corruption	Fair competition, reliable supply chain, ethical practices, fraud and corruption, impact of loadshedding	Fair and transparent procurement practices; ethical supplier guidelines	M1 M2 M4 M5 M6 M7 M8 M9 M10
Civil society Non-governmental organisations and community groups	They play a crucial role in advocating for social and environmental concerns	Environmental impact, social responsibility, impact of loadshedding	Engagement on environmental and social issues; sustainable community development initiatives	M2 M3 M4 M7 M9
Customers Individuals and entities consuming Eskom's services	The satisfaction and consumption patterns of individuals and entities directly impact our revenue and service delivery	Service reliability, affordability, impact of loadshedding, future tariff certainty	Enhanced service reliability; tariff affordability; transparent pricing practices	M1 M2 M4 M8
Employees Our workforce	Our workforce drives operations, innovation and organisational performance	Employee benefits, work conditions, wellbeing, career growth, job security, impact of loadshedding	Skills development programmes; employee wellbeing initiatives; ethical guidelines and compliance measures	M1 M2 M5 M6 M7 M8 M9 M10
Government Regulatory and policy-making entities	Various departments provide oversight, direction and financial support essential to our operations	Energy policy, economic impact, financial and operational sustainability, impact of loadshedding, environmental compliance, climate change commitments, corruption	Collaboration on policy development; support for debt relief measures; sustainable energy initiatives; progress on legal separation	M1 M2 M3 M4 M5 M6 M7 M8 M9 M10
Investors Investors, bondholders, lenders and ratings agencies	They contribute capital, which allows us to enhance our asset base, and play a significant role in shaping our financial future	Financial performance, return on investment, financial and operational sustainability, future tariff certainty, climate change commitments, corruption, legal separation	Debt relief measures; transparent reporting; communication on legal separation progress	M1 M2 M3 M4 M5 M8 M9 M10
Media Journalists and media outlets	They hold Eskom accountable, disseminate information and shape public perception	News coverage, transparency, impact of loadshedding	Timely and accurate information dissemination; media engagement on key initiatives	M1 M2 M5 M9 M10
Parliamentary committees Government entities overseeing our operations	Government entities responsible for oversight and monitoring of our performance, financial management and governance	Financial and operational sustainability, environmental compliance, governance and compliance, corruption, legal separation	Implementation of debt relief measures; transparency in governance practices; engagement on legal separation process	M1 M2 M3 M8 M9 M10
Regulators Entities responsible for regulating our activities	Entities responsible for setting tariffs, ensuring compliance, promoting fair competition and protecting consumer interests. We are responsible for complying with laws and regulations	Financial and operational sustainability, environmental performance and compliance	Input on tariff methodology and allowed revenue, including certainty around future tariffs; compliance with environmental regulations; implementation of sustainable practices; climate change mitigation strategies	M1 M2 M3 M4
International groups Global organisations and associations	They provide valuable global perspectives and share best practices in the energy industry	Sustainable development, climate change mitigation	Collaboration on sustainable development goals; climate action strategies	M2 M3 M4 M8 M9

Material matters

- M1 Enhancing financial sustainability
- M2 Improving operational sustainability
- M3 Recovering environmental performance
- M4 Addressing climate change
- M5 Restoring leadership stability
- M6 Ensuring adequate skills
- M7 Fulfilling Eskom's developmental mandate
- M8 Focusing on governance, compliance and ethics
- M9 Combatting crime, fraud and corruption
- M10 Executing the legal separation

Leadership reports

Message from the Chairman

ESKOM'S SYSTEMIC CHALLENGES

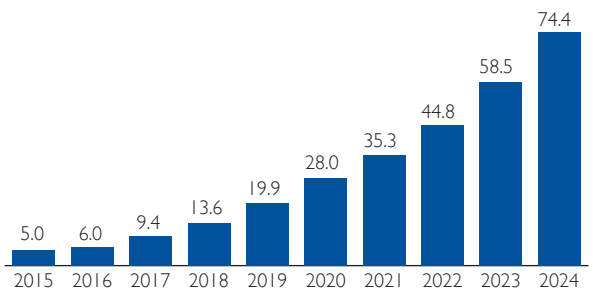
When the current Board took over in October 2022, we found a dysfunctional organisation that was facing several systemic challenges which had a profound effect on operations, finances and, ultimately, Eskom's sustainability.

Firstly, and most noticeably in the eyes of our customers, we were dealing with extreme levels of loadshedding, which had a crippling impact on the country and served as a structural constraint to economic growth. That was primarily caused by coal-fired power stations which were poorly maintained and unreliable. Added to this were constraints on the transmission grid which meant Eskom was unable to connect additional IPP capacity as quickly as required to alleviate some of the supply constraints.

On the financial side, Eskom had a weak balance sheet with an unsustainably high debt burden. A key contributor to that is a tariff that is not yet cost reflective and doesn't provide a fair return to recognise the significant investment in new generation capacity over the past two decades. Unless the tariff is corrected, it could also constrain the network strengthening and expansion required to connect future IPP bid windows and enable the shift to a lower-carbon energy mix.

There has been significant pressure on revenue from multiple factors. Firstly, sales volumes have been declining for the past decade. This can be attributed to demand being suppressed by ongoing economic pressure; the high levels of loadshedding resulting in demand not being met; the growing impact of embedded self-generation, mostly in the form of rooftop solar installations; and lastly, ever-increasing levels of electricity theft. The rise in illegal connections has necessitated the implementation of load reduction to protect network equipment in affected areas from damage caused by overloading.

Municipal arrear debt, R billion



In the past decade, we've also witnessed an escalation in municipal arrear debt, with little impact from Eskom's past interventions to stem the tide, as many have been challenged in the courts. A concerning trend in this area is that metros, which were once reliable payers, have also started paying late. If we are unable to collect the revenue owed to us, we cannot properly account for it, resulting in a direct negative effect on the bottom line. It is simply not acceptable that municipalities and metros are collecting electricity revenue but failing to pay over Eskom's share. No organisation can remain in business if its product is given away for free.

The Board also encountered an outdated business model, with Eskom being one of the last remaining vertically integrated utilities in the world. Added to that was a dysfunctional organisational culture lacking a strong sense of ethics, characterised by low staff morale; a lack of skills in critical areas; employees lacking trust in leadership and operating in a climate of fear; as well as crisis fatigue and burnout. This was exacerbated by leadership instability and a lack of strong leaders in many areas. The state capture years took a significant toll on Eskom, and in the aftermath, the prevalence of crime, fraud and corruption was widespread.

Eskom also found itself in the midst of a transition to clean energy and a need for improved environmental compliance, driven by global objectives to save the planet from the devastating risk posed by the effects of climate change.

All of this meant that we had to act, and act fast, to turn Eskom around and set it back on the road to greatness.

OUR RESPONSE

To address these challenges, the Board agreed on six key focus areas:

- Stabilising the leadership team and building a leadership pipeline
- Turning around operational performance to reduce and, ultimately, end loadshedding
- Strengthening the balance sheet
- Executing the legal separation and securing Eskom's rightful place in the changing electricity supply industry
- Fighting crime, fraud and corruption
- Reconnecting with stakeholders

First and foremost, we prioritised the appointment of strong and inspirational leaders at all levels, who can motivate employees while also holding them accountable. These leaders must lead by example, by demonstrating a high-performance ethical culture and entrenching Eskom's values of Zero Harm, Integrity, Innovation, Sinobuntu, Customer Satisfaction and Excellence.

Following an extensive search, we believe we've found the right person to lead Eskom's executive team, with Dan Marokane taking over as Group Chief Executive in March this year. We wanted someone who could hit

the ground running, and not waste months getting to know the business. Dan has the courage, passion and sense of urgency to galvanise Eskom's Guardians and ethically lead from the front. The immediate priorities we set for him were to deliver on the operational recovery, advance the legal separation and reconnect with stakeholders, and he has done just that.

The main response to the operational challenges in Generation was the development of a Board-supported, externally stress-tested Generation Recovery Plan with a stronger focus on EAF recovery, implementation of which began in March 2023. We cannot expect this plan to start bearing fruit overnight. Since the end of the financial year, we've already observed an improvement in the performance of the generation plant, thereby alleviating the severe burden of loadshedding and positively impacting sales volumes. The ongoing stability of the power system is testament to the dedicated efforts of Eskom's employees in implementing the Generation Recovery Plan and for that, we commend them.

While some may argue that you shouldn't praise a fish for swimming, we believe that it is essential to recognise the improvement and the progress made. We also need to acknowledge that Eskomites often have to swim upstream, navigating turbulent waters. The success of Eskom's turnaround plan rests on the ability to mobilise and rally Eskom Guardians behind the recovery of operational performance. This involves looking after our people and driving a high-performance ethical culture to improve employee morale. As part of that, we need to deploy appropriate strategies to ensure that pockets of excellence are retained, that performance improvement is recognised and rewarded, and that underperformance can be dealt with.

Message from the Chairman *continued*

To address the network challenges, NTCSA will be executing the Transmission Development Plan to connect new generation capacity to the grid, mostly from IPPs, to ease grid constraints in the country. It will require building high-voltage transmission lines at an unprecedented pace. However, with the support of the private sector and the availability of funding, we believe that it can be done, and NTCSA is working on making this a reality.

Dan will go into more detail in the GCE's review of how we're addressing the operational challenges and the results we've seen since year end.

We are deeply grateful to National Treasury for the debt relief support they've provided. It has contributed significantly towards addressing the cash cost of the excessive debt burden and improving liquidity, thereby freeing up cash for critical maintenance and capital expenditure. That said, the debt relief cannot be seen as a silver bullet for achieving financial sustainability by deleveraging the balance sheet. For that, we need cost-reflective tariffs and a solution to the municipal arrear debt challenge, supported by a continued focus on cost efficiencies through improved operational performance. Eskom has submitted a tariff application to NERSA that aims for a correction of the tariff in compliance with NERSA's methodology in the 2026 financial year, with more moderate annual increases thereafter. Calib will provide more information on that in the CFO's report.

The two main issues keeping us awake at night are the unsustainable levels of municipal arrear debt, together with electricity theft, which includes illegal connections, meter tampering and ghost vending. These are arguably two sides of the same coin, as both speak to our values as a society and a general culture of lawlessness, where individuals can break the law without facing consequences. The Board is concerned about the lack of compliance with the municipal debt relief programme, given that the conditions of the programme prohibit Eskom from pursuing action against non-compliant municipalities.

We must find solutions to these challenges – we have to collaborate with Government, the municipalities themselves and society as a whole to ensure that this culture is addressed and that we are paid for our product, with all participants in the electricity value chain paying their rightful share. We must put in place permanent measures to prevent a recurrence of earlier challenges once the programme comes to an end. It is vital that we work closely with communities to look after our transformers, so that we don't end up paying again and again to replace the same equipment when it is damaged by illegal connections. Government has established a workstream under NECOM, focused on developing a sustainable distribution industry by addressing the legacy distribution challenges that have contributed to the energy crisis, including the culture of non-payment.

At the end of the day, Eskom must do everything in its power to collect all the revenue due and manage the costs within its control. We cannot continue to rely on government bailouts to save us.

To address the outdated business model, we are executing the legal separation aimed at democratising and de-risking electricity generation. We've made progress on that, with NTCSA commencing trade on 1 July 2024. NTCSA plays a pivotal role in the country's evolving energy landscape and in tackling the vertically integrated structure. It will significantly contribute to addressing the energy trilemma by enabling a secure, affordable and sustainable electricity supply industry. The unbundling of NTCSA is enabling Eskom's purpose of powering South Africa's growth sustainably.

However, the separation of the Distribution business is lagging, driven in part by the knock-on effect of delays in the Transmission process and other external dependencies. Going forward, the municipal debt challenge has the potential to jeopardise the Distribution separation as well as threaten the financial viability and sustainability of the future distribution industry. It is therefore imperative that we address this challenge.

We are actively pursuing our JET strategy and developing a pipeline of clean energy projects. Given the conditions associated with Government's debt relief, we cannot do this on our own. We will need to pursue partnerships, in terms of both funding and execution, to succeed in this area.

The Board and management have made a significant effort to understand the extent of the risk of crime, fraud and corruption that Eskom is exposed to. We have challenged management to enhance their responsiveness and proactiveness by ensuring that the necessary controls are in place, and to implement effective consequence management. They are dedicating significant time to creating the enabling structures and engaging with employees on these matters.

Ultimately, many of the actions we're working on require policy changes and a supportive legislative environment, so we cannot do this without the support of Government and, in particular, the ministries with oversight over Eskom's operations. We greatly appreciate the invaluable support from the Minister of Electricity and Energy in this regard.

CONCLUDING REMARKS

First of all, I want to thank Calib for doing a sterling job as acting Group Chief Executive for most of the year under review. He stepped in without hesitation when asked to do so by the Board and just got on with the job while navigating significant challenges. We must also thank our stakeholders, particularly the Government, for their continued support.

On a personal level, I'm grateful for the guidance, insight and steadfast perseverance shown by my fellow Board members. It hasn't been an easy year, but we're beginning to see the belief in Eskom and the commitment to its turnaround starting to pay off.

A special word of appreciation goes to the late Minister Pravin Gordhan for his strategic guidance and unwavering support to restore Eskom's performance since taking over as Minister of Public Enterprises early in 2018. It is truly regrettable that he did not get to enjoy a well-deserved retirement after a distinguished career serving our country. On behalf of the Board, executives and staff, I would like to offer our heartfelt condolences to his family. We will continue to honour his legacy as we rebuild a high-performing ethical Eskom.

Minister Kgosientsho Ramokgopa continues to play a pivotal role, not only in the improvement of Eskom, but also in the advancement of the broader energy landscape. The Minister is one of those rare leaders who always gives credit to the team when things are going right. When things go pear shaped, as they often do, he takes personal responsibility. In my book, that is servant leadership. It is the kind of leadership we desperately need in all sectors of our society if we are to overcome the challenges our country is facing.

Dan has only been with us for a short time, but we can already see the difference he has made with the support of Exco, with remarkable progress on the priorities the Board set for him. We are confident that he will effectively execute the organisational strategy and lead Eskom back to greatness. We believe that the leadership layer is now well placed to drive the organisation forward with a renewed culture of ethical high performance.

Last, but not least, I must thank every Eskom employee for their contribution to turning the tide on loadshedding. As a Board, we understand the need to retain high performers and that employees need to be rewarded when they go above and beyond the call of duty. We will be implementing appropriate incentive structures to drive performance in the coming year.

We must work together to face our challenges head on, to make today better than yesterday, and tomorrow better than today. We have good plans in place, now we need to focus on execution. It is only through continuous progress that we can restore Eskom to its former glory and regain the trust of all our stakeholders.

Mteto Nyati
Chairman

Chief Executive's review

Calib indicated last year that 2023 had been one of the toughest years Eskom had ever experienced, and then came 2024: arguably the toughest year in Eskom's history, from both an operational and financial perspective. Even though I was an outsider to Eskom for most of the year under review, I felt Eskom's pain in letting down the nation. It looked like the hard work in the background was just not paying off, with seemingly constant loadshedding severely disrupting the lives of most South Africans.

Eskom faced ongoing generation supply shortages caused by poor performance of our power stations, with unplanned unavailability averaging over 15 500MW for the year, or around 34% of total capacity. This was exacerbated when coupled with delayed implementation of IPP programmes as well as lower-than-expected imports, as we simply could not use the coal-fired fleet to make up the shortfall. We lost an estimated 13.2TWh in sales due to loadshedding, with another 13.9TWh estimated to be lost through the impact of electricity theft. If you calculate the revenue impact, that's almost R45 billion lost to the bottom line from those two factors alone.

OCGT usage to stabilise the power system increased about 25% year-on-year, which also had a devastating effect on the bottom line, with R33.9 billion spent on Eskom and IPP-owned OCGTs. Add to that the systemic challenges posed by Eskom's high debt levels, above-inflationary increases on our input costs and the continued cost of crime, fraud and corruption, together with the escalating municipal arrear debt and rising electricity theft, and you can see why profitability took a severe beating during the year under review. Calib will discuss these challenges in more detail in the CFO's report.

Despite Eskom's commitment to the legal separation process under Government's Roadmap, progress was lagging due to delays in several external dependencies. These included policy and regulatory changes required to enable the separation of the Transmission business to NTCSA.

Eskom's reputation continued to falter, very much influenced by the dismal performance of the unpredictable and unreliable power system. Our continued reliance on massive government bailouts to counteract the lack of cost-reflective tariffs, which drains an already constrained fiscus, contributed to this. We are acutely aware of the impact these factors have on inhibiting economic growth and employment opportunities, severely impacting businesses and the lives of all South Africans.

As Mteto indicated in the Chairman's statement, the Board gave me three priorities when I started: recovering operational performance to reduce the frequency and intensity of loadshedding, which also benefits financial recovery; advancing the legal separation; and reconnecting with stakeholders. This must be seen against the backdrop of navigating a changing Eskom – with the changing structure of the electricity industry and Eskom's energy mix; a change in people and skills being required; and not least, addressing and adapting to the impact of climate change.

OPERATIONAL RECOVERY

We want to deliver successfully on Eskom's mandate to provide a reliable supply of electricity to the country by effectively operating and maintaining our infrastructure. Our immediate focus is to improve plant performance and manage unplanned unavailability to within acceptable levels to reduce and, ultimately, eliminate the need for loadshedding. Irrespective of how you look at it, if the Eskom fleet does not perform, loadshedding will remain.

We will achieve this by improving the availability of the generation fleet through the effective implementation of the Generation Recovery Plan which was conceptualised in March 2023. There is now a stronger focus on EAF recovery by reducing unplanned capacity losses through extensive planned maintenance, aimed at reaching an EAF level of 70% during the month of March 2025. This will be delivered through intensified efforts to recover performance at the eight priority stations that contributed more than 50% of unplanned load losses, thereby providing the biggest and most immediate benefit to the system, while also sustaining performance at stations that already deliver reliable performance. Improvements have been achieved at most of the eight priority stations.

For several years now, Eskom has recorded disappointing environmental performance. Relative particulate emissions were at the highest level in decades, and water performance remains outside target. Both challenges are due, in part, to the fact that we have been forced to operate the generation plant outside sensible operating limits to respond to the high levels of loadshedding experienced in recent years. Ongoing system constraints also provide little headroom to take plant out of service to undertake the repairs required to improve environmental performance. As part of the Generation Recovery Plan, we are focusing on ensuring that the necessary planned maintenance is undertaken. We have seen some improvement in emissions performance since year end, but there is a long way to go – you cannot reverse overnight the damage caused by years of neglect and overuse in an attempt to keep the lights on.

Due to improved cash flow certainty provided by Government's debt relief programme, outage planning has improved, with funding for long-lead spares and outages being released from operational cash flows more timeously to allow proper planning. The concession we received from National Treasury to allow us to work directly with OEMs greatly assisted our efforts to improve the maintenance of the generation plant. Furthermore, strong leadership in Generation has also made a huge difference, with Bheki Nxumalo galvanising his team to focus single-mindedly on recovering plant performance. The improved security situation at the various power stations has also contributed.

Successful execution of the Generation Recovery Plan, combined with interventions under the President's Energy Action Plan overseen by NECOM, have led to a significant improvement in the reliability, efficiency and availability of the coal-fired generation fleet, ultimately benefitting

South Africa. The focus on ancillary plant performance, improved risk management, spares availability, quality of outage execution and the necessary skills has greatly assisted with the recovery in performance.

Coal stock is very healthy at all power stations, safely above the grid code minimum and Eskom's tolerance levels. Most recently, only one station had stock below its individual minimum level, but plans are in place to address that. Coal supply is adequate, with future coal requirements locked in where required.

To meet demand, we are implementing initiatives to recover units on long-term outage and increase available capacity by adding new capacity to the grid. After suffering a failure to the west stack in October 2022, which took Kusile Units 1 to 3 (2 160MW) out of service for almost a year, the units were returned to service using a temporary stack late in the 2023 calendar year. The repairs to the permanent stack are expected to be completed by March 2025. The required outages on these units have been integrated into the plans under the Summer Outlook and are not considered to pose any additional risk to the system.

We are also working on returning Koeberg Unit 2 (930MW) from the long-term outage to replace the steam generators by early January 2025. Kusile Unit 5 (799MW) was synchronised to the grid in December 2023 and achieved commercial operation at the end of June 2024. Unit 6 (799MW), the final unit at Kusile, is expected to be synchronised to the grid by February 2025, with commercial operation around six months later. Medupi Unit 4 (720MW) is also expected to return by the end of March 2025 from an extended outage following a generator explosion.

Chief Executive's review *continued*

Where practical, we will continue to operate some of our older power stations that were planned to be shut down earlier until 2030 to supplement supply, given the economic imperative to mitigate the burden of loadshedding on the country.

Although the aim is to minimise the utilisation of OCGTs, peaking capacity is designed precisely to provide power to manage the peak demand and will be utilised as such. With the penetration of renewable energy, it becomes even more important to manage the peaks and valleys in demand that the power system experiences daily. Avoiding the use of OCGTs is not necessarily the cheapest way to run the power system. Peaking power, although expensive, can offset mid-merit and base-load power that is not needed to run 24/7. Loadshedding remains an essential tool for the System Operator to protect the grid. Although there has been a significant improvement in generation performance, intermittent loadshedding may still be required should a significant event occur on the power system.

Despite the suspension of loadshedding, Eskom continues to implement load reduction at local level when required to protect transformers overloaded by illegal connections and ensure public safety. We urge our fellow citizens to remember their own responsibility in ensuring uninterrupted supply by engaging only in legal processes to acquire electricity.

NTCSA is ramping up to expedite the expansion of the country's constrained power grid. This is necessary to increase grid capacity and ensure grid stability, to support the connection of much-needed new renewable generation capacity, the variability of which also poses challenges to managing the system. We are exploring many interventions, including private sector participation, to increase the average transmission line build to 1 400km per year. The timely acquisition of servitudes, increasing contractor capacity, sourcing required materials and effective project delivery will be required to deliver against these aspirations. We will also incorporate the lessons learnt from the capital expansion programme and State Capture to ensure that the same mistakes are not repeated when executing the Transmission Development Plan. The increased capital budget allocation for the next five years will advance the implementation of the Transmission Development Plan and asset renewal. A total of 47 projects will enable the connection of 37GW to the grid, starting in 2026 and ending in 2033.

To modernise the distribution grid and sustain network performance, Distribution plans to construct around 4 000km of medium- and high-voltage lines during the next five years. The allocation of capital to the division has been increased accordingly over that time. It will also need to develop new and additional revenue streams to contend with the addition of embedded self-generation mostly in the form of rooftop solar installations, leading to customers reducing their reliance on or defecting from the grid.

Eskom continues to battle what we euphemistically refer to as non-technical energy losses, which include electricity theft, illegal connections, meter tampering as well as the purchase of illegal electricity tokens, known as ghost vending. To address non-technical losses, we are converting conventional meters to smart prepaid meters, focusing on those users most likely to be involved in the use of illegal tokens. To support the smart meters and further improve the customer experience, the Distribution business will roll out advanced metering infrastructure in an aggressive manner over the next three years. We will urgently address the breakdown in controls which has resulted in the bulk generation of illegal prepaid electricity tokens on Eskom's online vending system. We are also prioritising illegal connections for normalisation through engaging community leaders, to encourage communities to play an active role in managing electricity infrastructure and the safe use of electricity.

While the focus is on step changes to enhance operational performance, we cannot ignore the evolution of the electricity supply industry, which necessitates the revision of our divisional business models to give effect to the aims of the Government's Roadmap for Eskom by establishing these entities as legally separate, sustainable businesses. Eskom also needs to start competing in the renewables space, and we are pursuing that through initiatives such as the proposed Tubatse pumped storage scheme, as well as renewables installations at our existing coal-fired power stations, such as the 75MW solar plant at Lethabo which recently received a generation licence from NERSA. Our gas strategy is gaining traction with our Richards Bay and other gas projects.

PEOPLE AND CULTURE

The 1:1:6:10 culture transformation programme was launched in 2022, marking a return to Eskom's core values to deliver a high-performance ethical culture as a key enabler of the turnaround plan. The bureaucratic culture that has been embedded in Eskom limits innovation, adaptability and agility, all of which we desperately need to deal with the rapid change that we're facing.

A critical component of building a high-performance ethical culture is creating opportunities to engage and remain connected to the business and one another. In my first 100 days in office, I made a point of connecting with more than 10 000 Eskom Guardians. Employees need to have a sense of belonging and to remember our common goals and interconnectedness, to ensure that we are all striving for the same outcome – to turn around Eskom by improving plant performance and thereby, making loadshedding a thing of the past.

In our quest to be better, we must not forget about safety: it starts and ends with every one of us. Each of us bears the responsibility for promoting and implementing a culture of safety. Zero Harm is not just about avoiding accidents: it's about fostering a culture of care, vigilance and responsibility. Safety is not just a priority, it's a fundamental value that must underpin every action and decision we make. Given that, I am saddened by the loss of five employees and contractors in Eskom's service during the year under review. Even one death is unacceptable, and we won't be satisfied until each and every employee and contractor go home to their families safely at the end of each day.

An important element of fostering a productive workforce is having a constructive relationship with organised labour. For the first time in more than a decade, the collective bargaining process during the 2024 year resulted in an agreement without resorting to CCMA intervention. This is testament to the strengthening of partnerships with Eskom's recognised trade unions. The fact that this was done without disruption to the system during the critical winter period is worth the slightly higher settlement than had been budgeted. The anticipated stability this will bring is an investment in Eskom and the country's future. After all, Eskom's interests and those of our workforce are inextricably linked – we are all striving for the sustainability of the business.

Our people are critical to successfully achieving our mandate and strategic objectives. If the turnaround is going to succeed, we need a skilled workforce, as well as appropriate levels of leadership and other critical and scarce skills. We are identifying skills gaps and then closing those gaps by training our people, maintaining a diversified learner pipeline and enabling talent development opportunities, as well as recruiting where necessary to supplement skills. We also need to retain the talent that we have and recognise and reward their efforts in an appropriate manner. We are reintroducing an incentive scheme in the 2025 financial year to do just that, with financial performance being the gatekeeper for the scheme and financial affordability one of the key determinants of the bonus pool. This will ensure that we collectively focus on what is important to turn Eskom around.

Eskom again paid production bonuses to frontline staff this year. We believe the benefit to the business is clearly evident, both operationally and financially. As a result of the latest winter challenge, which ran from 1 April 2024, we've seen a reduction of close to 4 000MW in unplanned unavailability, coupled with more than R13 billion saved on diesel for OCGTs compared to the 2024 financial year. It goes without saying that the impact on the economy of not loadshedding is immense. We've also observed an improvement in employee morale, and more employees are willing to go the extra mile to turn around performance. In my view, we have reason to be proud of the team that got us to this point.

Soon after I joined, I announced a new Exco structure, which aims to address existing business challenges and embed operational recovery, while also future-proofing Eskom by positioning the organisation for growth and long-term sustainability. The revised structure includes a combination of existing and new roles to enable responsive decision-

Chief Executive's review *continued*

making required to deliver on our strategic initiatives. It will enable navigation of the rapidly changing environment in which we operate, including the expansion of Eskom's renewable energy portfolio in line with our ambition to increase our clean technology portfolio to support our Just Energy Transition strategy. The structure further focuses on capacitating forensic investigations and addressing crime, fraud and corruption, together with executing the legal separation activities.

We have consolidated the forensics, security and investigative functions into a single investigative unit, to be established as the Group Investigations and Security (GIS) function, which will have the additional mandate of driving the implementation of recommendations from investigations. The function will report directly to me.

I have made some key appointments in this regard, with new heads of the GIS function, Corporate Services, Strategy and Sustainability, Group Capital, Information and Technology as well as Strategic Delivery having joined us recently. We welcome them aboard and look forward to their contribution to turning Eskom around.

Once again, Eskom has received a qualified audit opinion relating to information disclosed under the PFMA. Although we have well-established policies and procedures in place, in support of a sound and effective internal control environment, compliance remains the primary challenge. We are driving a renewed sense of commitment and discipline to improve internal controls, to proactively address the risk of circumvention of controls and prevent recurrence of audit findings.

Despite this, we must accept that it will take time for efforts to pay off to improve internal controls across the organisation. Efforts have also been somewhat fragmented due to the priority of addressing operational challenges, further hampering consequence management, but establishing the GIS function is expected to go some way towards streamlining our efforts. We appreciate the ongoing support of law enforcement agencies to deal with matters involving crime, fraud and corruption – we cannot tackle these challenges alone.

As much as I'm a champion of people, I also need to challenge our people and hold them accountable when things don't go right. We need to deal with poor performance and other unacceptable behaviour, including lack of compliance with controls, as a matter of urgency. That said, there are many ethical people in Eskom; the delinquent few cannot be used to judge the ethical majority.

My call to employees is simple: be solution-orientated, embrace the fast-changing environment in which we operate, drive high ethical standards, and acknowledge and appreciate our importance to the country. We need to reclaim the hearts and minds of the nation, not by talking, but through our actions. We got through the winter period without loadshedding, now let's get through summer!

LEGAL SEPARATION

So far, our legal separation process has taken much longer than envisaged in Government's Roadmap to transform the electricity supply industry issued in October 2019. Despite several delays, I am immensely proud that NTCSA achieved operationalisation in July 2024. It is proof that together we can co-create an energy industry that is future-ready and aligned to global best practice to deliver energy security. The operationalisation of NTCSA is a significant step towards modernising South Africa's energy sector, ensuring energy security and attracting investment.

We are grateful for the support and collaborative efforts of all key stakeholders, including Government and lenders, that enabled us to reach this momentous milestone.

NTCSA will play a pivotal role in the country's evolving energy landscape and in breaking the vertically integrated business model. Globally, the legal separation of previously vertically integrated utilities creates a pathway to enhanced competition and transparency in the energy sector. This is driven primarily by the aim to create energy security, which is critical for inclusive economic growth. The Transmission System Operator function, which must be in place within five years of the Electricity Regulation Amendment Act being promulgated, will allow producers, consumers, traders and retailers to engage in energy trading, thereby enabling competition and driving efficiency. While the exact form of the Transmission System Operator is being finalised, NTCSA will fulfil this role in the interim.

In preparation for a competitive electricity market, Eskom initiated an internal market simulation between Eskom Generation's power stations and Eskom Distribution. This allowed us to test market principles and operations without exposing the parties to market risk.

Eskom firmly intends to play its part in accelerating the reforms of the trading rules to enable a competitive energy marketplace. Eskom supports a rules-based transition, to create a sense of order as we navigate our way through these reforms. After all, current rules are premised on assumptions of which the very relevance comes under pressure with the reforms, therefore the need to reform the rules too. The aim is to position Eskom to deliver value within broader national efforts to transform the electricity supply industry. However, the business cannot remain as vast as it was in the past; we must transition from being a monopoly within the rules governing the sector. It is up to us to deliver value to our customers and remain a key player in the sector, thereby maintaining our market share, as we increasingly compete in a decentralised and democratised industry.

We will continue to engage transparently with lenders and other key stakeholders on the legal separation process and associated timelines, as we shift our focus to the separation of the Distribution and Generation businesses towards the desired end state. Next on the agenda is the operationalisation of NEDCSA. However, if the municipal debt challenge is not resolved, it has the potential to jeopardise the Distribution separation, by threatening the financial sustainability and viability of NEDCSA.

FINAL THOUGHTS

We are in an incredibly exciting industry at a moment of tangible change. Eskom's role is absolutely central to the country's economy, and we are the Eskom's Guardians. When we ensure stable electricity supply, we enable business and industry, job growth and, ultimately, solutions to the social ills that the country faces.

Fix the current business
Pursuing financial and operational sustainability

- Recover EAF to 70% by March 2025
- Reduce municipal arrear debt and re-base costs
- Improve controls to address crime, fraud and corruption
- Improve leadership stability and skills development, and entrench a high-performance ethical culture

Prepare for competition
Facilitate a competitive future energy industry

- Obtain NERSA approval for unbundled tariffs
- NTCSA trading by July 2024; operationalisation of NEDCSA by April 2026 and Generation thereafter
- Accelerate clean energy project development
- Fine-tune Generation and Distribution business models

Modernise the power system
Leverage technology

- Accelerate TDP execution, including alternative funding models
- Develop the distribution network, including smart meters and microgrids
- Use data analytics to create value and enhance decision-making
- Increase flexibility of power system infrastructure

Transition responsibly
Striving for net zero emissions by 2050

- Accelerate repowering and repurposing initiatives at Komati, Grootvlei, Hendrina, Camden, Arnot and Kriel
- Collaborate with Government on optimised MES compliance
- Participate in distributed energy resources and drive eMobility (electrical vehicles and charging infrastructure)

Chief Executive's review *continued*

When we consider the performance for the six months ended 30 September 2024, performance at our coal-fired power stations has shown tremendous improvement, leading to the easing of generation supply constraints, with no loadshedding during the period and year-on-year savings in OCGT costs of almost R12 billion. As a result, Eskom experienced growth in sales and revenue which, coupled with the reduction in primary energy costs, had a hugely beneficial impact on financial performance. This, together with the debt relief support by Government and the 12.74% tariff increase for the 2025 financial year have led to a significant improvement in liquidity.

During the half-year period, Generation plant availability increased significantly, largely due to a significant decrease in unplanned breakdowns and losses. Due to the improvement in liquidity, generation outage performance has improved, with long-lead spares funding being released in full and the remainder of the outage funds having been released. Relative emissions performance has also shown considerable improvement. As mentioned earlier, we successfully commercialised Kusile Unit 5, adding 799MW of installed capacity to the grid.

It is clear that Eskom's performance has turned a corner, and the outlook for the 2025 financial year is very positive indeed.

The solutions to fix our challenges reside within the employees of this organisation, and those who have raised their hands to assist us. The challenges we face are greater than just Eskom, and we need new thinking to resolve them. We are privileged to have an engaged Board to steer us towards a brighter future.

We must fix the current business to permanently end loadshedding, and talk about where the business is going, to set Eskom up for a future of powering this nation. To do so, we must rethink our business model to prepare for competition, modernise the power system and, ultimately, transition responsibility to net zero emissions by 2050 through our JET strategy.

While we are making progress in turning Eskom around, we are also focusing on the future through the legal separation process. In the aftermath of state capture, we need to clean up our act and make sure we leave behind an institution that can all be proud of.

The reduction in unplanned unavailability of our generating plant has resulted in more than 250 days without loadshedding, with disciplined execution of reliable maintenance under the Generation Recovery Plan starting to bear fruit. This has also had a positive impact on financial performance, not only for Eskom but also for the nation – predictions suggest that the ongoing suspension of loadshedding can contribute to economic growth of around 2%. It will also boost investor confidence, which will generate investment in many sectors.

We understand that this improvement is the result of immense hard work, sacrifice and unwavering dedication by Eskom Guardians and others who support us, who spent time away from families and friends. We appreciate their commitment to securing our economy and the opportunities this can bring to every citizen.

I have always maintained that Eskom Guardians are among the best in the world: it was a key factor in motivating me to return. I felt a strong drive to play my part in helping the world to see the true calibre of our people and how we can turn around the business and build a culture of performance. We need a collective effort to deliver results and create a different Eskom that will survive another 100 years. When we work together to follow our processes and execute our plans, we deliver results that define the future of South Africa. Eskom is proving that it is worthy of future investment to serve the nation and drive economic growth.

The spotlight of this nation shines firmly on our performance for one very clear reason: When Eskom keeps the lights on, the economy can grow and, in turn, create jobs and opportunity. The success of the nation depends on each one of us playing our part, every day, and on our leaders providing us with the direction, vision and guidance to succeed in a challenging environment and an ethical high-performance culture.

Remember, if it is to be, it is up to us!

Dan Marokane
Group Chief Executive

Chief Financial Officer's commentary

NOTABLE ITEMS

DISPOSAL OF TRANSMISSION TO NTCSA

The Transmission Division was transferred to NTCSA, a wholly owned subsidiary of Eskom, on 31 March 2024 as part of a common control transaction within the group. There was no impact on the group's financial performance for the year. The disposal was accounted for at carrying value, transferring assets of R85.2 billion and liabilities of R32.3 billion. Furthermore, NTCSA recognised a shareholder loan from Eskom of R34.2 billion, which represents Transmission's portion of debt securities and borrowings from third party lenders held by Eskom, together with a current account of R3.5 billion receivable from Eskom relating to the merger agreement. The carrying value of the investment in NTCSA was R22.2 billion at 31 March 2024. Refer to note 12 in the financial statements for further detail. NTCSA also recognised a liability with a fair value of R10.3 billion in its separate financial statements relating to an upstream financial guarantee to Eskom for third-party debt secured by its assets.

DERECOGNITION OF DEFERRED TAX ASSET

Following the disposal of Transmission, a recoverability assessment of Eskom's deferred tax asset concluded that it is unlikely that the remaining business in the Eskom company will generate sufficient taxable income over the next five years to utilise unused assessed tax losses. This is despite the company expecting to return to a tax paying position within the next five years. Therefore, we derecognised a deferred tax asset of R36.6 billion in terms of IFRS Accounting Standards, although this has no impact on Eskom's right to utilise unused assessed tax losses against future taxable income. Refer to note 14 in the financial statements for further detail.

PRIOR YEAR RESTATEMENT

In the prior year, certain changes in the measurement of environmental restoration and closure provisions were incorrectly credited to profit or loss instead of being deducted from the cost of the related assets. The income statement and statement of financial position have therefore been restated, resulting in equity decreasing by R2.1 billion at 31 March 2023. Refer to note 48 in the financial statements for further detail.

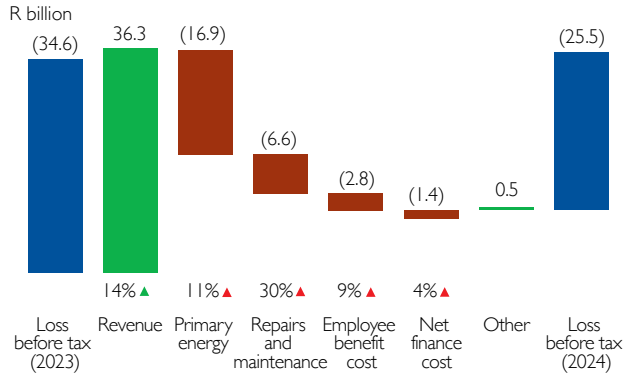
LEVIES TO BE REFUNDED BY SARS

SARS previously disallowed Eskom's claims for fuel levy refunds on diesel used to generate electricity. The dispute was resolved in October 2024, with an amount of R9.2 billion being payable by SARS to Eskom. This amount will be recognised in the 2025 financial year as it is a non-adjusting event.

2024 FINANCIAL RESULTS

Let me begin by addressing the elephant in the room. We acknowledge that we are facing significant financial challenges, having recorded an after-tax loss of R55 billion (2023: R26.1 billion). This resulted primarily from a once-off adjustment to derecognise Eskom's deferred tax asset relating to unused assessed tax losses. However, I'm pleased to report that we've improved on both EBITDA performance and the loss before tax for the year.

Major contributors to the movement in the loss before tax



Revenue increased significantly on the back of an 18.65% standard tariff increase under NERSA's MYPD 5 determination. However, we were unable to recognise R17.2 billion (around 6% of revenue) due to the high risk of non-collectability from some municipal and residential customers. Of this, R8.3 billion was subsequently recognised as revenue on a cash basis once received.

The potential for additional revenue growth was hindered by a 3% decline in sales volumes. This was caused by ongoing Eskom and IPP generation supply shortages; demand-side factors, such as depressed economic conditions and the increased prevalence of embedded self-generation by customers; as well as escalating levels of electricity theft.

Supply shortages are particularly detrimental to profitability and liquidity. To avoid or minimise loadshedding, we had to rely heavily on expensive OCGTs, which cost us R33.9 billion for the year, averaging approximately R650 million per week. When supply constraints persist, it becomes necessary to implement loadshedding and load curtailment, leading to lost sales. An estimated 13.2TWh (around 7% of sales) could not be supplied to customers during the year. Sales would have declined by up to 1% more if we hadn't increased use of OCGTs beyond budgeted levels.

Electricity theft resulted in estimated non-technical losses of 13.9TWh (around 8% of sales) at a cost of supply of R6.4 billion. The financial impact is even greater when considering the associated revenue lost.

Primary energy costs are mostly subject to changes in the production mix, with higher production from OCGTs, IPPs and imports to augment supply, leading to associated cost pressures. We also spent R28.7 billion on repairs and maintenance, 30% higher than the prior year, to address plant performance challenges and improve plant reliability going forward, in line with the Generation Recovery Plan.

The increase in employee costs is attributable to a 3% growth in headcount and the implementation of a 7% cost-of-living adjustment for bargaining unit and managerial employees. The managerial adjustment included a discretionary portion to retain high performers and correct income differentials. As Mteto mentioned in the Chairman's statement, we are reimplementing performance incentives for our people in the coming year. We expect the performance gains from motivated employees to far outweigh the cost of these incentives.

Net finance costs continue to be the second largest expense due to our unsustainable gross debt balance of R412.2 billion. Like many organisations and households, we've been impacted by global interest rate pressures, raising our average cost of debt to 10.90%. However, market expectations suggest that interest rates will reduce as monetary policy is gradually eased in line with global trends.

Chief Financial Officer's commentary *continued*

Over much of the past year, I was fortunate to experience Eskom from a unique perspective as acting GCE, after previously serving as GCFO. During this time, I gained a deep appreciation for the link between finance and operations. While the financial results for the year under review remain disappointing, it is encouraging that we recorded a lower loss before tax despite the momentous operational challenges we faced. I believe that we've reached a turning point and that the 2024 financial year will be remembered as the year in which we laid the foundation for Eskom's future success.

FINANCIAL RECOVERY INITIATIVES

We can only place Eskom on a more sustainable footing by collectively recovering both financial and operational performance. Dan has already discussed the operational aspects in the GCE's review, so I will focus on our financial recovery.

Four key challenges threaten Eskom's return to profitability and long-term financial sustainability. Firstly, we must contain controllable cost increases by improving operating performance, driving cost-efficiency initiatives and stopping the leakage from crime, fraud and corruption. Secondly, we have to improve revenue collection by dealing with non-paying customers. Thirdly, we require a reasonable return on assets by migrating towards a cost-reflective tariff path. Lastly, we need to lower debt service costs by deleveraging our balance sheet. Each of these challenges poses a risk to our liquidity, with a knock-on effect on operational performance.

As an example, liquidity constraints in recent years led to the delayed release of funds for long-term outages, hampering plant performance and execution of the Generation Recovery Plan. Government's debt relief support has provided certainty in meeting our debt servicing obligations, giving us the headroom to make funds more readily available for operating requirements and release funds for capital expenditure three years in advance.

As a result of improved liquidity, we've been able to more effectively implement and manage our operational recovery plans, capital expenditure programmes and working capital requirements. This has enabled us to improve coal stock levels and procure long-lead spares and consumables. As we're beginning to see in the 2025 financial year, this, in turn, has a positive impact on operating performance, which should ultimately lead to improved operating cash flows.

Since year end, we've established a programme to enhance operational efficiency and reduce costs, which aims to see Eskom return to profitability in the short to medium term. Much of the additional savings we're targeting will be through primary energy optimisation, procurement efficiencies, digital transformation and capital productivity, together with revenue growth opportunities.

ADDRESSING REVENUE COLLECTION CHALLENGES

Government has intensified its efforts to address this systemic problem through the municipal debt relief programme, which was implemented during the year. The programme aims to improve payment levels of municipalities, thereby enhancing Eskom's revenue collection and operating cash flows over time. Despite a strong uptake, municipalities representing over 80% of the arrear debt being targeted for write-off are failing to comply with the most basic condition of paying their current accounts on time.

Due to the low level of compliance, arrear municipal debt continued to escalate to unsustainable levels, growing by 27% to R74.4 billion at year end. More recently, we've observed a concerning trend of non-payment or late payment by metros in Gauteng, which typically used to pay on time.

We've requested National Treasury to engage with non-compliant municipalities to correct their behaviour or to remove them from the programme so that we may resume legal proceedings and debt recovery processes.

We're also working closely with those municipalities willing to collaborate on finding sustainable solutions. Most recently, we entered into a distribution agency agreement with Maluti-a-Phofung, our second largest debtor, to take over revenue collection on their behalf and assist them with service delivery.

On the other hand, Emfuleni, our third largest debtor, has repeatedly failed to comply with the conditions of the programme. This required us to obtain a court order to attach their bank accounts and collect the revenue directly. Emfuleni has since entered into a distribution agency agreement as well, to enable the release of their bank accounts.

To enhance our operating cash flows and liquidity, it's critical that we resolve the systemic challenge of arrear debt. We need to collect the revenue owed to us and take steps to prevent future accumulation of debt by municipalities. The fact is, we cannot carry the financial burden caused by municipalities any longer, without placing Eskom's financial sustainability and operations at serious risk.

Despite our best efforts to enforce our legal rights to collect the revenue due to us, we cannot resolve this challenge alone. While we acknowledge that there is no one-size-fits-all solution, we believe that more stringent measures are required as defaulting municipalities are undermining Government's efforts to address the energy crisis. Failure to address this challenge will nullify the benefits of the debt relief and may require further reliance on financial support from Government beyond March 2026.

THE NEED FOR COST-REFLECTIVE TARIFFS

The lack of cost-reflective tariffs has been a key contributor to Eskom's poor financial performance. In part, the unsustainable level of debt accumulated over the past two decades is a symptom of insufficient operating cash flows to fund Eskom's capital structure, largely because of an inadequate tariff path. We've been successful in challenging NERSA's decisions over recent years, on the basis that NERSA has not implemented the MYPD methodology consistently.

The Electricity Regulation Act, 2006 as amended requires the regulator to enable an efficient licensee to recover the full cost of its licensed activity, including a reasonable return proportionate to the risk of the licensed activity. This means that the allowable revenue determined must be sufficient to cover the prudent and efficient costs incurred to supply electricity to customers, while providing a fair return on assets that at least covers our cost of capital.

Historically, Eskom has not received a return commensurate with the level of debt and associated financing costs. Furthermore, any business would price its product to cater for costs associated with bad debts and losses due to theft, but past revenue decisions have not adequately catered for these risks.

We're monitoring developments in the regulatory landscape, including NERSA's approach to the revision of the pricing methodology. We raised serious concerns on the practicality of implementing NERSA's proposed electricity price determination methodology rules and we're pleased that NERSA has rescinded its decision. We're watching this space closely, as the lack of a clear, cost-reflective tariff path, combined with uncertainty around the pricing methodology, pose a risk to financial sustainability and the development of financial strategies – not just for Eskom, but also for our customers.

We've submitted our MYPD 6 revenue application to NERSA, which translates to proposed tariff increases of 36.15%, 11.81% and 9.10% for 2026 to 2028. The application includes a gradual increase in Eskom's return on assets, to minimise the impact to consumers and enable the migration towards cost-reflectivity over time. The return on assets that we've factored into the application amounts to 4%, 5% and 6% over the three years, which is still well below our cost of capital of around 11%. We await the public consultation process before NERSA makes its determination.

We believe that the migration to cost-reflective tariffs is a crucial step – not just for Eskom's financial sustainability, but to foster a competitive future electricity supply industry. This will encourage investment and enable market players to operate and maintain their assets in a reliable state. An inadequate tariff path will once again constrain Eskom's financial position and lead to insufficient investment in sustaining and expanding our infrastructure, perpetuating previous operational challenges.

We've also proposed a revised retail tariff plan for the restructuring of electricity tariffs to better address the generation, transmission and distribution activities of supply. Existing tariff structures do not accurately reflect the true component costs of supply, particularly the allocation

Chief Financial Officer's commentary *continued*

between fixed and variable costs. Simply put, pricing needs to be modernised to address the restructuring of the electricity supply industry and the realities of the changing energy landscape.

DELEVERAGING ESKOM'S BALANCE SHEET

While we generate surplus operating cash flows, they are severely constrained by the challenges affecting revenue and operating costs that I've touched on. This leaves us with insufficient cash flows to support our highly leveraged capital structure on a standalone basis.

Government's debt relief support has been vital in meeting our debt servicing obligations and improving liquidity. We've fulfilled all conditions necessary for the R76 billion support received in the 2024 financial year to be converted from a shareholder loan to equity.

Looking forward, we expect to receive R64 billion in the 2025 financial year and R40 billion in the 2026 financial year, followed by the direct takeover of up to R70 billion in debt servicing (principal and interest) by Government thereafter. Altogether, the amended debt relief package will provide R250 billion in support.

Credit rating agencies have acknowledged the importance of this support in addressing our balance sheet and liquidity challenges. We've received rating upgrades from Moody's and S&P Global during the past year, while Fitch has affirmed its previous rating. Although our ratings remain at sub-investment grade level, all three rating agencies have assessed Eskom's outlook as either stable or positive on the basis that our creditworthiness will continue to benefit from Government's support.

The conditions of the debt relief restrict capital expenditure to transmission, distribution and certain generation activities as well as prohibit new borrowings during the debt relief period, unless written permission is granted by the Minister of Finance. This means that operating cash flows must improve to fund capital expenditure requirements, given the restriction on new borrowings.

Ultimately, we must reach a position where we can service debt obligations without further support. Our debt balance is expected to reduce by around 40% to a more sustainable level of R250 billion over the next five years. However, National Treasury has acknowledged that the debt relief alone is not enough to enable Eskom's long-term financial sustainability; it must be supported by appropriate tariff increases and a sustainable solution to the municipal debt challenge.

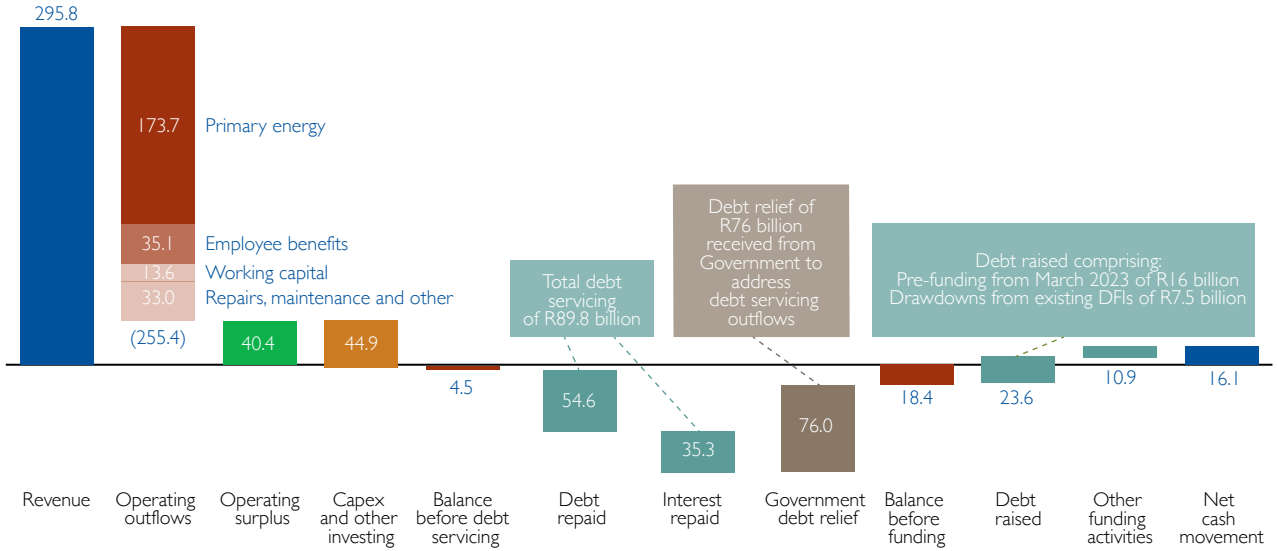
FINAL THOUGHTS

As Dan indicated, we're beginning to turn the corner when it comes to the performance of our generation plant. We haven't implemented loadshedding since 26 March 2024, which has led to higher sales and an improved revenue outlook compared to the 2024 financial year. Furthermore, we've substantially reduced our reliance on OCGT production, achieving year-on-year efficiencies of more than R10 billion in the first six months of the 2025 financial year.

I remain optimistic that these wins will facilitate a possible return to profitability in the short to medium term. That said, I'm also keenly aware that we're operating in an environment of complexity and uncertainty.

While liquidity has improved on the back of the debt relief and better operational performance, and will improve even further with the recovery of the amount due from SARS, we aren't yet where we want to be. To achieve financial sustainability, we have to resolve the systemic financial challenges we face around the tariff path and escalating municipal arrear debt.

Cash flows for the year ended 31 March 2024



Outlook for the 2025 financial year

Sales volumes **2–3% higher**	Tariff increase **12.74%**	Operating expenditure **20–30% higher**
OCGT spend **60–80% lower**	Primary energy costs **10–20% lower**	Debt servicing requirements **5–15% lower**

EBITDA
R85 billion–R95 billion (2024: R43.4 billion)

Debt service cover ratio
0.90–1.10 (2024: 0.46)

Gross debt/EBITDA ratio
5.00–6.00 (2024: 11.58)

Arrear municipal debt balance
R95 billion–R110 billion (2024: R74.4 billion)

To close, I must express my gratitude to the Chairman, Board, Exco and our employees for their unwavering support while I served as acting GCE. Even though we continue to face many obstacles, our collective teamwork has helped us rise to the challenge despite the many conflicting demands and trade-offs we have to deal with. I believe in the power of hope, and I'm confident that we have what it takes to change our circumstances for the better and, ultimately, ensure Eskom's long-term sustainability.

Calib Cassim
Group Chief Financial Officer

Our strategic and risk landscape

Our strategy and turnaround plan

OUR STRATEGIC CONTEXT

Considering the trends discussed earlier and the challenges and opportunities presented by the evolving energy sector, it is evident Eskom will continue to play a significant role in the electricity supply industry. To ensure optimal participation, the subsidiaries to be established through the legal separation process must transform their business and financial models to remain relevant in a changing energy landscape. While the transformation of these models is needed, this must be conducted in a responsible manner that supports our mandate.

Acknowledging that Eskom finds itself in a very dynamic context, our strategy is being reviewed to ensure the focus remains on addressing the most significant changes in our operating context.

One of the drivers of the strategy review is the updated Strategic Intent Statement issued recently by the then Department of Public Enterprises. It sets out Government's expectation of Eskom's strategic direction over the medium term. The expectations are:

- Execute the legal separation process with clear target dates for the National Electricity Distribution Company of South Africa (NEDCSA) being operationalised by the 2026 calendar year
- Continued focus on EAF recovery and addressing primary energy challenges to resolve the energy crisis, combined with greater focus on ash facilities to manage ash removal and storage
- Develop, maintain and expand the transmission and distribution networks, with an added requirement for NTCSA to identify and pilot projects to address grid capacity constraints, over and above existing initiatives
- Greater focus on people through skills development and succession planning within the context of a changing electricity supply industry
- Drive economic transformation and localisation through leveraging procurement spend, while enhancing Eskom's broader corporate social responsibility

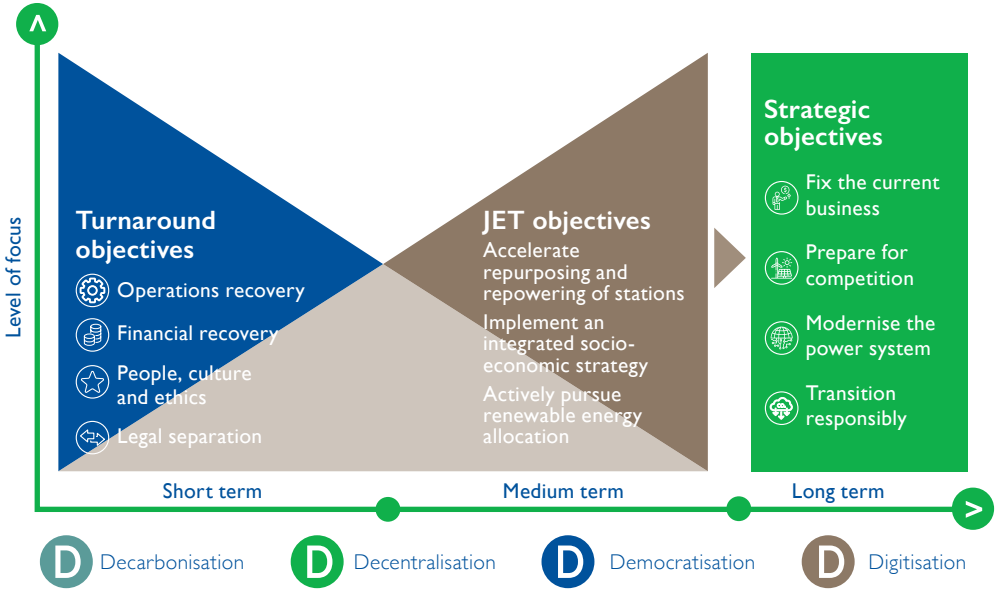
The initial outcome of the review indicates that the strategic direction will not change, but that adjustments to strategic goals and the pace of execution are critical success factors.

Consequently, our focus for the next two to three years will be executing Eskom's turnaround plan, which is aimed at improving financial and operational performance and driving the legal separation, while also positioning the organisation for the transition to a low-carbon future. In positioning Eskom for the future, deliberate focus will be placed on aligning future investments and aspirations to the ambitions of Eskom and its future subsidiaries.

Our long-term goal is the financial and operational sustainability of Eskom, while responding to the developments in an evolving energy sector. We need to work in synergy with a multitude of stakeholders to create a sustainable electricity system for South Africa, which will serve as a catalyst for powering growth and prosperity for the region. In the short to medium term, we need to improve operational performance to contribute towards ending loadshedding, as well as overcome those challenges hampering our financial sustainability. The immediate interventions must turn around performance to set the organisation on a path to sustainability.

In conjunction with the immediate focus on delivering against the objectives of the turnaround plan, we will also prepare for the energy transition. By driving a Just Energy Transition (JET), Eskom will be enabled to address many of the immediate challenges in the short term, while ensuring long-term growth and sustainability.

As the country works towards navigating the energy trilemma of ensuring energy security, energy equity (access and affordability) and energy sustainability, Eskom will contribute to the interventions outlined in the Energy Action Plan driven by the Minister of Electricity and Energy together with NECOM. We will support South Africa's energy transition and Government's policy direction for the future energy sector, to deliver on our vision of "sustainable power for a better future."



Our strategy and turnaround plan *continued*

OUR STRATEGIC OBJECTIVES

Fix the current business
Pursuing financial and operational sustainability

- Recover EAF to 70% by March 2025
- Reduce municipal arrear debt and re-base costs
- Improve controls to address crime, fraud and corruption
- Improve leadership stability and skills development, and entrench a high-performance ethical culture

Prepare for competition
Facilitate a competitive future energy industry

- Obtain NERSA approval for unbundled tariffs
- NTCSA trading by July 2024; operationalisation of NEDCSA by April 2026 and Generation thereafter
- Accelerate clean energy project development
- Fine-tune Generation and Distribution business models

Modernise the power system
Leverage technology

- Accelerate TDP execution, including alternative funding models
- Develop the distribution network, including smart meters and microgrids
- Use data analytics to create value and enhance decision-making
- Increase flexibility of power system infrastructure

Transition responsibly
Striving for net zero emissions by 2050

- Accelerate repowering and repurposing initiatives at Komati, Grootvlei, Hendrina, Camden, Arnot and Kriel
- Collaborate with Government on optimised MES compliance
- Participate in distributed energy resources and drive eMobility (electrical vehicles and charging infrastructure)

FIX THE CURRENT BUSINESS: PURSUE FINANCIAL AND OPERATIONAL SUSTAINABILITY

This objective focuses on fixing the current business, with a particular focus on operational recovery, financial sustainability and, most importantly, ensuring a high-performance ethical culture among all employees. From a financial perspective, our MYPD 5 (Multi-Year Price Determination) revenue application received a generally positive decision from NERSA, and Government's debt relief package of R250 billion is helping to deleverage our balance sheet. With this financial support, we can address some of the operational challenges which were driven by financial constraints. However, the MYPD 6 will also require a positive outcome from NERSA as our effective tariff is still suppressed.

Consequently, we are intensifying efforts to recover plant availability (EAF), return units that are on long-duration outage as well as procure additional capacity. Initiatives to improve EAF and reduce unplanned load losses through an intensive reliability maintenance programme will be delivered through the execution of the Generation Recovery Plan. Additional generating capacity is critical to create the space needed to execute outages in a highly constrained system. This will be supplemented by demand-side management interventions through the implementation of industrial energy efficiency campaigns and initiatives aimed at residential customers to reduce the gap between demand and supply when required to support a constrained system.

While the debt relief support provided by National Treasury will support our turnaround efforts and provide much-needed funding towards transmission and distribution infrastructure over the medium term, the ongoing challenges related to municipal debt have reached critical levels, with municipal arrear debt at R74.4 billion at year end. The culture of non-payment by municipalities is undermining Government's efforts to ensure that Eskom becomes financially sustainable, and as such, requires a more sustainable solution. Under the municipal debt relief programme, technological solutions and engagements with various stakeholders are being prioritised to find a sustainable solution to the outstanding municipal debt. Other major drivers contributing to sub-optimal financial performance include below-cost-reflective tariffs, declining sales volumes, increased cost of production particularly with regards to OCGT costs, significant debt servicing obligations, as well as the impact of crime, fraud and corruption.

The success of our turnaround plan rests on our ability to mobilise and rally our people behind the recovery of operational performance with a focus on improving EAF to 70% in March 2025, optimising debt collection systems and limiting municipal debt growth, while also creating enabling processes and partnerships to support the required grid expansion. This involves embedding a high-performance ethical culture to improve employee morale, by deploying appropriate reward and retention strategies to ensure that pockets of excellence are retained, and that underperformance and unethical behaviour is dealt with.

The turnaround plan emphasises addressing the lack of accountability and consequence management, non-compliance with safety standards, environmental compliance obligations and housekeeping, non-adherence to established policies and procedures, poor operational practices, and lack of discipline, as well as improving leadership quality, stability and continuity throughout the different leadership layers. Tackling crime, fraud and corruption remains a priority, with a focus on ensuring awareness and that identified incidents are timeously investigated, while driving the close-out of investigations and cases both internally and externally.

PREPARE FOR COMPETITION: FACILITATE A COMPETITIVE FUTURE ENERGY INDUSTRY

The entry of additional private generators increases competition, particularly for the Generation and Distribution businesses. However, this increase in variable-type generators provides opportunities for Eskom to participate in the emerging market by providing the flexible base-load capacity that will be required to complement the intermittent nature of renewable energy. The draft IRP 2023 provides a view of the technologies that are required for a viable future energy mix. Eskom intends to participate in the renewable technology options set out in the IRP and, therefore, careful planning is being undertaken about the capability of the current fleet to participate in new markets, the required market rules and future technology options.

The legal separation of the Transmission, Distribution and Generation businesses is ongoing. Although the Transmission licence has been received, delays in the licensing process and other external dependencies have set back the Distribution separation timelines. The establishment of a Transmission System Operator in line with Government's Roadmap is critical for the sustainability of the electricity supply industry. Enabling additional generators and establishing the market platform will attract much-needed private investment in the generation and distribution sectors while reducing reliance on Government's already-constrained balance sheet. Stakeholder consultations on the ERA Amendment Bill and market code provided an opportunity for key stakeholders to raise concerns, but also to understand some of the dynamics impacting the future market model and market rules.

Outdated business models are being revised to ensure we respond appropriately to the changing environment. This will enable the distributed nature of the electricity supply industry, specifically the establishment of a Distribution System Operator to manage and coordinate distributed generation, as well as the provision of ancillary services to the Transmission System Operator to secure the power system.

Our strategy and turnaround plan *continued*

MODERNISE THE POWER SYSTEM: LEVERAGE TECHNOLOGY

The evolution of the electricity supply industry and connection of large-scale renewable and distributed energy generators require significant strengthening and expansion of transmission and distribution infrastructure, in line with the requirements of the Transmission Development Plan (TDP), which are cascaded into Distribution's Network Development Plan (NDP). Over R100 billion has been allocated over the next five years towards addressing the infrastructure requirements across the Transmission and Distribution businesses to invest in modernising the grid and upgrading technology, although this is dependent on an adequate tariff being awarded by NERSA.

To ensure that the expansion of the transmission grid is not a constraint to adding more generation capacity in the short to medium term, innovative ways of unlocking grid capacity are being considered, including curtailment, optimised grid connection processes, prioritising key transformer upgrades, and public private partnerships to enable faster progress. In the distribution sector, innovative solutions like virtual wheeling, microgrid solutions and bi-directional metering will be implemented through increased investment in the distribution network, together with the introduction of new products and services to meet prosumers' needs. These initiatives will unlock opportunities for additional revenue streams to compensate for the defection of traditional consumers.

Our IT strategy is focused on solutions to improve billing and customer interactions to improve revenue collection, reduce non-technical losses and enhance the customer experience. Internally, the strategy will also focus on improving Eskom's control environment through the implementation of a robust fraud analytics platform to identify fraudulent activities as well as controls to prevent cyber-security breaches to prevent losses to the organisation. Blockchain technology use cases are being investigated to manage spending, promote transparency and control fraudulent transactions in the supply chain of different goods and services.

TRANSITION RESPONSIBLY: STRIVE FOR NET ZERO EMISSIONS BY 2050

The Climate Change Act, 2024 sets out the framework for the regulation of greenhouse gas emitting sectors to reduce greenhouse gas emissions and achieve the ultimate goal of net zero by 2050.

Techno-economic indicators show that the life extension of ageing power stations is not a viable strategy in the long term, given the extraordinarily high cost of prolonging the life of old power stations, which includes the significant cost of environmental compliance, coupled with the impact on South Africa's export competitiveness, and the resulting negative impact on our industrial and commercial customer base.

We are working with the Department of Forestry, Fisheries, and the Environment (DFFE) to align on an optimal solution for South Africa and Eskom to meet the Minimum Emissions Standards (MES) and reduce our greenhouse gas emissions through a well-controlled Just Energy Transition, while avoiding investment of more than R340 billion in emission control equipment. In May 2024, the then Minister of DFFE subsequently issued a decision favourable to the continued operation of our power stations subject to certain conditions.

In our pursuit of sustainability, we will focus on driving the most optimal pathway for our generation fleet while balancing energy security, affordability and sustainability. Given the energy crisis and the delay in new IPP capacity being connected to the grid, we will continue operating four of our older coal-fired stations (Camden, Hendrina, Grootvlei and Arnot) to 2030. This is in line with the draft IRP 2023, which proposes that, where technically and commercially feasible, continued operation of coal-fired power plants should be considered to retain dispatchable capacity. In parallel, through the JET strategy, we will roll out several projects at coal-fired power stations for the repowering and repurposing (R&R) of these stations to mitigate the associated socio-economic impacts on affected communities of the eventual ramp-down of the coal industry.

THE JET STRATEGY

The JET strategy seeks to balance the three elements of the energy trilemma – energy security, affordability and sustainability – while providing a second life to power stations for continued economic stability to the country, although this also comes at a financial cost.

The energy trilemma in a nutshell

Energy security is essential for economic growth; it is not limited to balancing supply and demand, but also takes into consideration quality of supply in an evolving energy landscape.

The second leg of the trilemma refers to energy affordability and access, which is especially important considering South Africa's triple challenge of unemployment, inequality and poverty. The Just Energy Transition must deal with this crisis through ensuring cost-effective technology options that represent the least cost solutions in the context of the other two elements of the trilemma.

Energy sustainability refers not only to air quality and low-carbon generation capacity responses, but also to how we will manage scarce natural resources, such as water, biodiversity and waste management, and the effective upgrades of the grid for alternative capacity. This third leg of the trilemma includes an economic sustainability lens, informing what can be locally and regionally made, what will need to be imported, what dependencies will be beneficial to the techno-social and economic targets being pursued, and what new markets can be accessed as future growth areas.

Our strategy and turnaround plan *continued*

The figure below highlights the five E's informing the strategic elements of the JET and how efforts need to expand beyond mitigation to include adaptation and economic sustainability to ensure the transition is indeed just.

Transitioning in a socially and economically responsible manner is underpinned by the global effort to mitigate climate change, and the shift in policy and technologies towards lower-carbon economies in compliance with the Paris Agreement. Given South Africa's commitment to the Paris Agreement, the country has chosen to be part of the transition to a low-carbon, socially inclusive future, and Eskom is supportive of and fully aligned to this position.

The revised JET strategy is placed explicitly within the context of the ongoing energy crisis and the generation strategy, and supports the short-term continued use of operational units at older coal-fired stations, without life extension, while decoupling R&R efforts from station operation and decommissioning schedules. Continuing R&R projects at stations, regardless of shutdown date, will support the need for alternative projects to be operational before the coal shutdown date is reached, without delaying new economic and social opportunities or needed capacity on the grid. The strategy details financing and partnership options that are available to support the execution of the JET and sets out the socio-economic impact, including the estimated net growth in jobs by 2050.

The shift to renewable technology will require extensive upgrade and modernisation of South Africa's transmission and distribution grid. While NTCSA and Distribution implement their respective development plans, JET will leverage a wide spectrum of projects and initiatives to catalyse the transition in Mpumalanga, given the scale of our coal-based operations in this province.

The JET strategy is aligned to the strategic goals, assumptions and direction of Eskom's 2035 strategy. Furthermore, JET directly addresses some of the key challenges that Eskom faces.

Challenge	Initiatives
Accelerating the addition of new generation capacity	• Exploring transition funding to supplement Eskom's limited financial resources and financing options, by mobilising domestic and foreign finance to enable investments in JET infrastructure, while adhering to the conditions of the debt relief package • Unlocking partnerships with the private sector to mobilise new streams of finance • Accelerating the execution of JET projects, including generation projects
Addressing challenges related to emissions	• Limiting the impact of rising carbon import tariffs and related policies among key trading partners could place a significant proportion of South Africa's exports at risk, due to the reliance on a coal-dominant power system • Benefitting local communities through improved environmental conditions resulting from a reduction in emissions of particulate matter, fugitive emissions, as well as sulphur dioxides (SO_2) and nitrogen oxides (NO_x) • Designing and enabling a lower national carbon emissions pathway • Introducing lower-carbon and cleaner-energy projects and infrastructure to reduce South Africa's dependency on high-carbon emission energy sources • Achieving a net-zero power sector by 2050 will reduce carbon emissions by about 76%
Reducing socio-economic effects on communities	• Repowering and repurposing power stations, reskilling and creating job opportunities in the execution of JET projects • Working with Government and other stakeholders to stimulate economic activity in affected regions

Our strategy and turnaround plan *continued*

DELIVERING THE STRATEGY

The Eskom strategy map indicates how we plan to deliver on our mandate by driving the initiatives that will be prioritised in executing the strategy.

Finances

Commercial mandate

Long-term financial sustainability

Customers

- Reputable and ethical business
- Reliable energy and energy services provider
- Enabler to a competitive South African electricity supply industry

Social and environmental mandate

Positive impact on South Africa's GDP

- Clean and responsible organisation
- Contributor to socio-economic transformation

Internal processes

Improve operations	Improve finances	Prepare for competition	Modernise the power system	Transition responsibility
Increase efficiency and availability of coal plant	Increase revenue – reduce municipal debt	Operationalise system and market operators	Strengthen and expand transmission and distribution networks	Improve air quality – SO_2, NO_2, particulate matter
Reduce non-technical losses	Reduce costs – fuel, oil, coal, inventory, procurement	Offer ancillary services and distribute energy to the market	Grid enhancing technologies including smart meters	Electrify communities
Improve skills development	Achieve optimal restructured cost-reflective tariff	Develop clean energy pipeline	Increase flexibility of generation mix	Drive JET strategy – reduce carbon, uplift communities

Cross cutting enablers

- Create ethical, high-performance culture
- Ensure stable quality leadership
- Reduce fraud, corruption and criminality
- Implement digital business transition
- Improve procurement processes
- Drive procurement socio-economic transformation

Enablers

- Advocacy support from Minister of Electricity and Energy
- Support for sustainable municipal debt solutions from government
- Cost-reflective tariffs and tariff restructuring support from NERSA
- Collaboration with law enforcement agencies
- Continued integration and advocacy support from NECOM
- MES indulgence and streamlined EIA process support from DFFE
- Optimised pathway for localisation and industrialisation from **dtic**
- Partnerships and funding support from national and global entities

Integrating risk and resilience

We are committed to effectively managing risk and resilience, which is essential for Eskom's sustainability. This is important, given the vital role we play in the South African economy, our impact on society and the environment, and the ongoing transition of the energy sector. Ultimately, we strive to be a risk-intelligent and resilient organisation, to ensure the achievement of our strategic objectives and contribute to a safer and more resilient society.

The appropriate management of risk and resilience ensures that we can effectively formulate and execute our strategy, operate our business with minimal disruption, respond to and recover from disruptions should they materialise, as well as proactively leverage opportunities as they arise.

It is, therefore, imperative that risks that impact our strategic objectives are proactively identified, consistently managed and continuously monitored, and that the necessary structures and plans are in place to respond to and recover from incidents that threaten our ability to create and preserve value.

We manage risk and resilience throughout Eskom and its subsidiaries using an integrated approach, which conforms to industry standards. Our Integrated Risk Management Standard is aligned to ISO 31000 Risk management – Guidelines, King IV, Government's Risk and Integrity Management Framework for SOCs, the Disaster Management Act, 2002 as well as the requirements of our annual shareholder compact.

In terms of King IV, the Board has overall responsibility for the oversight and governance of risk. The Board approves the Enterprise Risk and Resilience Management Policy and Plan, together with the group's risk appetite and tolerance levels, which outline the level of risk that we are willing to assume in pursuit of our strategic objectives as we navigate our financial, operational and structural challenges.

The Audit and Risk Committee (ARC) maintains oversight of the overall risk management process on behalf of the Board, while individual Board committees provide oversight of relevant risks affecting their areas of focus. As an example, the Business Operations Performance Committee (BOPC) considers risks related to operational performance and oversees the effectiveness of operational interventions, as well as addressing both the operational and strategic changes due to the industry reforms.

When it comes to managing risk and resilience, management is the first line of defence. As such, the day-to-day management thereof is delegated to Exco, supported by its Risk and Sustainability Committee. Exco addresses the key priorities and deliverables of the Enterprise Risk and Resilience Management Plan and monitors risk performance and emerging risks on a quarterly basis, in line with the Board-approved risk appetite and tolerance levels. The assessment of risk appetite as well as strategic and emerging risks forms part of our strategy development process, as depicted below.

OUR RISK LANDSCAPE

As part of our strategy development and execution, we regularly conduct a scan of our environment to identify changes in our operating context and risk landscape because of global and local developments.

IR Refer to "Considering our operating context" from page 17 for further information

The following risk factors have been identified at a global and local level, based on our most recent scan. The potential for disruption to our business activities, and the consequences thereof, inform our approach to risk and resilience management and the treatment of emerging risks.

GLOBAL RISKS

Geopolitical instability and conflicts	Economic slowdown or recession	Energy supply crisis	Cost-of-living crisis
Food supply crisis	Cyber-security threats and attacks on critical infrastructure	Climate change and extreme weather events	Public health emergencies

LOCAL RISKS

High unemployment rate	Inadequate infrastructure and service delivery	Crime and violence	Inequality and social unrest
Governance and corruption	Investor sentiment on emerging markets	Commodity price fluctuations	Political uncertainty

DISASTER RISKS

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

We manage 11 national disaster risks through our Enterprise Resilience Programme, which caters for disaster management as well as emergency preparedness. Individual Exco members take accountability for risk monitoring and response planning for each of these risks.

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

We continue to ensure compliance with the Disaster Management Act, 2002 and manage our response to major threats and disruptions through our resilience command centres. Technical and non-technical vulnerabilities are continuously reviewed. During the year, the disaster risk related to a severe supply constraint was expanded to include higher levels of load reduction through loadshedding stages 9 to 16, as set out in the third edition of NRS048-9, which deals with load reduction and system restoration under power system emergencies.

Simulation exercises are conducted regularly to ensure that Eskom can continue to operate and recover within a reasonably short time in the event of serious incidents or disasters. By January 2024, we had completed all six scheduled grid exercises, in line with Grid Code requirements. Severe generation supply constraints continued to affect our operations during the year, although the risk of a national blackout remains low due to the interventions in place.

A national simulation exercise based on an extreme weather event is planned for the 2025 financial year. Extreme weather related to snow, heavy rains, thunderstorms, strong winds, veld fires and floods pose a risk to our infrastructure and may lead to a loss of supply to customers.

SR For more on our approach to enterprise resilience, refer to "Integrated risk management – Resilience" in the sustainability report

Integrating risk and resilience *continued*

OPERATIONAL AND STRATEGIC RISKS

We assess operational risks across each area of the business based on the magnitude of the consequence and the likelihood of occurrence. Following that, our operational risks are aggregated into strategic risks across several risk categories, covering finance; operations (Generation, Transmission and Distribution); environment and climate change; people, culture and safety; information technology; legal and compliance; and stakeholder management.

These categories are aligned to the Board's risk appetite and tolerance levels and accountable owners are assigned to each risk. Key risk indicators (KRIs) are in place for all risks, serving as a set of leading indicators to ensure that risks are managed proactively and to understand the direction in which risks are moving, and at what rate.

The KRIs reflected in the table are assessed to determine if they are operating outside of our risk appetite and tolerance levels, and are considered either acceptable (●), tolerable (●) or unacceptable (●). All KRIs have treatment plans in place, as successfully treating these risks is paramount to our future success.

Risk appetite statement	Strategic risk description	Key risk indicators	Related material matters	Related turnaround objectives
Finance				
High appetite to return to profitability at a group level and hold positive cash balances across all legal entities	Our financial sustainability remains compromised by revenue shortfalls arising from NERSA's revenue and regulatory clearing account (RCA) determinations, resulting in below-cost-reflective tariffs. This is exacerbated by delays in NERSA's decisions and the recovery of RCA balances. Furthermore, Eskom continues to experience declining sales volumes, operational challenges resulting in increasing costs, non-payment by customers and escalating municipal arrear debt, together with the effects of crime, fraud and corruption. Poor financial performance also impacts operational sustainability Nevertheless, the risk to financial sustainability, liquidity and our status as a going concern has improved due to Government's debt relief support. The debt relief is intended to address our high levels of debt and is subject to strict conditions, non-compliance with which will require us to repay the subordinated loan at market rates	● EBITDA ● EBITDA margin ● Free cash flow ● Capital expenditure ● Government support	M1 M2 M6	FR OR PCE
Operations: Generation				
High appetite to provide reliable electricity by delivering on the Generation Recovery Plan and other initiatives to end loadshedding. This will be achieved by operating the plant efficiently and safely through a skilled and competent workforce, while remaining mindful of limiting environmental harm. Generation will further leverage opportunities through partnerships towards becoming a cleaner producer of electricity, thereby enabling South Africa's aspiration of net zero emissions by 2050	Operational performance has been hampered by poor generating plant performance, poor quality of outage execution, unreliability of new generating units, coal-related challenges and water plant challenges at certain power stations. This frequently results in system constraints and the perceived risk of a national blackout, causing a decline in stakeholder confidence. This is exacerbated by risks to the Koeberg long-term operation (LTO) project as well as the potential loss of our licence to operate due to poor environmental performance and non-compliance with environmental laws and regulations, which may lead to the shutdown of generating plant and/or litigation An unfavourable MES decision from the Minister of DFFE may lead to the possible shutdown of non-compliant power station units, with an immediate impact of 16GW, and a total impact of 30GW by April 2025 – a situation that would be untenable for South Africa's economy. After year end, the Minister issued a decision favourable to the continued operation of our power stations in May 2024, subject to certain conditions	● Energy availability factor ● Coal stock levels (number of stations below minimum levels) ● Power station water reservoir levels ● Koeberg LTO project schedule ● Particulate emissions ● Committed MES projects on schedule	M1 M2 M3 M4 M6	FR OR PCE LS

Material matters

- M1 Enhancing financial sustainability
- M2 Improving operational stability
- M3 Recovering environmental performance
- M4 Addressing climate change
- M5 Restoring leadership stability
- M6 Ensuring adequate skills
- M7 Fulfilling Eskom's developmental mandate
- M8 Focusing on governance, compliance and ethics
- M9 Combatting crime, fraud and corruption
- M10 Executing the legal separation

Turnaround objectives

- FR Financial recovery
- OR Operations recovery
- PCE People, culture and ethics
- LS Legal separation

Integrating risk and resilience *continued*

Risk appetite statement	Strategic risk description	Key risk indicators	Related material matters	Related turnaround objectives
Operations: Transmission				
High appetite to provide a reliable and efficient transmission network, System Operator and energy market service in South Africa and designated electricity markets, as well as to protect the national grid using load reduction and loadshedding as control measures, to ultimately prevent a national blackout. This will be achieved through the implementation of the Transmission Sustainability Improvement Plan, which incorporates the TDP	Failure to provide adequate transmission infrastructure to integrate new generation sources timeously, caused by a lack of resources and delays in statutory approvals, may lead to inadequate electricity supply to the country. Furthermore, the inability to arrest the incidence and severity of theft, vandalism and other security incidents affecting transmission assets may lead to operational disruption and financial losses The legal separation of Transmission experienced delays against the original timelines, caused by a lack of alignment with stakeholders as well as external dependencies. The implementation of a competitive market is dependent on various external dependencies, including enabling policy, amendments to legislation as well as a regulatory framework. NTCSA commenced trading on 1 July 2024	● Installation of new transmission lines and transformers ● Number of severe security incidents ● Number of armed security incidents	M1 M2 M9 M10	FR OR PCE LS
Operations: Distribution				
High appetite to power economic growth through the distribution of reliable electricity and related energy services to customers in a sustainable manner. Furthermore, we aim to improve revenue collection through a focused financial recovery programme for financial sustainability	An increase in energy losses, caused by electricity theft, illegal connections, meter tampering, illegal vending, theft and vandalism of network equipment, as well as errors, result in revenue loss. This is exacerbated by regulatory uncertainty and below-cost-reflective tariffs arising from a regulated tariff structure that leads to misalignment between how costs are incurred and recovered. Furthermore, Distribution's financial sustainability is compromised by escalating arrear debt due to the non-payment of municipal bulk accounts, as well as decreasing sales volumes. Reduced funding and capital investment may lead to an inability to sustain network performance within regulatory norms	● Energy losses ● Trend of local sales ● Payment levels (all customers including municipalities) ● SAIDI	M1 M2 M9	FR OR PCE
Environment and climate change				
High appetite to comply with relevant environmental legislation and reduce our negative impact on the environment through emissions and discharge pollution, as well as to make a positive impact on water conservation, air quality and biodiversity High appetite to mitigate greenhouse gases, safeguard our infrastructure from adverse climatic changes and shape sustainable development best practices by implementing climate change adaptation strategies	Deteriorating environmental performance and non-compliance with laws and regulations could result in the loss of our licence to operate, the shutdown of generating plant, litigation, environmental degradation, penalties and fines Eskom may fail to transition from a coal-based power system to a lower-carbon and climate-resilient company due to obstacles on the net zero pathway and no allocation to Eskom of low-carbon technology in South Africa's revised Integrated Resource Plan, leading to a failure to invest in an optimal combination of clean technologies to achieve reductions in CO_2 emissions. This is exacerbated by the competing objectives of ensuring security of supply and electricity affordability, as well as technological limitations which limit the rate at which Eskom and South Africa can transition	● Environmental legal contraventions ● Particulate emissions ● Greenhouse gas emissions ● Water use performance ● Red data bird mortalities	M1 M2 M3 M4	FR OR PCE LS
People, culture and safety				
High appetite for ensuring the health and safety of employees, contractors and members of the public, in accordance with our value of Zero Harm, by eliminating fatalities and reducing injuries. Furthermore, there is no appetite to negatively affect human health High appetite for a skilled, competent, ethical and high-performance organisation by embedding an innovative culture and accountable leadership	Health and safety may be compromised by failing to effectively implement occupational health and safety improvement initiatives, which may lead to harm (injuries, fatalities or damage to the environment, equipment or property), thereby decreasing productivity and damaging our reputation. Furthermore, the inability to fulfil our societal, legal and moral duty to protect the health and wellbeing of those affected by our operations may lead to potential harm to the public, as well as legal, reputational and financial risks Critical workforce skills not being available as required by the strategic workforce plan may lead to a reduction in productivity levels and an inability to achieve business objectives. Furthermore, the potential lack of a speak-up culture in response to ethical issues, caused by a lack of trust and fear of victimisation, may result in the perpetuation of an unethical culture	● Employee and contractor fatalities ● Lost-time injury rate (LTIR) (employees) ● LTIR (contractors) ● Combined total recordable incidence rate (including first aid and medicals) ● Public recordable fatal incident rate and reduction of public fatalities ● Percentage of identified successors with development plans ● Percentage achievement in proficiency levels in operations over a three-year period ● Employee engagements ● Organisational culture	M5 M6 M7 M8 M9	FR OR PCE

Integrating risk and resilience *continued*

Risk appetite statement	Strategic risk description	Key risk indicators	Related material matters	Related turnaround objectives
Information technology				
High appetite to lead the direction of information technology proactively and holistically, while enabling, empowering and co-creating innovative technology solutions in support of our strategic intent	Exposure to malicious activities and cyber-security attacks may affect critical business systems and lead to legal, operational and financial implications. Furthermore, potential server room interruptions, caused by inadequate backup power supply during unplanned power outages, may lead to system downtime, data corruption or loss, damage to critical infrastructure and disruption of operations	● Percentage availability of critical information technology systems (infrastructure and applications) ● Number of successful data breaches or losses with legal, operational and financial implications (including operational technology)	M1 M2 M8 M9	FR OR PCE
Legal and compliance				
No appetite for any non-compliance with compliance obligations, or to compromise on compulsory requirements or voluntary commitments, which may cause harm to the organisation. Furthermore, there is no appetite for unethical conduct, crime, fraud and corruption in general	The inability to provide advice or independent assurance of our compliance maturity status, caused by inadequate time and resources dedicated to compliance activities, may lead to delays in effectively addressing any inadequacies in the management of existing compliance obligations, thereby increasing the risk of contraventions Compliance with certain areas of the PFMA has been a challenge in recent years: the misstatement of irregular expenditure as well as fruitless and wasteful expenditure and losses due to criminal conduct resulted in a qualified audit opinion. Furthermore, instances of crime, fraud and corruption, if not brought under control, may negatively impact the organisation and our reputation further Unethical behaviour, undue influence on procurement practices, ineffective controls, non-adherence to controls, as well as inadequate internal monitoring and oversight to prevent, detect and correct unethical or non-compliant behaviour, may lead to financial losses, operational disruption, reputational damage and deterioration of our ethical culture	● Adequacy of performance compacting of compliance resources and time spent on compliance ● Management of obligations (understanding and controlling obligations and monitoring effectiveness of compliance) ● Management of identified breaches	M1 M2 M3 M7 M8 M9	FR OR PCE
Stakeholder management				
High appetite to restore our reputation and role in society, by enhancing our stakeholder management capability, proactively aligning our approach to stakeholders' expectations and ensuring better organisational performance. This is underpinned by an effective, efficient, timeous and integrated communication plan	Failure to sufficiently assess and proactively respond to stakeholder expectations, as well as inconsistent communication and lack of transparency, may impact stakeholder trust and lead to the loss of relationships with key stakeholders. This will impact the organisation on multiple levels, putting achievement of our strategic objectives in the short, medium and long term at risk. Furthermore, our brand and reputation may be affected by stakeholders conveying negative perceptions of the organisation From a socio-economic perspective, the inability to achieve the targeted number of beneficiaries for corporate social investment (CSI) initiatives, due to budget constraints and delays in the implementation of planned projects, may negatively affect our reputation in the communities in which we operate	● Media tonality decrease ● Media share of voice ● Stakeholder sentiment ● CSI beneficiaries	M1 M2 M3 M4 M5 M6 M7 M8 M9 M10 Effective stakeholder management influences the outcomes of all material matters	FR OR PCE LS

Governance and ethics

Report by the Board

for the year ended 31 March 2024

DIRECTORSHIP AND ATTENDANCE

Number of meetings[1]	22
Directorship at year end	
Chair: Dr Mteto Nyati[2]	20/22
Mr Dan Marokane[3]	1/1
Mr Calib Cassim[4, 7]	18/19
Ms Fathima Gany	19/22
Mr Lwazi Goqwana	22/22
Mr Clive le Roux	21/22
Ms Ayanda Mafuleka	19/22
Mr Leslie Mkhabela	19/22
Dr Tsakani Mthombeni	19/22
Mr Bheki Ntshalintshali	22/22
Ms Tryphosa Ramano	17/22
Dr Busisiwe Vilakazi	21/22
Dr Claudelle von Eck	22/22
Former directors	
Mr Mpho Makwana[2]	17/17
Dr Rod Crompton[5]	22/22
Mr Martin Buys[6, 7]	18/18

1. The number of meetings excludes workshops and other engagements where attendance is not formally recorded.
2. Mr Mpho Makwana resigned as Chairman of the Board on 30 October 2023. Thereafter, Dr Mteto Nyati took over as Chairman of the Board.
3. Appointed as GCE from 1 March 2024.
4. Served as acting GCE from 24 February 2023 to 29 February 2024. Returned to the position of GCFO from 1 March 2024.
5. Resigned as a non-executive director on 27 February 2024.
6. Served as an executive director, in the position of acting GCFO, from 21 March 2023 to 29 February 2024. Returned to the position of General Manager: Financial and Management Reporting from 1 March 2024.
7. Three meetings were held for non-executive directors only. This is reflected in the lower number of total meetings for executive directors.

IR Refer to page 13 for further information on the composition of the Board

PURPOSE

The Board fulfils the primary roles and responsibilities of a governing body outlined in the Companies Act, 2008, the PFMA, 1999 and King IV by:

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

KEY ACTIVITIES AND DECISIONS

The Board considered and/or approved the following key matters, many of which were considered and recommended to the Board by its committees:

- Power system outlook for the winter and summer periods
- Matters raised in the public domain by the former GCE, Mr André de Ruyter. The Board mandated management to commission an independent inquiry into allegations of fraud and corruption. Refer to "Promoting an ethical culture" from page 54 for further information
- Recruitment process for the GCE and recommendation of the candidate shortlists to the shareholder
- Appointment of the Group Executive: Generation
- Eskom's revised delegation of authority, which was subsequently implemented from 1 June 2024
- Results from the independent board evaluation, a summary of which is covered under "Board evaluation" from page 45
- Eskom's revised Just Energy Transition (JET) strategy
- Several power purchase agreements and proposals relating to various projects
- Group annual financial statements compiled on the basis of the going concern principle, together with the integrated report, sustainability report, management representation letter and the decision not to declare a dividend to the shareholder for the year ended 31 March 2023
- Group interim financial statements and interim performance commentary for the six months ended 30 September 2023, including the adoption of the going concern principle
- Status of external audit findings and recommended remedial plans to be implemented by management
- Conclusion with the shareholder of the shareholder compact and addendum for the 2024 financial year
- Quarterly shareholder reports submitted to the shareholder covering the performance of the Eskom group against the agreed shareholder compact
- Proposed shareholder compact for the 2025 financial year submitted to the shareholder
- Eskom's Corporate Plan for the 2025 to 2029 financial years submitted to the shareholder and National Treasury
- Submission of requests for approval to the shareholder for the implementation of performance-based remuneration adjustments for employees, as well as the reinstatement of short-term and long-term incentive schemes for employees
- Submission of various transactions requiring PFMA approval to the shareholder
- Recommendation to the shareholder of non-executive directors for appointment to the board of the National Transmission Company South Africa SOC Ltd (NTCSA)
- Key resolutions for Transmission's legal separation, including recommended changes to Eskom's and NTCSA's MOIs
- Resolutions on the implementation of the merger agreement between Eskom and NTCSA, the implementation plan and timelines for the legal separation of Transmission and commencement of trade of NTCSA
- The intercompany loan and related transactional documents for the legal separation of Transmission, including amendment of the Government Support Framework Agreement for IPP contracts transferred to NTCSA
- As shareholder of NTCSA, approved the upstream guarantee for NTCSA on recommendation from the NTCSA board
- Solvency and liquidity test for Eskom and NTCSA following the NTCSA transaction
- Terms of the merger agreement and subscription agreement between Eskom and the National Electricity Distribution Company of South Africa SOC Ltd (NEDCSA)
- Submission of the due diligence report for a possible new Eskom holding company for consideration by Government

BOARD COMMITTEES

The Board is supported by six committees to ensure effective execution of its responsibilities, namely the:

- Audit and Risk Committee (ARC)
- Business Operations Performance Committee (BOPC)
- Governance and Strategy Committee (GSC)
- Human Capital and Remuneration Committee (HCRC)
- Investment and Finance Committee (IFC)
- Social, Ethics and Sustainability Committee (SES)

Report by the Board *continued*

Authority is delegated to these committees without diluting the Board's own accountability. The Board reviews and approves the terms of reference of these committees annually, to define their composition, mandate, roles and responsibilities.

All Board committees are comprised of and chaired by independent non-executive directors. When required, the GCE, GCFO and other executive members of management attend committee meetings as officials. During the year, the Board considered and/or approved information, opinions, recommendations, reports and statements from its committees, as detailed under the key activities of the respective Board committee reports that follow.

FUTURE FOCUS AREAS

The Board has identified six priority focus areas which are being driven through the activities of its committees:

- Stabilising the leadership team and building a leadership pipeline (HCRC)
- Turning around operational performance to reduce and, ultimately, end loadshedding (BOPC)
- Strengthening the balance sheet (ARC; GSC; IFC)
- Executing the legal separation and securing Eskom's rightful place in the changing electricity industry (cross-cutting for all committees)
- Fighting against crime, fraud and corruption (ARC; SES)
- Engaging with stakeholders (GSC; SES)

BOARD EVALUATION

Although principle 9 of King IV recommends that board evaluations be performed every second year, Eskom conducts a board evaluation annually in line with DPE's SOC Board Evaluation Framework to support the Board's continued improvement.

During the year, the Board undertook an independent evaluation of its effectiveness over the period 1 September 2022 to 31 August 2023. The evaluation was conducted by Mazars Advisory Services (Pty) Ltd (Mazars) and considered the effectiveness of the Board and its committees across seven dimensions. Board members also completed peer reviews and self-evaluations, with evaluation reports prepared for each Board member in addition to the report covering the Board as a whole.

The average scores (out of 5) achieved by the Board across each of the seven dimensions are shown below:

4.00 Board composition	"The composition of the Board is a healthy and varied mix of professional skills and experience … Demographically, the composition is a positive one"
4.50 Board responsibilities	"Board members are generally passionate about their role, not only to Eskom but to the country … They felt empowered to carry out their board responsibilities"
3.55 Ethical leadership	"The Board is committed and aware of the need to not only create awareness around various legislation and documents associated with ethical leadership, but to also systematically institutionalise it … Finding means and ways to cascade an ethical culture into the operating models and systems at Eskom"
3.21 Board meetings	"The Board, owing to the complexity and problems they walked into, had a high frequency of meetings during the review period"
3.67 Sustainability	"The Board is strong on discussions relating to Eskom's financial management and the relevant interventions that need to be put in place … Similarly, the Board conducts sufficient deliberation through its committees on environmental and social issues"
2.95 Relationship with management	"The Board's relationship with management was greatly affected by the contentious exit of the former GCE … The Board, alongside the acting GCE, are trying to work in an otherwise abnormal situation"
3.57 Stakeholder engagement	"The Board has desired to be known as an "engaged board" … The Board has yet to meet all stakeholders owing to time constraints as a result of the significant operational challenges and their short tenure"

At the time of this evaluation, the Board had served for less than a year. The Board was appointed on 1 October 2022 against the backdrop of an exceptionally difficult period in Eskom's history, following the introduction of the Energy Action Plan by President Cyril Ramaphosa in July 2022 to address South Africa's energy crisis. This necessitated the Board's involvement in operational matters, beyond its strategic oversight role.

Regrettably, the Board's relationship with management was negatively affected by leadership instability following the departure of the former GCE, Mr André de Ruyter, in February 2023, together with several vacant executive positions. The recent appointment of Mr Dan Marokane as GCE and the return of Mr Calib Cassim to the GCFO position under a permanent employment agreement have contributed to improved leadership stability. The Board continues to focus on filling vacant executive positions and succession planning for executive management.

The need for a high-performance ethical culture and the inadequate application of consequence management were highlighted as areas for improvement by the Board, together with the need for frequent meetings and the length, quality and lateness of submissions to the Board and its committees.

Despite these challenges, Mazars noted positive development across all seven dimensions and concluded that the Board is well capacitated in terms of skills and diversity, and equally positive and committed to driving change across the organisation to effect a positive impact on the country. The Board is focused on ensuring that internal structures and processes are fit-for-purpose to support its strategic oversight role, and that management is capacitated and enabled to drive Eskom's turnaround.

Report by the Audit and Risk Committee (ARC)

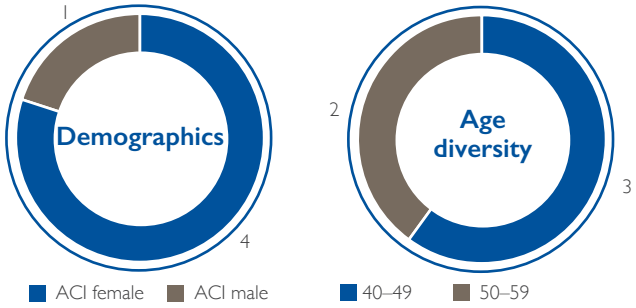
for the year ended 31 March 2024

MEMBERSHIP AND ATTENDANCE

Number of meetings	19
Membership at year end	
Chair: Ms Fathima Gany	18/19
Ms Ayanda Mafuleka	17/19
Mr Leslie Mkhabela	14/19
Dr Busisiwe Vilakazi	19/19
Dr Claudelle von Eck	19/19
Former members	
Dr Rod Crompton[1]	16/19

1. Resigned as a director from 27 February 2024.

Representation at year end



Committee's focus	Composition
Financial capital Human capital Intellectual capital	5 members 100% independent non-executive directors GCE and GCFO attend by invitation as officials

PURPOSE

The committee's roles and responsibilities include:

- Performing the statutory functions of an audit committee set out in the Companies Act, 2008 and the PFMA, 1999, including oversight of internal and external audit functions, financial reporting, internal control systems, as well as risk and compliance management
- Overseeing risks and opportunities and the governance of information technology, including cyber-security
- Serving as the statutory audit committee for Eskom's wholly owned subsidiaries, with the exception of Escap SOC Ltd and Nqaba Finance 1 (RF) Ltd, which have their own audit committees. Going forward, NTCSA established its own statutory audit committee in May 2024, following the appointment of independent non-executive directors to the NTCSA board from 1 February 2024

KEY ACTIVITIES DURING THE YEAR

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

- Group annual financial statements, integrated report, subsidiary annual financial statements and related documents for the 2023 financial year, including the report of the Audit and Risk Committee, the external audit opinion, the going concern assessment, the status of reportable irregularities and the management representation letter to the external auditors
- External auditor progress reports, key audit matters and the external audit opinion, including the schedule of unadjusted audit differences and final audit fees, relating to the 2023 financial year
- Feedback on addressing audit findings, including those related to non-compliance with the PFMA; crime, fraud and corruption; as well as outstanding reportable irregularities
- Eskom's King IV application register for the 2023 financial year
- Group interim financial statements and interim performance commentary for the six months ended 30 September 2023, including feedback from the external auditor's review thereof
- Statutory audit engagement letter for the 2024 financial year, as well as other audit-related services performed by the external auditors
- Audit oversight strategy of the Auditor-General of South Africa (AGSA)
- Three-year rolling strategic internal audit plan, including the annual audit plan and combined assurance plan for the 2025 financial year, as well as Eskom's audit recovery action plan
- Eskom's fraud prevention plan for the 2025 financial year
- Insurance plan and budget for the 2025 financial year
- The organisational structure, disciplines and reporting lines of the then Assurance and Forensics Department, to restructure the department into separate internal audit and forensics functions, as well as enhancing the capability of the forensics function to execute on findings
- Eskom's financial plan and funding drawdown plan for the 2025 to 2029 financial years for inclusion in the Corporate Plan, as well as the shareholder compact for the 2025 financial year
- Quarterly shareholder reports covering the Eskom group's performance against the shareholder compact and other strategic matters for the shareholder's attention, such as compliance with Government's debt relief conditions, which were submitted to DPE and National Treasury
- Status updates on Generation's initiatives to improve inventory management and coal supply assurance projects in response to external audit findings
- Progress on Eskom's municipal debt management initiatives, including the municipal debt relief programme
- Progress on the legal separation of Transmission, as well as the intercompany loan, transactional documents and other matters relating to NTCSA
- Solvency and liquidity test for Eskom and NTCSA following the NTCSA transaction
- The section 45 resolution required in terms of the Companies Act, 2008 for granting of financial assistance among related or inter-related companies
- Feedback on the implementation of Eskom's digital business transition and blockchain technology
- Feedback from the legal advisor appointed to consolidate the findings of the private intelligence dossier commissioned by the former GCE
- Progress on Eskom's security vetting programme

In addition, the committee provided oversight and considered reports on areas such as internal audit and combined assurance; Eskom's fraud prevention plan and forensic investigations; the risk landscape and Priority 1 risks; information technology governance and performance; PFMA compliance; as well as litigation and other significant legal matters.

During the year, ARC held several in-committee meetings to deliberate on confidential and sensitive matters. These included matters relating to crime, fraud and corruption; the use of data analytics to identify suspicious transactions that should be investigated; as well as executive vacancies and suspensions.

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

FUTURE FOCUS AREAS

Focus areas for the coming year include:

- Appointing a member with expertise in digital transformation and insurance
- Considering liquidity risk, sustainability risk relating to financial reporting, Eskom's status as a going concern, as well as efforts to improve the income statement and strengthen the balance sheet
- Reviewing the effectiveness of the finance function, PFMA Loss Control Department, risk and compliance management and the internal control environment
- Monitoring the organisation's effectiveness in implementing recommendations from forensic findings and dealing with consequence management, to ensure that contraventions are appropriately addressed
- Assessing the capacity and capability of the organisation to combat crime, fraud and corruption, including the consolidation of Eskom's investigative functions into the Group Investigations and Security function, to investigate these matters and implement recommendations from investigations
- Monitoring progress on Eskom's legal separation and compliance with Government's debt relief conditions
- Overseeing implementation of Eskom's fraud prevention plan and initiatives to address matters identified through both internal and external processes, including non-technical energy losses arising from ghost vending
- Exercising ongoing oversight of information technology and operational technology management, including cyber-security, and addressing findings related to the breakdown of critical controls in the online vending system
- Monitoring of combined assurance, including overseeing the internal audit function and the external audit processes
- Overseeing the preparation of the annual financial statements of Eskom and its subsidiaries and the integrated report for the Eskom group

Assurance and control environment

ARC sets direction and provides oversight on assurance, forensics, risk management, controls, compliance and the governance of information technology across the organisation in accordance with the related principles of King IV.

On an annual basis, ARC approves the charter of the Internal Audit Department, together with a risk-based audit plan and fraud prevention plan, to address the complexity of risks facing the organisation. The Internal Audit Department represented by the Chief Audit Executive reports directly to ARC and maintains independence from executive management by determining the scope of internal audits and assurance projects, performing assurance work and communicating results free from interference.

The Internal Audit Department facilitates and coordinates the execution of combined assurance activities in Eskom. The combined assurance model covers supervision and oversight from line management; specialised risk, control and compliance functions; a combination of internal and external assurance; and, ultimately, oversight by ARC and the Board. This approach seeks to enable an effective control environment, to provide reasonable assurance and support the accuracy and integrity of information used for decision-making and reporting to stakeholders.

The audit plan for the 2025 financial year is focused on the following key themes:

Operational sustainability	Financial sustainability
Project management	Procurement and supply chain management
Organisational restructuring	Risk, governance and compliance
Maintenance management	Information management
Contract management	Human resources management

Quarterly evaluations are undertaken and amendments to the audit plan are considered in response to changes in operations, risks, processes, systems and controls to ensure that the audit plan remains adaptive and risk-based.

IR Refer to "Promoting an ethical culture" from page 54 for further information on the fraud prevention plan

INTERNAL AUDIT ASSESSMENT

On a quarterly basis, the Internal Audit Department reports to ARC on the status of governance, risk management, compliance and the adequacy and effectiveness of preventative and corrective controls. Based on the findings from the audits planned and completed during the 2024 financial year, Eskom's Internal Audit Department has concluded the following:

Governance	Internal controls
Governance requires improvement in respect of compliance with applicable laws and regulations. Board initiatives to enhance systems, controls, resources, policies and procedures as well as reporting structures are in progress. Enhancements are not yet effective as there are areas that require significant improvement, such as compliance with the PFMA, 1999. The successful implementation of the turnaround plan remains a leadership priority	In general, the design of internal controls is adequate, although application remains only partially effective and requires improvement and focused effort by management. Control deficiencies were identified relating to compliance with operational management processes, supply chain management, contract management, sustainability management, as well as legal, regulatory and compliance processes, among others
Risk management	**Financial controls**
The design of the system of risk management for identifying, managing and reporting on risk is adequate, although the system of controls relating to compliance is only partially effective	The system of internal financial controls is adequate and provides a reasonable basis for the preparation of Eskom's financial statements

EXTERNAL AUDIT OPINION

The independent auditors, Deloitte & Touche, issued a qualified opinion relating to the quantification and disclosure of information required in terms of the PFMA, 1999. Except for this qualification, Eskom's financial statements are considered to be fairly presented in terms of IFRS Accounting Standards. Furthermore, the independent auditors have emphasised a number of matters in their report, including a material uncertainty relating to Eskom's ability to continue as a going concern. However, these matters do not affect their opinion.

AFS Refer to the independent auditor's report in the annual financial statements for further information

ARC CONCLUSION

Based on feedback on the results of the combined assurance activities, ARC noted that the internal control environment requires significant improvement and therefore, ARC had to place higher reliance on the work of external assurance providers. The committee noted the continuing breakdown in internal controls over financial reporting, as well as inadequacies in general controls over information and operational technology, and emphasised the need for remedial action and improvement.

IR An investigation uncovered the bulk generation of illicit prepaid electricity tokens which exposes Eskom to various risks. For further information, refer to "Our infrastructure – Ghost vending in perspective" on page 79

The system and process of risk management is adequate, although the effectiveness thereof needs to be improved. The compliance framework requires continued focus in its application, especially in terms of PFMA requirements and contract management.

ARC acknowledged management's efforts to remedy identified weaknesses but is concerned that the internal control environment has not improved significantly, with matters not addressed at the rate required to reduce the risk exposure to the business. Consequence management needs to be improved to address crime, fraud and corruption as well as non-compliance with well-documented processes, policies and procedures. Furthermore, ARC noted the need for additional resources and skills in the finance, internal audit and forensics functions. Specialist skills are required to enhance the value that these functions add to the group.

Despite these shortcomings, ARC concluded that the compensating measures in place to combat any identified breakdown in the system of internal financial controls are adequate to provide a reasonable basis for the preparation of Eskom's financial statements.

The committee also assessed the ability of the company and the group to continue to operate as a going concern in the foreseeable future, by considering liquidity based on the latest cash flow forecasts and stress-tested scenarios for 12 months after signoff of the financial statements.

ARC acknowledged that there are various dependencies and material uncertainties that may cast significant doubt on the going concern assessment, including whether the plans to address the risks to manage the going concern will materialise as anticipated. Although the liquidity position has improved due to Government's debt relief, liquidity beyond March 2026 remains at risk given the group's financial and operational challenges, including growth in overdue municipal and metro debt partly due to poor compliance with the municipal debt relief programme, and funding required for the Transmission Development Plan. It is also imperative that the improved generation plant performance is sustained.

ARC concluded that there is a reasonable expectation that the material uncertainties affecting Eskom's going concern will be satisfactorily addressed by the mitigation strategies in place, particularly due to the continued financial support from Government. Consequently, ARC recommended to the Board that the adoption of the going concern basis of accounting is appropriate.

AFS Refer to the report of the Audit and Risk Committee and note 3.2 in the annual financial statements for further information

Report by the Business Operations Performance Committee (BOPC)

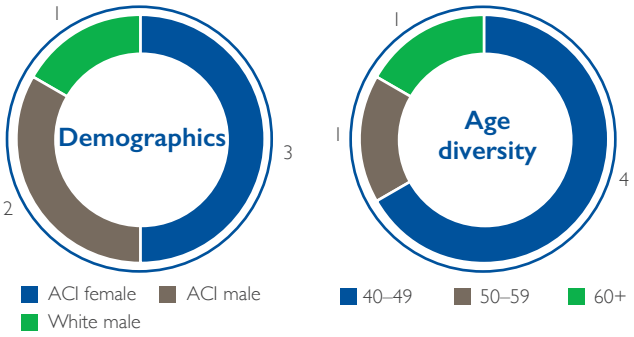
for the year ended 31 March 2024

MEMBERSHIP AND ATTENDANCE

Number of meetings	10
Membership at year end	
Chair: Mr Clive le Roux[1]	8/10
Mr Lwazi Goqwana	9/10
Ms Ayanda Mafuleka	6/10
Dr Tsakani Mthombeni	10/10
Ms Tryphosa Ramano	7/10
Dr Busisiwe Vilakazi	9/10
Former members	
Dr Mteto Nyati[1]	6/7
Dr Rod Crompton[2]	7/10

1. Dr Mteto Nyati stepped down as chair of BOPC following his appointment as Chairman of the Board from 31 October 2023. Thereafter, Mr Clive le Roux took over as chair of BOPC.
2. Resigned as a director from 27 February 2024.

Representation at year end



Committee's focus	Composition
Manufactured capital	6 members
Natural capital	100% independent non-executive directors
Human capital	GCE attends by invitation as an official
Intellectual capital	
Social and relationship capital	

PURPOSE

The committee's responsibilities include:

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

KEY ACTIVITIES DURING THE YEAR

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

- Generation's operational performance, including the system outlook for the winter and summer periods
- Independent review of Generation's recovery plan, together with progress updates on the plan to address Generation's turnaround
- Feedback from an external engineering consultant on the state of the generation plant
- Strategic review of the continued operation of coal-fired power stations
- Briefing on the Koeberg long-term operation (LTO) project, which will enable the power station to operate safely for another 20 years
- Eskom's coal supply plan
- Feedback on major power station unit incidents
- Acceleration of the Komati Power Station repowering and repurposing project
- Delivery against Eskom's mandate of preventing a national blackout, as well as readiness to respond and restore the national power system from a national blackout
- Transmission's operational performance, the Transmission Development Plan (TDP) and related progress
- Distribution's operational performance and grid access initiatives
- Technical review of the funding of the battery energy storage system (BESS) project
- The status of major projects, including operational technology and information technology projects
- Review of technical aspects included in the internal audit catalyst and forensic catalyst reports
- Update on the legal separation progress
- Technical aspects and assumptions included in the Corporate Plan for the 2025 to 2029 financial years and the shareholder compact for the 2025 financial year

FUTURE FOCUS AREAS

Focus areas for the coming year include:

- Overseeing the Generation Recovery Plan and outage management programme for the short, medium and long term
- Reviewing the adequacy of the power system for the upcoming winter and summer periods
- Shifting the Generation Recovery Plan from capacity monitoring to reliability monitoring
- Establishing leading indicators for Generation performance reporting
- Reviewing technical performance and operational issues, including production issues, customer service issues, related corporate procedures, as well as safety, security, health, environmental and insurance matters
- Monitoring progress against shareholder compact and Corporate Plan targets relating to the production and supply of electricity
- Overseeing coal, nuclear and renewable primary energy supplies
- Considering Generation's involvement in new clean energy production
- Monitoring the implementation of the TDP by NTCSA
- Overseeing Distribution's operational performance, including the use of technology to address energy losses
- Providing guidance and assurance on production and operational risks identified and determining whether appropriate mitigation measures are in place
- Regularly considering proposed changes to measures reported in the Operational Health Dashboard, other operational reports and any other operational indices
- Reviewing findings and the implementation of recommendations from major technical investigations and technical audits on a regular basis

Report by the Governance and Strategy Committee (GSC)

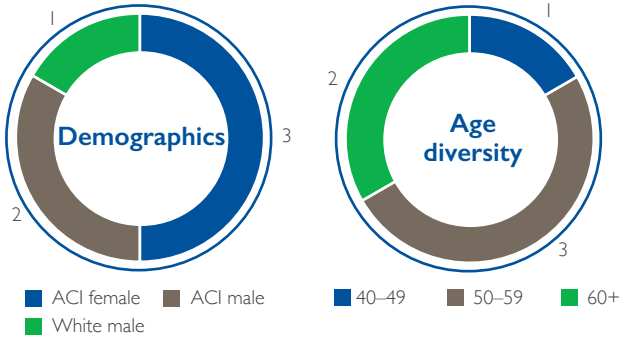
for the year ended 31 March 2024

MEMBERSHIP AND ATTENDANCE

Number of meetings	14
Membership at year end	
Chair: Dr Mteto Nyati[1]	13/14
Ms Fathima Gany	13/14
Mr Clive le Roux[2]	3/4
Mr Bheki Ntshalintshali	13/14
Ms Tryphosa Ramano	8/14
Dr Claudelle von Eck	13/14
Former members	
Mr Mpho Makwana[1]	10/10

1. Mr Mpho Makwana, former chair of GSC, resigned as a director from 30 October 2023. Thereafter, Dr Mteto Nyati took over as chair of GSC.
2. Appointed as a member from 31 October 2023.

Representation at year end



Committee's focus	Composition
Financial capital	6 members
Manufactured capital	100% independent non-executive directors
Natural capital	GCE and GCFO attend by invitation as officials
Human capital	
Social and relationship capital	

PURPOSE

The committee's responsibilities include:

- Overseeing implementation of Government directives, roadmaps and policy documents relating to the restructuring of Eskom and the electricity supply industry
- Making recommendations to the Board on Eskom's long-term strategy and restructuring
- Overseeing implementation of Eskom's strategy and turnaround plan
- Ensuring the alignment of strategies and plans between Eskom and its subsidiaries, including the future roles of the Generation, Transmission and Distribution businesses
- Making recommendations and driving key actions with various stakeholders to ensure the financial sustainability of Eskom, including strengthening of the balance sheet
- Reviewing the Board's size, composition, qualifications, skills, experience and diversity and making recommendations to the Board and nominating directors to the shareholder
- Overseeing the annual evaluation of the Board, its committees and subsidiary boards and making recommendations to the Board on the structure of its committees and the appointment of directors to subsidiary boards

KEY ACTIVITIES DURING THE YEAR

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

- Eskom's strategic planning assumptions and implications
- Progress against Eskom's strategic objectives, the change management plan for Eskom's 2035 strategy, as well as the JET strategy
- The Corporate Plan for the 2025 to 2029 financial years and the shareholder compact for the 2025 financial year
- Lessons learnt from the shutdown of Komati Power Station
- Quarterly performance discussion on Exco's compacting process
- Adoption of a balanced scorecard approach for the performance compacting cycle for all direct reports of the GCE for the 2025 financial year
- Progress update on legal separation, alignment on timelines as well as key resolutions to support the legal separation of Transmission
- Recommendations on the implementation of the merger agreement between Eskom and NTCSA, the amendment of the Government Support Framework Agreement for IPP contracts transferred to NTCSA, as well as the implementation plan and timelines for the legal separation of Transmission and commencement of trade of NTCSA
- Progress on the establishment of the Distribution System Operator
- Recommended candidates to the Board for the appointment of the Eskom GCE as well as NTCSA board members, for eventual recommendation to the shareholder
- Appointment of Ms Priscillah Mabelane as chairperson and Dr Brian Armstrong as lead independent director of the board of NTCSA
- Appointment of the acting CEO of Escap SOC Ltd while awaiting finalisation of the recruitment process for a permanent CEO
- Status update on supplier litigation and legal cases impacting Eskom
- Appeals and associated legal liabilities related to the Minimum Emissions Standards (MES)
- Feedback on protection against data leakage

FUTURE FOCUS AREAS

Focus areas for the coming year include:

- Overseeing the implementation of Eskom's turnaround plan, with a focus on addressing the national energy crisis
- Supporting the implementation of the President's Energy Action Plan and collaborating with the Minister of Electricity and Energy, NECOM and the National Joint Operational and Intelligence Structure (NATJOINTS)
- Monitoring progress against key milestones of Eskom's legal separation, with a focus on the commencement of trade of NTCSA and the corporatisation of NEDCSA
- Reviewing Eskom's strategy to respond to developments in the operating environment and Government's revised Strategic Intent Statement for Eskom
- Recommending the shareholder compact, Corporate Plan, budgets and financial plans to the Board for approval

Report by the Human Capital and Remuneration Committee (HCRC)

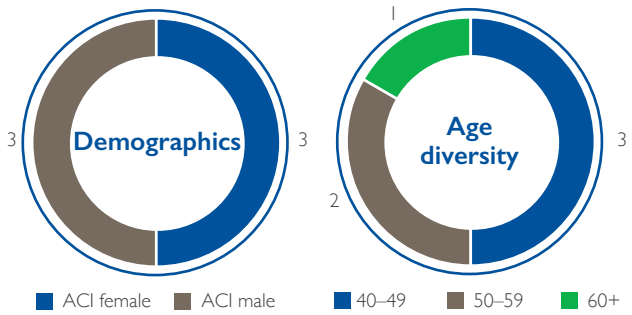
for the year ended 31 March 2024

MEMBERSHIP AND ATTENDANCE

Number of meetings	8
Membership at year end	
Chair: Dr Claudelle von Eck	8/8
Ms Fathima Gany	8/8
Ms Ayanda Mafuleka[1]	2/4
Mr Leslie Mkhabela	6/8
Mr Bheki Ntshalintshali	8/8
Mr Lwazi Goqwana[2]	–
Former members	
Mr Clive le Roux[3]	4/4
Dr Mteto Nyati[4]	3/4

1. Appointed as a member from 31 October 2023.
2. Appointed as a member from 25 March 2024. No meetings were held after this date.
3. Stepped down as a member following appointment as chair of BOPC and member of GSC from 31 October 2023.
4. Stepped down as a member following appointment as Chairman of the Board from 31 October 2023.

Representation at year end



Committee's focus	Composition
Human capital	6 members
Intellectual capital	100% independent non-executive directors
Social and relationship capital	GCE and GCFO attend by invitation as officials

PURPOSE

The committee's responsibilities include:

- Overseeing human capital strategies, policies and performance, including relationships with organised labour and employees, employment equity as well as Eskom's ethical culture
- Reviewing reports relating to the adequacy and effectiveness of skills and people management processes in Eskom
- Ensuring that appropriate leadership continuity plans are in place for executive directors, senior executives and prescribed officers, and annually reviewing these plans
- Reviewing and making recommendations to the Board on Eskom's organisational structure
- Overseeing the development, review and implementation of a remuneration policy that aligns to King IV and the Board's direction on fair, responsible and transparent remuneration practices
- Reviewing the nature and adequacy of the performance measurement methodology applied throughout Eskom, as well as the appropriateness of Eskom's short-term and long-term incentive schemes
- Making recommendations to the Board on matters pertaining to the appointment, removal and resignation of prescribed officers and senior executives and ensuring that these processes are credible and transparent

KEY ACTIVITIES DURING THE YEAR

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

- Eskom's interim executive structure for most of the year under the acting GCE
- Analysis of the capability and continuity of Eskom's human resources function
- Feedback on succession planning, talent management and recruitment processes for vacant executive positions
- Progress on key matters identified during the committee's workshop held in January 2023, to review the effectiveness of Eskom's human capital strategies and processes
- Feedback on the negotiations with organised labour at the 2023 Collective Bargaining Forum
- Quarterly human capital performance reports, focusing on workforce analytics, people relations, health and wellness, employee benefit costs and organisational effectiveness, including recommendations for consideration by management on grievances and long outstanding disciplinary matters
- Key resolutions related to human capital for the legal separation of Transmission
- People-related priority 1 risks
- Progress on Eskom's 1:1:6:10 culture transformation programme
- The turnaround of the Eskom Academy of Learning (EAL)
- Progress on addressing gaps identified from the skills audit concluded in the prior year
- Business learning outcomes from the top talent programme for general and executive management
- Feedback on initiatives to provide psychosocial support to employees in dealing with stresses related to the electricity crisis and in preparation for the constrained winter period
- People-related matters covered in quarterly forensic catalyst reports, the three-year rolling strategic internal audit plan, as well as the annual audit plan and the combined assurance annual plan for the 2025 financial year
- Remuneration of directors and executives, including related benchmarks
- People-related aspects included in the Corporate Plan for the 2025 to 2029 financial years and shareholder compact for the 2025 financial year

FUTURE FOCUS AREAS

Focus areas for the coming year include:

- Overseeing the implementation of the committee's four focus areas for human capital, which include: fostering a high-performance ethical culture; being an employer of choice; developing a future-fit and productive organisation; and building skills and capabilities
- Monitoring human capital performance and people-related risks quarterly, together with reporting on the ethical implications of matters considered by the committee
- Providing input on people-related matters into Eskom's integrated report, corporate strategy, internal audit and forensic reports
- Supporting interventions to improve employee morale, together with monitoring progress on culture initiatives at executive management level
- Promoting a speak-up culture through whistle-blower awareness, protection and support
- Monitoring progress on divisional and functional leadership responsibilities related to people matters, as well as technological changes impacting human capital
- Considering the appropriateness of the hybrid work model as it relates to the achievement of Eskom's strategic objectives
- Overseeing the turnaround, capacity and capability of the EAL
- Finalising the remuneration strategy for employees at senior management and middle management/professionally qualified levels
- Monitoring leadership continuity, succession planning and talent management strategies, to improve leadership quality and stability
- Determining criteria to measure and monitor the performance of executive management for the 2025 financial year based on a balanced scorecard, including finalising performance compacts for the GCE and GCFO
- Determining criteria to measure the performance of non-executive directors
- Considering the reimplementation of short- and long-term incentive schemes for employees
- Reviewing key human capital policies, including the security protection policy for top leadership and the organisation's remuneration policy

Remuneration of directors and executives

OUR APPROACH TO REMUNERATION

HCRC is mandated by the Board to oversee key human capital policies, including those relating to remuneration. HCRC strives to ensure that remuneration practices encourage value creation, support achievement of our strategic objectives and advance long-term sustainability by:

- Adhering to principle 14 of King IV, which requires that remuneration practices are fair, responsible, transparent and promote the achievement of strategic objectives in the short, medium and long term
- Implementing DPE's guidelines for the remuneration and incentives of executives, prescribed officers and non-executive directors of SOCs
- Ensuring alignment of individual performance to organisational targets set in the shareholder compact
- Complying with the remuneration-related condition of the Eskom Debt Relief Act, 2023 as amended, which requires that remuneration adjustments do not negatively affect Eskom's overall financial position and sustainability

There are separate remuneration policies in place due to different remuneration practices for directors, executives, managerial employees and bargaining unit employees.

IR Remuneration of managerial and bargaining unit employees is discussed under "Our people – Remuneration and benefits" from page 97

TOTAL REMUNERATION FOR DIRECTORS AND EXECUTIVES

Category, R000	2024	2023
Non-executive directors[1]	**12 185**	7 917
Executive directors[2]	**9 176**	12 587
Other group executives	**27 911**	24 768
Total remuneration	**49 272**	45 272

1. The number of non-executive directors increased from six at 1 April 2022 (covering a large part of the 2023 financial year) to 13 at 1 April 2023 (covering the 2024 financial year), following the appointment of the current Board on 1 October 2022. Non-executive director remuneration has increased accordingly.
2. The decline in executive director remuneration is a result of acting appointments for both the GCE and GCFO positions, following the departure of Mr André de Ruyter in February 2023.

AFS Refer to note 49 in the annual financial statements for detailed remuneration information as required by King IV

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

REMUNERATION PRACTICES FOR DIRECTORS AND EXECUTIVES

NON-EXECUTIVE DIRECTORS

HCRC makes recommendations on non-executive remuneration to the Board, for consideration and approval by the shareholder. Non-executive remuneration was structured to comprise the following during the 2024 financial year:

Fixed monthly fee	Incidental expenses
Determined in line with DPE's guidelines, and based on directors' membership and/or chairmanship of Board committees	Reimbursement of expenses incurred by directors in fulfilling their duties towards Eskom

In February 2024, the then Minister of Public Enterprises approved changes to the remuneration structure for non-executive directors with effect from 1 April 2024. Going forward, non-executive remuneration will be structured to comprise a fixed monthly retainer fee, reimbursement of incidental expenses as well as a quarterly fee for Board and Board committee meetings attended.

EXECUTIVES

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

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

Guaranteed component	Variable component	
Remuneration and benefits	Short-term incentives	Long-term incentives
Ensures that talented individuals are attracted, retained and receive support to perform their roles efficiently	Manages and facilitates performance through a results-driven approach that is collaborative, transparent and fair	Ensures the long-term sustainability of the organisation through retention and long-term performance conditions and targets

GUARANTEED REMUNERATION

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

In December 2023, the shareholder approved a cost-of-living adjustment of 5.5% for executives, backdated to 1 April 2023. The shareholder acknowledged that there have been no increases for executives for several years, together with the critical need to ensure the retention of leadership to stabilise the organisation.

VARIABLE REMUNERATION

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

Short-term incentives

Given Eskom's financial constraints, no short-term incentives have been paid to executives since the 2018 financial year. Subsequent to year end, the Board reinstated the short-term incentive scheme for implementation in the 2025 financial year, subject to the achievement of set targets, to encourage a high-performance culture.

Long-term incentives

No long-term incentives have been paid to executives since the 2018 financial year as the scheme was suspended. However, the Board has reinstated the long-term incentive scheme and approved performance conditions for the period 1 April 2023 to 31 March 2026, which are aligned to the Corporate Plan and the shareholder compact.

Performance conditions include financial and non-financial targets in areas such as ensuring business sustainability and reliability of electricity supply, providing for future power needs as well as supporting South Africa's developmental objectives. The performance conditions are complemented by a set of gatekeeper conditions, each carrying a weight of 25%, which include:

- Average unplanned generation plant unavailability below 14 000MW
- Cash from operations of at least R55.7 billion
- Lost-time injury rate below 0.30
- An unqualified audit opinion in terms of IFRS Accounting Standards (excluding information disclosed in terms of the PFMA, 1999)

Performance awards were granted to eligible executives on 1 April 2023 and have a three-year vesting period. The value of the performance awards is deemed to be R1 at grant date, and is escalated at a money market rate to determine the value at reporting date.

Performance awards only vest if, and to the extent that, targets are met. The Board retains full discretion on the amounts to be paid at the end of the three-year vesting period, in line with:

- The percentage of performance awards that vest, based on the performance conditions and gatekeepers achieved
- The value of the performance awards that vest, based on the grant value escalated at the money market rate

The vesting of the performance awards is dependent on the executive remaining in Eskom's employment throughout the vesting period. The performance awards lapse if employment ceases during the vesting period, other than for reasons such as retirement or death.

Report by the Investment and Finance Committee (IFC)

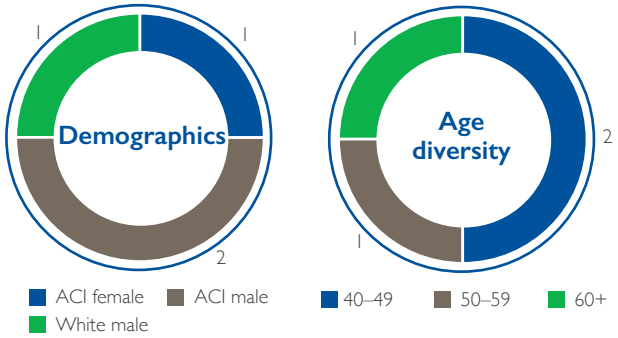
for the year ended 31 March 2024

MEMBERSHIP AND ATTENDANCE

Number of meetings	15
Membership at year end	
Chair: Ms Tryphosa Ramano	13/15
Mr Lwazi Goqwana	15/15
Mr Clive le Roux	14/15
Dr Tsakani Mthombeni	13/15
Former members	
Dr Mteto Nyati[1]	5/8

1. Stepped down as a member following appointment as Chairman of the Board from 31 October 2023.

Representation at year end



Committee's focus	Composition
Financial capital Manufactured capital	4 members 100% independent non-executive directors GCE and GCFO attend by invitation as officials

PURPOSE

The committee's responsibilities include:

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

KEY ACTIVITIES DURING THE YEAR

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

- Submission of Eskom's regulatory clearing account (RCA) applications for the 2022 and 2023 financial years to NERSA
- Review of the draft MYPD 6 revenue application for consultation in terms of the Municipal Finance Management Act, 2003
- The offer received for the disposal of Eskom Finance Company SOC Ltd (EFC). Refer below for further information
- Generation's strategic review for the continued operation of power stations
- Procurement strategy for the supply and delivery of both high-quality and coarse coal to Eskom's coal-fired power stations through a panel of suppliers
- Procurement strategy and mandate to negotiate and conclude a new rail contract with Transnet Freight Rail (TFR) for the transportation of coal by rail, as well as progress updates on the TFR coal line upgrade project
- Possible disposal strategy for the excess coal stockpile at Medupi Power Station
- Procurement strategy for petrol and diesel
- Commercial strategies for various Transmission infrastructure projects
- Progress on the TDP, including funding plans and progress, spend to date and related action plans
- Feedback on a potential industrial plan for Eskom
- Progress updates on the legal separation of Transmission and Distribution, as well as key resolutions required for Transmission's legal separation, including lender consent, steps after lender consent and information technology readiness
- Regular updates on Eskom's liquidity position and debt maturity profile
- Eskom's capital allocation framework and five-year capital investment plan for the 2024 to 2028 financial years
- Eskom's financial plan for the 2025 to 2029 financial years for inclusion in the Corporate Plan, as well as the shareholder compact for the 2025 financial year
- Agreements for Eskom to act as buyer under bid window 7 of the Renewable Energy Independent Power Producer (RE-IPP) Programme, the Gas Independent Power Producer Programme (GASIPPP) as well as bid window 2 of the Battery Energy Storage Capacity Independent Power Producer Procurement Programme (BESIPPPP)
- Power purchase agreements and proposals under the Risk Mitigation Independent Power Producer Procurement Programme (RMIPPPP)
- Eskom's loadshedding reduction programme, procurement of ancillary services on a standard offer basis, as well as increased budget requirements for short-term IPP programmes

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

The committee recommended that the disposal of EFC not be approved by the Board due to the unfavourable terms offered by the preferred bidder in the most recent disposal process conducted during the year. The disposal of EFC remains a priority and is being pursued through an updated disposal strategy, approved by the committee in April 2024. A request for proposal was issued in May 2024 and submissions were received from four bidders, with the committee supporting the selection of a preferred bidder in June 2024. The Board accepted an offer from African Bank, the preferred bidder, in October 2024 and provided a mandate to negotiate the final agreement, subject to PFMA approval.

Eskom is targeting to conclude the transaction during the 2025 calendar year, subject to the required regulatory approvals from the Competition Commission, the Prudential Authority and the South African Reserve Bank. The transaction does not meet the criteria to be recognised as held for sale at year end in terms of IFRS Accounting Standards.

FUTURE FOCUS AREAS

Focus areas for the coming year include:

- Appointing an additional member with expertise in corporate finance
- Reviewing Eskom's capital allocation framework
- Monitoring the execution of approved capital projects
- Overseeing procurement strategies relating to capital projects
- Evaluating and monitoring the liquidity and balance sheet of the Eskom group, including the impact of Government's debt relief support

Report by the Social, Ethics and Sustainability Committee (SES)

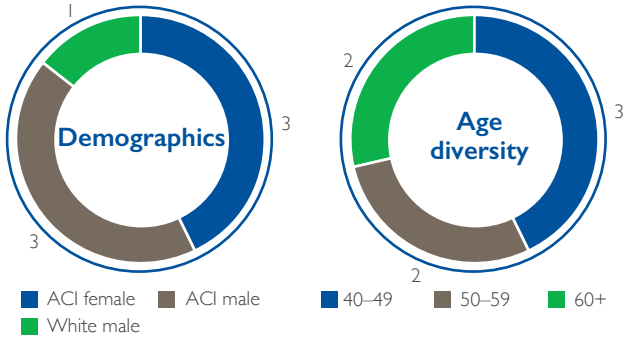
for the year ended 31 March 2024

MEMBERSHIP AND ATTENDANCE

Number of meetings	6
Membership at year end	
Chair: Mr Bheki Ntshalintshali	6/6
Ms Fathima Gany	6/6
Mr Clive le Roux	5/6
Mr Leslie Mkhabela	5/6
Dr Tsakani Mthombeni	5/6
Dr Busisiwe Vilakazi	6/6
Dr Claudelle von Eck	6/6
Former members	
Dr Rod Crompton[1]	5/6

1. Resigned as a director from 27 February 2024.

Representation at year end



Committee's focus	Composition
Financial capital	7 members
Manufactured capital	100% independent non-executive directors
Natural capital	GCE and GCFO attend by invitation as officials
Human capital	
Intellectual capital	
Social and relationship capital	

PURPOSE

The committee's responsibilities include:

- Performing the statutory functions of a social and ethics committee set out in the Companies Act, 2008
- Overseeing socio-economic development; good corporate citizenship; environmental, climate change, health and safety programmes; and the reasonable assurance of selected KPIs through the sustainability audit
- Supervising nuclear strategies and policies, as well as nuclear safety in terms of regulatory requirements and international best practice
- Serving as the statutory social and ethics committee for Eskom's wholly owned subsidiaries, except for NTCSA, which has established its own committee following the appointment of independent non-executive directors to the NTCSA board from 1 February 2024

KEY ACTIVITIES DURING THE YEAR

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

- Action plans to ensure compliance with national environmental management legislation, as well as feedback on Generation's environmental contraventions and related reportable irregularities
- Processes supporting the legal separation of Transmission, including the corporate identity of NTCSA
- Eskom's integrated report and sustainability report for the year ended 31 March 2023, as well as feedback from the external auditors on the reasonable assurance of selected sustainability KPIs
- Subsidiaries' quarterly sustainability reports, encompassing subsidiary performance, the promotion of human rights and fair labour practices, environmental and good corporate citizenship indicators and the implementation of anti-corruption measures
- Results of the ethics risk assessment conducted by the Ethics Institute, ethics monitoring reports and Eskom's ethics strategy
- Progress on compliance with recommendations by the Organisation for Economic Cooperation and Development (OECD) on anti-corruption

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

- Nuclear oversight reports, covering nuclear safety and nuclear plant performance; safety, health, environment and quality performance; ethics and King IV compliance; and transformation
- Progress on Eskom's capacity expansion programme from a safety, environmental, financial, operational (project execution), governance (ethics, audit findings, anti-corruption and forensics) and socio-economic perspective

FUTURE FOCUS AREAS

Focus areas for the coming year include:

- Ensuring that all requirements of the Companies Act, 2008 and nuclear safety regulations are adhered to on an ongoing basis
- Overseeing Eskom's ethics review to improve the ethics management strategy and related policies and procedures
- Considering rehabilitation and restorative justice practices with respect to suppliers
- Ensuring that Eskom remains a socially committed and responsible corporate citizen in line with its developmental mandate, including the improvement of corporate social responsibility initiatives and sustainable development practices
- Monitoring compliance with environmental laws and remediation plans for areas of non-compliance, as well as Eskom's response to climate change and the Just Energy Transition
- Exercising ongoing oversight of Eskom's stakeholder engagement plans and stakeholder management performance
- Overseeing Eskom's environmental, social and governance (ESG) framework
- Implementing the changes set out in the Companies Amendment Bill, 2023 relating to social and ethics committees

SR Refer to the 2024 sustainability report for more information relating to Eskom's sustainability practices

Promoting an ethical culture

ETHICS IN ESKOM

The Board, through SES, 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 principles 1 and 2 of King IV. The Board continues to affirm its zero-tolerance approach towards unethical behaviour and is committed to establishing a high-performance ethical culture throughout the organisation.

Our Code of Ethics, known as the "The Way", gives effect to a culture that supports ethical behaviour and a strong commitment to our values. Adherence to "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, referred to as ZIISCE, which form the foundation of our values-driven organisation and reflect our commitment to the highest standards of governance and ethics.

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

A values-driven culture is one of the cornerstones of achieving a high-performance ethical culture through our 1:1:6:10 culture transformation programme.

IR For further information on the 1:1:6:10 culture transformation programme, refer to "Our people – Organisational effectiveness" on page 97

We have a dedicated Ethics Office which provides guidance on ethical issues in the workplace, develops ethics policies and procedures and monitors the effectiveness of their implementation. The Ethics Office also facilitates ethics training, which is mandatory for all employees on an annual basis. Where any unethical behaviour involving crime, fraud and corruption are identified by the Ethics Office, these are referred to Eskom's forensic function for further investigation.

The Ethics Institute conducted an independent ethics risk assessment to determine potential ethics improvement opportunities, as well as unethical behaviour and practices that place Eskom at risk. As indicated in last year's integrated report, the results of the assessment highlighted the maturity of ethics awareness in the organisation, but noted that improvement is required in terms of accountability, transparency and addressing the lack of trust.

Our Ethics Office has developed a revised ethics strategy to address the recommendations arising from this assessment, which was considered by SES and approved by the Board in August 2024. The revised ethics strategy reflects Eskom's commitment to fostering a high-performance culture that promotes ethical leadership and embeds ethical practices in all business processes. The results of the assessment were also used to determine the scope of ethics management interventions for the organisation; high-risk areas identified by the assessment will be subject to greater focus for ethics training and monitoring.

MANAGING CONFLICTS OF INTEREST

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

All employees and directors are required to complete an annual declaration of interest by 30 June of every year, irrespective of whether a conflict exists, or as soon as circumstances that may affect their declaration change. Where a conflict exists, it must be declared and managed.

Completion rate of annual declarations
Employees at all levels 99.6% (2023: 99%)
Executive management 100% (2023: 100%)
Board of Directors 100% (2023: 100%)

Our declaration of interest system sources information directly from the Companies and Intellectual Property Commission (CIPC) database to ensure that any active directorships are appropriately disclosed. Employees who have performed private work without prior approval or have not declared a conflict of interest where one exists are subject to investigation and disciplinary processes. Furthermore, employees who contravene our conflict of interest policy by failing to submit a declaration when required are subject to disciplinary action.

Did you know?
No Eskom employee, nor related parties of employees, are allowed to do business with Eskom or its subsidiaries. Non-executive directors must declare all possible conflicts of interest, including those with related parties.

All Board members and Exco members have completed their annual declarations of interest. The declarations made by Board members and Exco members are verified on an annual basis and no deviations have been identified. Any declared interests are managed appropriately in accordance with our conflict of interest policy.

All individuals acting on behalf of Eskom, including suppliers, are expected to adhere to Eskom's standards of ethical conduct. Suppliers found to be engaging in unethical practices and in contravention of our Code of Ethics are subject to a supplier disciplinary process.

We encourage all stakeholders to report suspected incidents of unlawful or irregular conduct involving Eskom's directors, employees or suppliers. Incidents may be reported through our whistle-blowing hotline or, alternately, through Government's anti-corruption hotlines. These reporting channels are independent to ensure the integrity and confidentiality of the process.

Eskom whistle-blowing hotline	Government anti-corruption hotlines
Phone: 0800 11 27 22 Email: eskom@whistleblowing.co.za	Phone: 0800 701 701 Web: https://www.gov.za/anti-corruption/hotlines

We believe that employees are often the first line of defence against crime, fraud and corruption. Our whistle-blowing policy provides for the protection and support of whistle-blowers in line with the Protected Disclosures Act, 2000. However, the process of fostering a culture where speaking up is encouraged is ongoing.

DEALING WITH CRIME, FRAUD AND CORRUPTION

The Board remains committed to enhancing systems, controls, policies, processes and reporting structures to address governance and compliance challenges and support the fight against crime, fraud and corruption. Over time, these challenges have eroded our reputation and relationship with key stakeholders as well as our operational and financial sustainability. The Board acknowledges that addressing these matters will be a lengthy process, but that it is necessary for the success of Eskom's turnaround.

Promoting an ethical culture *continued*

Upholding strong corporate governance practices and ensuring compliance with relevant laws, regulations and standards to promote transparency, accountability and ethical conduct throughout the organisation are key focus areas. Regrettably, compliance with the PFMA, 1999 continues to remain a challenge; we are monitoring areas where there is non-compliance and will continue to analyse the root causes to address these effectively.

With the assistance of an independent service provider, we concluded an assessment of our crime risk management landscape during the year. The assessment focused on identifying risks related to bribery and corruption, financial crime, physical asset crime, cyber-crime and money laundering. Eskom is in the process of addressing the findings and recommendations. The Office of the GCFO is overseeing the consolidation and coordination of these initiatives to avoid duplication of efforts and promote more effective implementation. The second phase will focus on the design, improvement and implementation of appropriate and sustainable control frameworks to prevent and detect crime risks.

An independent legal firm was appointed to obtain the private intelligence dossiers resulting from the investigation commissioned by the former GCE (which Eskom did not have direct access to) and assist the Board in addressing matters arising from allegations made in the dossiers as well as the former GCE's book. Despite the lack of evidence presented in the dossiers, the legal firm is consolidating the findings to aid in identifying matters for further investigation, and comparing them to those matters that were already subject to active investigations, in order to optimise remediation efforts. We are cooperating with all external investigations and inquiries related to these matters.

During the year, ARC approved the restructuring of the Assurance and Forensics Department from a single department into a separate internal audit function, reporting to ARC, and a separate forensics function.

IR Refer to "Assurance and control environment" from page 47 for further information on the Internal Audit Department

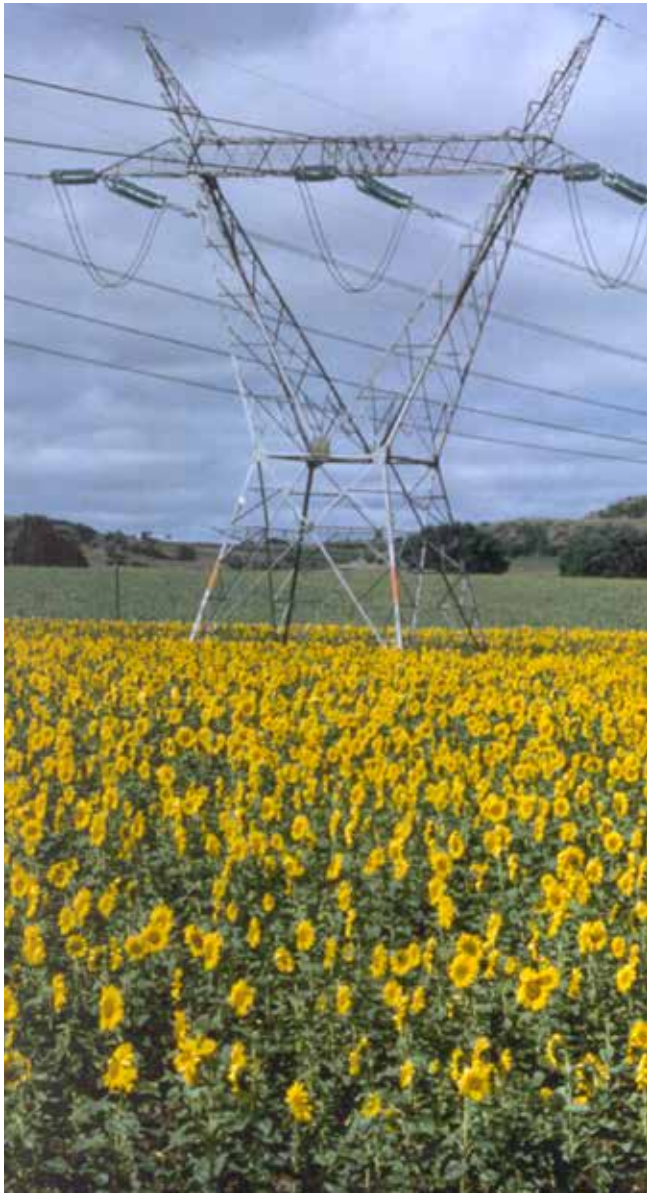
Eskom's forensics function is mandated to perform independent forensic investigations into cases of crime, fraud and corruption as well as other irregularities. The forensics function is supported by a panel of external investigators and collaborates with many other specialised investigative functions throughout the organisation, together with law enforcement agencies.

ARC is focused on improving the capacity and capability of the organisation to combat crime, fraud and corruption. We have therefore embarked on a programme to consolidate our forensics, security and investigative functions into a single investigative unit, known as the Group Investigations and Security (GIS) Department. The mandate for GIS empowers the function to implement recommendations arising from forensic investigations to ensure consequence management is addressed timeously. Establishment of GIS commenced during the 2025 financial year, with Ms Tembela Kulu appointed as General Manager: Investigations and Security from 1 October 2024. Ms Kulu reports directly to the GCE and is a permanent invitee to Exco. The final integration activities for establishment of GIS are underway. A dedicated project management office has been established to address findings from internal and external investigations as well as data analytics more timeously.

ESKOM'S FRAUD PREVENTION PLAN

Our fraud prevention plan is reviewed and updated annually. The key objectives of the plan include:

- Improving Eskom's ethical culture and legislative compliance
- Adopting and embedding a zero-tolerance approach to crime, fraud and corruption in our business operations
- Raising awareness of fraud through various fraud prevention campaigns and training interventions, aimed at both employees and suppliers
- Improving the transparency and credibility of the procurement process
- Encouraging stakeholders to blow the whistle on fraud, corruption and financial misconduct through Eskom's whistle-blowing channels, as well as providing protection and support to whistle-blowers
- Enhancing fraud deep dives and fraud risk assessments
- Establishing an intelligence-driven forensic investigation capacity and addressing the backlog of forensic cases
- Supporting management in the implementation of consequence management, and improving oversight and management accountability
- Enhancing external partnerships to leverage impactful investigative outcomes, particularly with law enforcement agencies such as the Special Investigating Unit (SIU), the Directorate for Priority Crime Investigation (the Hawks) and the South African Police Service (SAPS)



Promoting an ethical culture *continued*

Management's Anti-Fraud and Corruption Integration Committee (AFCIC) has been expanded to include representation from Generation, Transmission and Distribution, as the majority of preventative controls are managed within these business areas. AFCIC ensures integration between our forensic, legal, ethics, security, industrial relations and supplier review functions to prevent, detect and respond to incidents of crime, fraud and corruption. AFCIC has developed an organisation-wide fraud and anti-corruption risk register, to identify relevant risks and controls for enhanced monitoring and to inform the focus areas of the fraud prevention plan.

Forensic investigations

7 132 (2023: 7 963)
incidents registered through reporting channels for assessment on the forensic case management system

380 (2023: 305)
cumulative cases under investigation at year end, relating to current and prior years

195 (2023: 278)
new cases registered for forensic investigation

120 (2023: 227)
forensic investigations concluded

Sanctions

167 (2023: 223)
employees recommended for disciplinary action

30 (2023: 54)
suppliers recommended for review to the Supplier Review Committee

330 (2023: 158)
cumulative cases of fraud and corruption registered with SAPS at year end

Regrettably, our forensic investigations have revealed similar themes to previous years, with instances of procurement and recruitment irregularities, failure to declare conflicts of interest by both suppliers and employees, as well as other corrupt and fraudulent activities. Non-compliance with Eskom's well-documented policies and procedures as well as lack of management supervision and monitoring remain a concern. Where control deficiencies are identified during an investigation, control enhancements are recommended for implementation to prevent recurrence, although a stronger focus is required to prevent repeat incidents. ARC has emphasised the need for management to enhance the control environment to be focused on prevention rather than detection.

During a forensic investigation, an assessment is conducted to determine whether the case meets the requirements for reporting to law enforcement agencies in terms of the Prevention and Combatting of Corrupt Activities Act, 2004 (PRECCA). During the year, 139 matters were reported to the Hawks in terms PRECCA. Of the 330 cases registered with SAPS at year end, 172 were opened during the year. By year end, a total of 15 cases were at trial stage at various magistrate and specialist commercial crimes courts. A further 45 cases have been through the criminal proceedings provided for under the Criminal Procedure Act, 1977.

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

We are also implementing automated systems in the procurement of goods and services and management of spend, including price check tools, digitalisation of stock control and e-auction systems, to proactively address risks related to crime, fraud and corruption. Technology developments are being monitored to identify further opportunities across these areas. We have appointed a service provider to assist with the use of data analytics to identify transactions and anomalies that should be investigated for potential crime, fraud and corruption as well as build this capability within Eskom.

In instances where forensic investigations have revealed that suppliers have failed to declare a potential conflict of interest and have been proven to have benefitted unduly, a supplier review process is followed. Our Supplier Review Committee investigates cases of misconduct and recommends disciplinary action against suppliers, which may include removal from Eskom's supplier database as well as recommendations to National Treasury for restriction on the national supplier database. Our focus remains on addressing the backlog of supplier disciplinary cases and responding to new cases as they arise.

The status of 90 suppliers was considered during the year. Thirty-two suppliers received sanctions for removal from Eskom's supplier database, of which 30 were also recommended for referral to National Treasury for restriction. Thirty suppliers received suspended sanctions, to be removed from Eskom's supplier database if any further non-compliance is committed during the suspension period. The remaining 28 suppliers were recommended for no further action.

CIVIL RECOVERY

Several civil recovery proceedings have been launched by the SIU and Eskom in response to findings from the Zondo Commission.

A settlement agreement was reached between SAP, the SIU and Eskom relating to unlawful and invalid contracts from 2016. This is a notable recovery in the fight against crime, fraud and corruption. In April 2024, R570 million (including VAT) was recovered from SAP through this settlement agreement. We continue to work closely with the SIU and monitor civil recovery and criminal proceedings to intervene where legal outcomes on these matters remain slow.

ADDRESSING SECURITY RISKS

The Energy Safety and Security Priority Committee of the NECOM is working to assist in expediting those criminal cases we have reported to law enforcement authorities and to combat criminal activities which threaten our operational sustainability. Theft of electrical cable, coal, fuel oil and diesel, as well as threats of sabotage, receive priority attention. During the year, the committee has been successful in securing several preservation orders relating to illegal mining in Mpumalanga.

As a result of the scale of our operations in Mpumalanga, the Hawks is now handling all Eskom cases in Mpumalanga through a single investigation team. This approach aims to enhance the efficiency of investigations as well as collaboration with the National Prosecuting Authority (NPA) in achieving successful prosecutions. Since inception of the strategy to combat coal, fuel oil and diesel theft in April 2022, over 50 arrests have been made and more than 20 illegal coal swapping sites have been closed.

As a state-owned company, our directors and employees are entrusted with sensitive and valuable information as well as access to critical infrastructure. In the interest of national security, we are obligated to safeguard information and assets from unauthorised disclosure and access. During the year, we established a security vetting programme in collaboration with the State Security Agency (SSA) to conduct security clearance assessments, in line with the shareholder's expectations.

A security vetting policy was approved by Exco and implemented with effect from 1 January 2024. By year end, 206 security clearance certificates were issued to employees across the high-risk areas prioritised in the first phase. We have concluded an agreement with the SSA to establish a vetting fieldwork unit (VFU), given the size of our organisation. The VFU has been fully established during the 2025 financial year.

Promoting an ethical culture *continued*

STRENGTHENING PFMA COMPLIANCE

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

We are actively seeking ways to enhance PFMA compliance and develop a proactive response to PFMA-related audit qualifications. Unfortunately, this requires a multi-year approach due to the impact of the PFMA on the entire organisation. Our PFMA compliance status is being continuously assessed and we have identified areas where non-compliance remains a challenge. A detailed action plan to address the audit qualification is being enhanced and finalised with clear objectives, timelines and responsible areas. The focus of instilling a culture of self-declaration and reporting, and the timeliness thereof, is an area that requires enhancement.

PFMA training which is aligned to the latest National Treasury regulations is mandatory for all employees to ensure that they understand their responsibilities and the importance of PFMA compliance. We are also considering ways to enhance and strengthen internal controls to improve PFMA compliance, and ensure that individuals responsible for non-compliance with the PFMA are held accountable. A dedicated communication channel has been created to enhance communication on PFMA-related matters throughout the organisation.

At 31 March 2024, the cumulative balance of irregular expenditure amounted to R98.7 billion (2023: R95.6 billion), the vast majority of which relates to historic transgressions. Irregular expenditure incurred during the 2024 financial year totalled R4.7 billion, with R0.4 billion relating to new matters. Note that the PFMA amounts reported are exclusive of VAT.

AFS Disclosure of PFMA information is set out in note 51 in the annual financial statements as well as in the supplementary information in this report from page 128

The balance for the comparative period has been restated, increasing by R4.4 billion, largely as a result of prior period errors from expenditure that was only confirmed as irregular in the current year. The process of collecting information and reporting on irregular expenditure continues to be a focus area, although it is expected that new instances of irregularities will be detected as we continue our governance clean-up exercise.

Nonetheless, the cumulative balance of irregular expenditure remains high, mainly due to limited progress in receiving the necessary condonations and removing historical irregular expenditure. Regrettably, obtaining the necessary supporting documents for historical matters remains a challenge. We are committed to rectifying past mistakes and ensuring accountability.

During the year, we received notice of condonations from National Treasury to the value of R1.2 billion related to 45 matters, and recovered a further R500 million (excluding VAT) related to the SAP contract mentioned earlier. Condonations are only granted by National Treasury if the necessary investigations have been concluded; criminal charges have been laid in the case of fraudulent, corrupt or other criminal conduct; and disciplinary processes and remedial action have been undertaken to prevent recurrence of the irregular expenditure.

We are finalising procedures and related controls around the removal process for uncondoned irregular expenditure, to minimise the continued impact of historical matters on the cumulative irregular expenditure balance.

The closing balance of fruitless and wasteful expenditure amounted to R6.1 billion at year end (2023: R6.1 billion). The balance for the comparative period has been restated and reduced by R710 million due to prior period errors. Only R1 million, relating to 12 incidents, was confirmed as fruitless and wasteful expenditure incurred during the 2024 financial year. A further R4.6 billion, of which R3.5 billion relates to incidents from prior periods, is undergoing the assessment and determination process before it can be confirmed and disclosed as fruitless and wasteful expenditure.

Losses due to criminal conduct of R6.7 billion were reported during the year (2023: R6 billion), of which the majority related to estimated non-technical energy losses arising from electricity theft, including ghost vending. Investigations related to non-technical energy losses are ongoing and we are collaborating with other state-owned entities, industry role players, SAPS and the NPA to combat these losses.

IR Actions to address non-technical energy losses are discussed under "Our infrastructure – Energy losses and equipment theft" from page 78

REPORTABLE IRREGULARITIES RAISED BY THE EXTERNAL AUDITORS

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

ARC acknowledged that certain RIs will recur and remain open until all related aspects have been concluded, as it takes time to resolve these matters because of their inherent nature.

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

Performance review

Condensed annual financial statements

The financial results set out in the condensed financial statements that follow have been extracted from the financial statements of the Eskom Holdings SOC Ltd group for the year ended 31 March 2024. The financial statements have been prepared in accordance with IFRS Accounting Standards and in the manner required by the Companies Act, 2008 and the PFMA, 1999.

The financial statements have been prepared under the supervision of the Group Chief Financial Officer, Mr Calib Cassim CA(SA), and were duly approved by the Board of Directors on 18 December 2024.

The financial statements have been audited by the group's independent auditors, Deloitte & Touche, in accordance with the Public Audit Act of South Africa, 2008, the General Notice issued in terms thereof as well as International Standards on Auditing. The independent auditors issued a qualified opinion relating to the quantification and disclosure of information required in terms of the PFMA, 1999. Except for this qualification, the financial statements are considered to be fairly presented in terms of IFRS Accounting Standards. Furthermore, the independent auditors have emphasised a number of matters in their report, including a material uncertainty relating to Eskom's ability to continue as a going concern. However, these matters do not affect their opinion.

AFS The financial statements, which detail the financial performance of the group and company and accompanying notes, are available online

The income statement and statement of financial position for the 2023 financial year have been restated. Certain changes in the measurement of power station-related environmental restoration and mine-related closure, pollution control and rehabilitation provisions were incorrectly credited to profit or loss instead of being deducted from the cost of the related assets in terms of IFRIC® Interpretation 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*, issued by the IFRS Interpretations Committee. The restatement had no impact on the statement of cash flows other than the note disclosure relating to cash generated from operations, with no overall impact on net cash from operating activities.

All financial information presented in this report reflects the restated results where applicable.

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

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

CONDENSED GROUP INCOME STATEMENT

for the year ended 31 March 2024

	2024 Rm	Restated 2023 Rm	%	Ref
Revenue	**295 814**	259 543	14 ▲	1
Other income	**1 295**	2 742	53 ▼	
Primary energy	**(173 729)**	(156 819)	11 ▲	2
Employee benefit expense	**(35 096)**	(32 321)	9 ▲	3
Net impairment loss and write-downs	**(3 433)**	(2 182)	57 ▲	
Other expenses	**(41 441)**	(36 398)	14 ▲	4
Profit before depreciation and amortisation expense and net fair value and foreign exchange gain/(loss) (EBITDA)	**43 410**	34 565	26 ▲	5
Depreciation and amortisation expense	**(33 239)**	(31 941)	4 ▲	
Operating profit (EBIT)	**10 171**	2 624	288 ▲	
Net fair value and foreign exchange gain/(loss)	**2 644**	(285)	1 028 ▲	6
Profit before net finance cost	**12 815**	2 339	448 ▲	
Net finance cost	**(38 389)**	(37 015)	4 ▲	7
Finance income	**4 859**	3 365	44 ▲	
Finance cost	**(43 248)**	(40 380)	7 ▲	
Share of profit of equity-accounted investees after tax	**105**	93	13 ▲	
Loss before tax	**(25 469)**	(34 583)	26 ▼	
Income tax	**(29 546)**	8 501	448 ▼	8
Loss for the year	**(55 015)**	(26 082)	111 ▲	

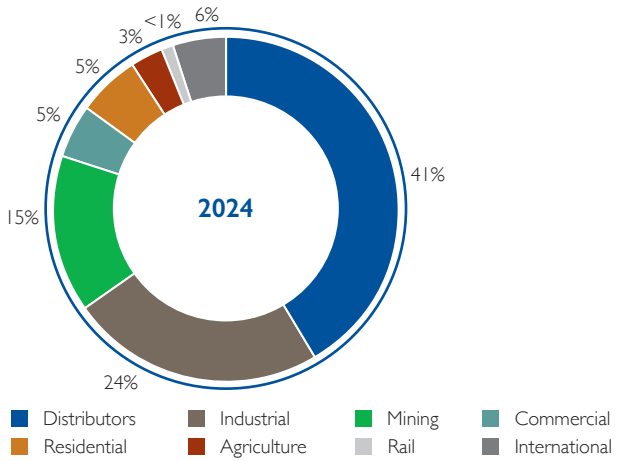
▲ Income/gain increased ▼ Income/gain decreased
▼ Cost/loss decreased ▲ Cost/loss increased

1. REVENUE

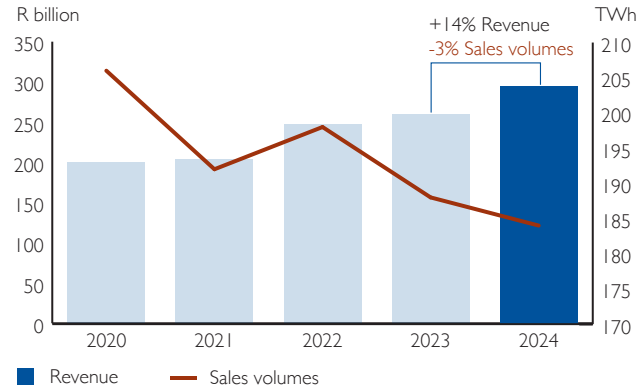
A standard tariff increase of 18.65% for the year, partially offset by a 5.1TWh (3%) decline in sales volumes.

Revenue excludes R8.9 billion in net amounts not recognised (2023: R8.2 billion), relating to sales to customers that failed to meet collectability criteria in terms of accounting standards because of a low likelihood of recovery.

Sales volumes per customer category



Sales volumes and revenue



IR Refer to page 121 for the number of customers by customer segment, as well as electricity sales by customer category for the past five years, for both volumes and revenue

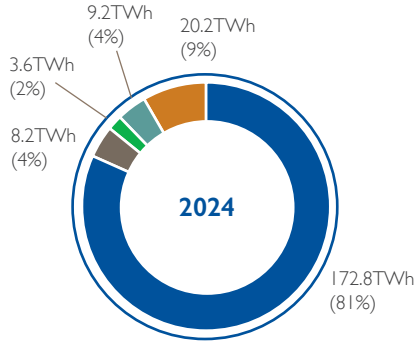
Distributor (3.4TWh ▼), international (1.1TWh ▼) and residential (0.6TWh ▼) customer segments showed the largest decline in sales volumes. Sales were negatively affected by generation supply constraints, caused by poor Eskom generation plant performance, delays in IPP programmes and lower-than-budgeted imports, as well as an increase in embedded self-generation capabilities across many sectors. Given South Africa's supply constraints, international customers were subject to load curtailment and, therefore, had to place less reliance on Eskom supply.

Condensed annual financial statements *continued*

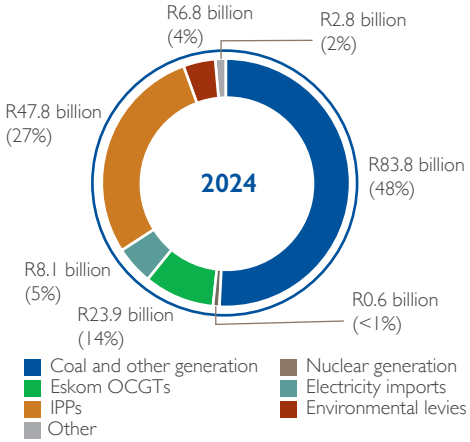
2. PRIMARY ENERGY

Primary energy costs increased despite a 4TWh (2%) decrease in production, as poor performance at coal-fired power stations required higher production from more expensive OCGT and short-term IPP sources.

Primary energy production breakdown



Primary energy cost breakdown



Coal generation costs grew by 5% due to inflationary cost pressures, driven in part by a 6.6% increase in the average coal purchase price, offset by a 3% decline in production from coal-fired stations. Expenditure on RE-IPPs increased to R36.2 billion, with higher production of 17.9TWh (2023: R33.4 billion to produce 16.9TWh).

A combined R33.9 billion was incurred to produce 5.1TWh from Eskom-owned and IPP OCGTs (2023: R29.6 billion to produce 4.1TWh) to avoid or minimise loadshedding. Favourable diesel price movements enabled higher production from OCGTs than originally anticipated. Delays in short-term IPP programmes as well as the RMIPPPP, which have not delivered capacity in line with our expectations, further contributed to the need to rely on OCGTs.

Unit cost, R/MWh	2024	2023	% change
Coal	**541**	503	8 ▲
Nuclear	**113**	106	7 ▲
Eskom-owned OCGTs[1]	**6 579**	7 077	7 ▼
IPPs[2]	**2 367**	2 326	2 ▲
IPP OCGTs[3]	**6 348**	7 278	13 ▼
Renewable IPPs	**2 029**	1 986	2 ▲
Other IPP programmes[3]	**1 018**	–	–
International purchases[2]	**883**	748	18 ▲

1. The unit cost of OCGTs is calculated based on the gross fuel cost (excluding the diesel levy refund) for comparability purposes. The unit cost excludes storage and demurrage costs, but includes environmental levies.
2. The unit cost of IPPs and international purchases is based on the full cost of operation, whereas the unit cost of Eskom-owned generation is based only on the primary energy cost. Given that IPP and international purchases are treated as a variable cost in Eskom's accounts, this is considered appropriate.
3. The unit cost is calculated on the net amount spent on energy, excluding capacity charges, and after the lease accounting adjustment.

3. EMPLOYEE BENEFIT EXPENSE

The increase is due to a 3% growth in headcount, together with a 7% remuneration adjustment approved for all employees up to senior management level. Decisions around remuneration and benefits take into account our financial challenges and sustainability, in compliance with the conditions attached to the Eskom Debt Relief Act, 2023 as amended.

IR Remuneration and benefits are discussed in further detail under "Our people – Remuneration and benefits" on page 97

Overtime costs remain a concern, increasing by 20% to R3 billion due to high levels of unplanned maintenance mainly in Generation (2023: R2.5 billion).

4. OTHER OPERATING EXPENSES

Higher maintenance and plant operating costs were incurred to address poor generation plant performance. Repairs and maintenance spend increased to R28.7 billion (2023: R22.1 billion) to address unplanned generation plant losses, together with higher planned maintenance in line with the Generation Recovery Plan.

Repairs and maintenance spend

Generating plant R22.8 billion (2023: R16.6 billion) 38% ▲
Transmission network R1.1 billion (2023: R1.2 billion) 3% ▼
Distribution network R4.8 billion (2023: R4.4 billion) 8% ▲

5. EBITDA

The biggest contributor to the improvement in EBITDA was the growth in revenue, driven by the standard tariff increase of 18.65% for the year.

6. NET FAIR VALUE AND FOREIGN EXCHANGE GAIN

Favourable fair value movements were recognised on hedging instruments, associated with credit risk adjustments, as well as exchange rate and interest rate movements. A fair value gain was also recorded on embedded derivatives arising from negotiated pricing agreements (NPAs) with customers, with tariffs linked to commodity prices and foreign exchange rates.

Year-end EUR/ZAR 20.51 ▲ (2023: 19.30)
Year-end USD/ZAR 18.98 ▲ (2023: 17.72)

7. NET FINANCE COST

Growth in finance costs arose due to a higher average cost of borrowing, linked to global inflation, interest rate and exchange rate pressure. This was partially offset by growth in finance income due to a higher average return on treasury and insurance investments, linked to an increase in interest rates.

Average cost of debt 10.90% ▲ (2023: 10.48%)
Average investment return 8.27% ▲ (2023: 6.08%)

Reconciliation of net finance cost, R billion	2024	2023	% change
Debt securities and borrowings	**37.3**	33.7	10 ▲
Derivatives held for risk management	**3.7**	5.1	28 ▼
Provisions	**6.3**	5.1	24 ▲
Other[1]	**4.0**	3.9	2 ▲
Gross finance cost	**51.3**	47.8	7 ▲
Cost of borrowings capitalised to assets	**(8.1)**	(7.5)	8 ▲
Finance cost	**43.2**	40.4	7 ▲
Finance income	**(4.9)**	(3.4)	44 ▲
Net finance cost	**38.4**	37.0	4 ▲

1. Includes finance costs on employee benefit obligations, lease liabilities as well as trade and other payables.

AFS Refer to notes 39 and 40 in the financial statements for further detail

8. INCOME TAX

A deferred tax asset of R36.6 billion at 31 March 2024 has been derecognised based on the recoverability assessment conducted at year end. Refer to the statement of financial position on the next page for further information.

Condensed annual financial statements *continued*

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

at 31 March 2024

	2024 Rm	Restated 2023 Rm	%	Ref
Assets				
Non-current assets	**750 872**	741 092	1 ▲	
Property, plant and equipment and intangible assets	**684 388**	671 709	2 ▲	1
Future fuel supplies	**6 782**	5 290	28 ▲	2
Investment in equity-accounted investees and subsidiaries	**346**	350	1 ▼	
Inventories	**13 297**	12 209	9 ▲	3
Loans receivable	**7 565**	7 823	3 ▼	
Deferred tax	**81**	17 983	99 ▼	4
Embedded derivatives	**10 486**	772	1 258 ▲	5
Derivatives held for risk management	**18 881**	17 633	7 ▲	6
Other non-current assets	**9 046**	7 323	24 ▲	
Current assets	**115 450**	84 652	36 ▲	
Inventories	**28 293**	24 014	18 ▲	3
Loans receivable	**208**	247	16 ▼	
Embedded derivatives	**1 315**	51	2 478 ▲	5
Derivatives held for risk management	**8 135**	9 359	13 ▼	6
Trade and other receivables	**35 975**	26 702	35 ▲	7
Investments	**16 478**	15 629	5 ▲	
Other current assets	**1 461**	1 134	29 ▲	
Cash and cash equivalents	**23 585**	7 516	214 ▲	8
Total assets	**866 322**	825 744	5 ▲	
Equity				
Capital and reserves	**222 858**	233 944	5 ▼	9
Liabilities				
Non-current liabilities	**486 657**	473 282	3 ▲	
Debt securities and borrowings	**359 692**	367 993	2 ▼	10
Derivatives held for risk management	**27**	241	89 ▼	6
Deferred tax	**10 412**	–	100 ▲	4
Contract liabilities and deferred income	**34 687**	26 078	33 ▲	11
Employee benefit obligations	**17 448**	16 902	3 ▲	
Provisions	**52 561**	50 143	5 ▲	
Lease liabilities	**6 553**	7 415	12 ▼	
Other non-current liabilities	**5 277**	4 510	17 ▲	
Current liabilities	**156 807**	118 518	32 ▲	
Debt securities and borrowings	**52 508**	55 936	6 ▼	10
Loan from shareholder	**32 000**	–	100 ▲	12
Derivatives held for risk management	**566**	1 788	68 ▼	6
Payments received in advance	**4 300**	4 026	7 ▲	
Employee benefit obligations	**3 777**	3 584	5 ▲	
Provisions	**9 325**	5 914	58 ▲	
Trade and other payables	**49 664**	44 264	12 ▲	
Other current liabilities	**4 667**	3 006	55 ▲	
Total liabilities	**643 464**	591 800	9 ▲	
Total equity and liabilities	**866 322**	825 744	5 ▲	

▲ Asset/equity increased ▼ Asset/equity decreased
▼ Liability decreased ▲ Liability increased

1. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Additions from capital expenditure and other capitalised costs, primarily on generating plant, partially offset by depreciation.

2. FUTURE FUEL SUPPLIES

Additions to coal and nuclear fuel supplies, as well as capitalisation of associated decommissioning provision costs.

3. INVENTORIES

A portion of coal inventory is recognised as non-current, based on the quantity of coal held and usage patterns at power stations. The overall increase is largely attributable to growth in working capital requirements, particularly in coal, liquid fuel, maintenance spares and consumables in line with the Generation Recovery Plan and initiatives to improve coal stock levels.

4. DEFERRED TAX

In terms of IAS 12 *Income taxes*, a company must recognise a deferred tax asset in respect of its unused tax losses to the extent that it will generate sufficient future taxable income. Due to the disposal of the Transmission business to NTCSA on 31 March 2024, the evaluation of the extent to which the Eskom company will generate future taxable income had to exclude amounts attributable to the Transmission business which will now accrue to NTCSA. Furthermore, taxable temporary differences of R37.4 billion were transferred to NTCSA, thereby reducing the taxable temporary differences that remain in the Eskom company.

A recoverability assessment of Eskom's deferred tax asset concluded that, despite Eskom expecting to return to a tax paying position within the next five years, there is no persuasive evidence that the Generation business, which is expected to remain in Eskom company after the legal separation of Transmission and Distribution, will generate sufficient taxable income over the five-year forecast period against which unused tax losses can be utilised.

Therefore, a deferred tax asset of R36.6 billion was derecognised at 31 March 2024. The derecognition has no impact on Eskom's right to utilise its unused tax losses against future taxable income. Refer to note 14 in the financial statements for further information.

5. EMBEDDED DERIVATIVES

Embedded derivatives relate to existing NPAs with aluminium smelters as well as the implementation of new NPAs for ferrochrome industrial customers from January 2024. The tariffs under these NPAs cater for commodity prices and foreign exchange rates that exceed predefined thresholds. The day 1 fair value gains recognised on the new ferrochrome embedded derivatives have resulted in a corresponding increase in the associated contract liabilities with these customers. Refer to note 4.1 in the financial statements for further information.

6. DERIVATIVES HELD FOR RISK MANAGEMENT

Net derivative assets increased due to the weakening of the Rand as well as credit risk and hedge effectiveness adjustments.

7. TRADE AND OTHER RECEIVABLES

The increase in trade receivables was largely attributable to growth in municipal and metro debtors, in part due to the higher tariff for the year. This was partially offset by an increase in the impairment of trade receivables based on the expected credit loss model.

Refer to note 5.1 in the financial statements for further information on the credit risk associated with trade and other receivables.

8. CASH AND CASH EQUIVALENTS

Liquidity was bolstered by the receipt of R76 billion in shareholder loans through the Eskom Debt Relief Act, 2023 as amended, to assist us in meeting our debt servicing requirements. Refer to the condensed group statement of cash flows on the next page for further detail on operating, investing and financing cash flows for the year.

9. CAPITAL AND RESERVES

The decline in equity is a result of the R55 billion net loss after tax recorded for the year, due mostly to the derecognition of the deferred tax asset at 31 March 2024 discussed earlier. This was partially offset by shareholder loans of R44 billion which have been approved for conversion to equity by the Minister of Finance, based on Eskom's compliance with the conditions of the Eskom Debt Relief Act, 2023 as amended. At year end, this amount was recognised as other equity as the related shares were issued after year end, in April 2024.

10. DEBT SECURITIES AND BORROWINGS

Debt of R23.6 billion was raised in compliance with the Eskom Debt Relief Act, 2023 as amended, offset by R54.6 billion repaid, together with interest, accruals and discounting to present value. Foreign-denominated borrowings were also subject to exchange rate volatility and increased in Rand terms because of the weakening of the Rand. Non-current debt is reclassified as current debt as maturities fall due.

11. CONTRACT LIABILITIES AND DEFERRED INCOME

The increase is largely attributable to day 1 fair value gains on contracts with embedded derivatives, together with growth in customer connections and deferred income associated with grants received for Government's electrification programme.

12. LOAN FROM SHAREHOLDER

The remaining R32 billion in debt relief support, received during the fourth quarter, was recognised as a liability at year end as it would only be assessed for compliance with the debt relief conditions and considered for conversion to equity in the 2025 financial year. The Minister of Finance approved the conversion on 29 July 2024, based on Eskom's continued compliance with the conditions, and the related shares were issued in August 2024.

Condensed annual financial statements *continued*

CONDENSED GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2024

	2024 Rm	Restated 2023 Rm	%	Ref
Cash flows from operating activities				
Loss before tax	**(25 469)**	(34 583)	26 ▼	
Adjustment for non-cash items	**79 563**	78 872	1 ▲	
Changes in working capital	**(13 579)**	(2 320)	485 ▲	
Cash generated from operations	**40 515**	41 969	3 ▼	
Net cash from derivatives held for risk management	**794**	97	719 ▲	
Finance income received	**412**	462	11 ▼	
Finance cost paid	**(4)**	(109)	96 ▼	
Income taxes paid	**(1 321)**	(892)	48 ▲	
Net cash from operating activities	**40 396**	41 527	3 ▼	1
Cash flows used in investing activities				
Proceeds from disposal of property, plant and equipment and intangibles	**1 082**	746	45 ▲	
Acquisitions of property, plant and equipment and intangibles	**(42 577)**	(31 865)	34 ▲	
Acquisitions of future fuel supplies	**(2 857)**	(3 137)	9 ▼	
Acquisitions of treasury investments	**(1 002)**	–	100 ▲	
Net (acquisitions of)/proceeds from insurance investments	**(1 735)**	647	368 ▼	
Payments made in advance	**(101)**	(442)	77 ▼	
Cash used in provisions	**(135)**	(1 900)	93 ▼	
Net cash used in derivatives held for risk management	**(221)**	(18)	1 128 ▲	
Net cash from loans receivable and finance lease receivables	**84**	109	23 ▼	
Dividends received	**183**	254	28 ▼	
Finance income received	**2 336**	1 792	30 ▲	
Net cash used in investing activities	**(44 943)**	(33 814)	33 ▲	2
Cash flows from/(used in) financing activities				
Debt securities and borrowings raised	**23 562**	29 603	20 ▼	
Loan from shareholder raised	**76 000**	–	100 ▲	
Payments made in advance	**(426)**	(369)	15 ▲	
Debt securities and borrowings repaid	**(54 594)**	(39 110)	40 ▲	
Share capital issued	**–**	21 857	100 ▼	
Net cash from derivatives held for risk management	**10 992**	4 894	125 ▲	
Net cash used in lease liabilities and financial trading liabilities	**(721)**	(689)	5 ▲	
Finance income received	**1 110**	789	41 ▲	
Finance cost paid	**(35 255)**	(33 069)	7 ▲	
Taxes paid	**(71)**	(58)	22 ▲	
Net cash from/(used in) financing activities	**20 597**	(16 152)	228 ▲	3
Net increase/(decrease) in cash and cash equivalents	**16 050**	(8 439)	290 ▲	
Cash and cash equivalents at the beginning of the year	**7 516**	15 885	53 ▼	
Foreign currency translation	**6**	33	82 ▼	
Effect of movements in exchange rates on cash held	**13**	37	65 ▼	
Cash and cash equivalents at the end of the year	**23 585**	7 516	214 ▲	

▲ Inflow increased ▼ Inflow decreased
▼ Outflow decreased ▲ Outflow increased

1. CASH FLOWS FROM OPERATING ACTIVITIES

The improvement in profitability was largely offset by growth in working capital, mainly due to the extension of municipal payment terms from 15 days to 30 days to comply with the conditions of Government's municipal debt relief programme. In addition, there was growth in coal, liquid fuel, maintenance spares and consumables required by the Generation Recovery Plan and to address coal stock levels.

Net operating cash flows of R40.4 billion remain inadequate to meet total debt servicing requirements of R89.8 billion, comprising interest of R35.3 billion and capital of R54.6 billion. This emphasises the negative impact of the lack of cost-reflective tariffs, combined with our operating challenges, on operating cash flows, resulting in the need for Government debt relief to strengthen the balance sheet.

2. CASH FLOWS USED IN INVESTING ACTIVITIES

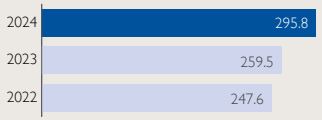
Investing activities relate mainly to capital expenditure on the new build programme, Generation outages and technical plan requirements, as well as the investment in transmission and distribution network infrastructure.

3. CASH FLOWS FROM FINANCING ACTIVITIES

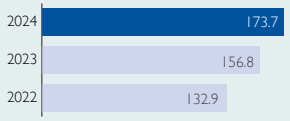
Financing activities include debt raised of R23.6 billion, net of commercial paper, offset by total debt servicing outflows of R89.8 billion. Government's debt relief support of R76 billion was necessary to meet these obligations, although Eskom did have to fund a portion of the debt service requirements from available funds.

Our finances

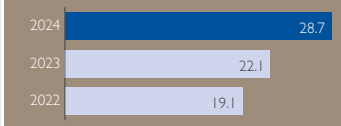
Revenue
14% ↑
to R295.8 billion, mainly due to an 18.65% tariff increase



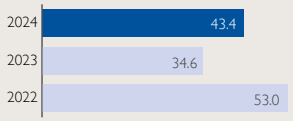
Primary energy costs
11% ↑
to R173.7 billion



Repairs and maintenance spend
30% ↑
to R28.7 billion to address poor generation plant performance



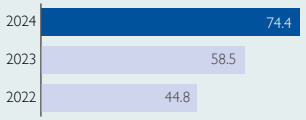
EBITDA
26% ↑
to R43.4 billion, reducing the loss before tax to R25.5 billion



R76 billion
in Government debt relief received to strengthen the balance sheet and support our going concern status

Credit rating upgrades
received from Moody's and Standard & Poor's on the back of Government's debt relief support

Arrear municipal debt escalated to
R74.4 billion
based on poor compliance with the municipal debt relief conditions



Group-funded capital expenditure
9% ↑
to R37 billion, together with growth in working capital, to support the Generation Recovery Plan

Financial capital is fundamental to our sustainability as an organisation. Financial and operational performance are intrinsically connected, as poor operational performance has a detrimental impact on financial results and, conversely, financial challenges and liquidity constraints hinder our ability to address operational challenges and deliver on strategic objectives.

We make use of financial capital in the form of debt or equity to fund our operations. To ensure financial sustainability, equity should ideally be created through profits generated by sufficient revenue to cover our costs, otherwise through financial support received from our shareholder.

FINANCIAL RATIOS

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Company							
Electricity revenue per kWh (including environmental levy), c/kWh	233.27	184.52	**164.27**	●	**165.43**	141.38	127.32
Electricity operating costs, R/MWh	1 896.12	1 425.36	**1 319.84**	●	**1 384.77**	1 207.29	992.80
Group							
EBITDA, R million[SC, 1]	103 050	67 120	**54 169**	●	**43 410**	34 565	52 954
EBITDA margin, %	23.27	21.27	**17.50**	●	**14.67**	13.32	21.39
Current ratio[2]	0.89	1.11	**1.10**	●	**0.98**	0.89	0.90
Free funds from operations (FFO), R million	109 350	64 624	**54 815**	●	**53 975**	43 847	63 795
FFO after net interest paid, R million	85 443	29 457	**19 589**	●	**19 830**	11 567	31 904

1. The financial results for 2023 have been restated due to a change in accounting treatment. Full details are available in note 48 of the financial statements.
2. Refer to the glossary of terms on page 107 for detail on the current assets and liabilities used in the calculation of the current ratio.

The group recorded a loss before tax of R25.5 billion for the year (2023: R34.6 billion). The improvement is largely attributable to the growth in revenue on the back of an 18.65% standard tariff increase.

Despite this increase, profitability remains hampered by a lack of cost-reflective tariffs, poor generating plant performance, above-inflationary cost increases in some areas, non-payment by municipalities, high finance costs associated with our significant debt burden, as well as losses associated with criminal and fraudulent activities. Collectively, these challenge our ability to achieve financial and operational sustainability, contribute to our liquidity constraints and jeopardise our ability to continue as a going concern.

Returning to profitability and improving our solvency ratios in a sustainable manner requires successful implementation of the financial recovery turnaround objectives, each of which is discussed in more detail below.

Financial recovery

- Pursue the migration to cost-reflective tariffs
- Achieve sustainable turnaround cost savings
- Deleverage the balance sheet through Government support
- Address arrear municipal debt and non-payment by municipalities

PURSUING COST-REFLECTIVE TARIFFS

Cost-reflective tariffs are critical to our financial sustainability. This means that the allowable revenue determined by NERSA must be sufficient to cover the prudent and efficient costs that we incur to supply electricity to customers, while providing a fair return on assets that at least covers our weighted average cost of capital.

The lack of cost-reflective tariffs has been an ongoing challenge since 2006 and is one of the main reasons for our financial constraints, together with the reliance on debt to fund our new build programme. In part, the historic reliance on debt has been a symptom of insufficient operating cash flows to fund capital expenditure because of the inadequate tariff path. The migration towards cost-reflective tariffs, therefore, remains a key priority for turning around financial performance.

Our finances *continued*

Tariff path

MYPD 5 Approved by NERSA		
2023	2024	2025
9.61%	18.65%	12.74%

MYPD 6 application[1] Subject to NERSA's determination		
2026	2027	2028
36.15%	11.81%	9.10%

1. The tariff path shown represents Eskom's MYPD 6 application, the outcome of which is still to be determined.

COURT REVIEW APPLICATIONS RELATING TO PREVIOUS FINANCIAL YEARS

As discussed in previous reports, recent revenue and regulatory clearing account (RCA) decisions by NERSA have not aligned to the principles of the multi-year price determination (MYPD) methodology and have also not enabled the migration towards cost reflectivity. Eskom has lodged several review applications with the courts to challenge these determinations. Developments since last year's report are discussed below.

REVENUE DECISION FOR THE 2023 TO 2025 FINANCIAL YEARS (MYPD 5)

NERSA's allowable revenue determination for the 2024 financial year translated to an effective average standard tariff increase of 18.65%, which was implemented in the schedule of tariffs from 1 April 2023. For the 2025 financial year, an effective average standard customer tariff increase of 12.74% was determined, for implementation from 1 April 2024. In large part, these increases were due to favourable judgments arising from previous court review applications and RCA decisions.

Both the Democratic Alliance and the South African Local Government Association (SALGA) submitted court review applications to challenge NERSA's allowable revenue determinations for 2024 and 2025. The hearings took place in September 2023 and the High Court issued its judgment in December 2023, dismissing the applications. In April 2024, SALGA's application for leave to appeal was dismissed with costs and it is unlikely that they will continue with further appeals.

OTHER COURT REVIEW APPLICATIONS AND DECISIONS UNDERWAY

The legal processes for several review applications are still underway, which collectively relate to the recovery of an estimated R50 billion. Regrettably, there have been no significant developments in these applications, which include the RCA decisions for the 2015 to 2017 financial years (MYPD 3); the RCA decision for 2018 (MYPD 3); the revenue and RCA decisions for 2019; as well as the RCA decision for 2020 (MYPD 4). We are engaging with NERSA to agree on a way forward for the court review applications relating to these decisions.

Progress on the RCA applications for 2021, 2022 and 2023 is summarised below.

Eskom application	NERSA decision	Progress
RCA decision for the 2021 financial year (MYPD 4)		
R10.7 billion in favour of Eskom (submitted in November 2021)	R204 million in favour of the consumer (approved in May 2023)	We are reviewing NERSA's decision on a similar basis as previous RCA decisions, as it is evident that NERSA has not implemented previous court-ordered decisions when making this decision. We lodged a case in October 2023 and a court date was scheduled for June 2024, although the date was subsequently withdrawn to allow NERSA to make a decision on its approach to the court application.
RCA decision for the 2022 financial year (MYPD 4)		
R23.9 billion in favour of Eskom (submitted in April 2023)	R8.1 billion in favour of Eskom (approved in July 2024)	In June 2023, NERSA published the RCA application for stakeholder consultation. A public hearing was held in August 2023 and NERSA was expected to announce a decision by December 2023, although this was postponed. An RCA balance of R8 095 million in favour of Eskom was approved at NERSA's Energy Regulator meeting on 30 July 2024. We are awaiting the reasons for decision as well as NERSA's decision on the timing of the RCA liquidation in order to determine a way forward.
RCA decision for the 2023 financial year (MYPD 5)		
R9 million in favour of Eskom (submitted in January 2024)	No decision to date	This RCA application was considerably lower than previous years due to the revenue variance arising from the negative impact of loadshedding on sales volumes. NERSA published the application for public consultation in April 2024. The public hearings planned for August 2024 did not take place due to limited interest. NERSA is expected to make a decision in December 2024.

The RCA application for the 2024 financial year will be prepared in accordance with the existing MYPD methodology, based on the published financial statements for the year.

PROGRESS ON MYPD 6 REVENUE APPLICATION COVERING FUTURE FINANCIAL YEARS

Since 2021, NERSA has been consulting on the implementation of a new electricity price determination methodology (EPDM). Implementation of the EPDM rules was approved at NERSA's energy regulator meeting in December 2023, with the reasons for the decision published on 26 January 2024. Although no formal communication on the implementation date had been received, it was understood that NERSA wished to implement the new rules for the 2026 financial year, from 1 April 2025.

Stakeholders raised considerable concerns on the practicality of implementing these rules as they are a major departure from the existing MYPD methodology and the Eskom Retail Tariff and Structural Adjustment (ERTSA) process, the most significant being the lack of an RCA mechanism. The new methodology is likely to threaten the recovery of prudent and efficient costs, and several risks have been highlighted to NERSA during its public hearings.

Subsequently, NERSA rescinded its decision to implement the EPDM rules at its Energy Regulator meeting in June 2024. NERSA has undertaken to develop a plan to clarify the approach to processing and evaluating future revenue and tariff applications. Any approach will have to comply with the Electricity Pricing Policy and the Electricity Regulation Act, 2006 as amended.

Our finances *continued*

We have communicated to NERSA that we will be implementing the court judgment obtained in 2021, following NERSA's initial rejection of our MYPD 5 application. At the time, NERSA rejected the application on the basis that it intended to develop a revised pricing methodology. The High Court judgment required that NERSA implement the prevailing methodology when considering an application.

Therefore, we have prepared our three-year MYPD 6 revenue application in accordance with the prevailing MYPD methodology published in 2016. We submitted the application to NERSA in August 2024, following consultation with SALGA and National Treasury. The application translates to proposed standard tariff increases for the 2026 to 2028 financial years of 36.15%, 11.81% and 9.10%, and includes a gradual increase in Eskom's return on assets to 4%, 5% and 6% respectively, to minimise the market impact and enable a migration towards cost-reflectivity over time. However, these remain far below Eskom's cost of capital of almost 11%. NERSA published the application for stakeholder comment in September 2024. The outcome of the application will only be known once NERSA issues its revenue determination, following the public consultation process planned for November and December 2024.

RESTRUCTURING OF TARIFFS

As previously reported, we submitted proposals for the restructuring of tariffs to NERSA in 2020, as existing tariff structures do not accurately reflect the true component costs of electricity supply, particularly the allocation between fixed and variable costs. Furthermore, tariffs need to be modernised to address the legal separation of Eskom and the restructuring of the electricity supply industry.

Key among these proposals was to address the recovery of fixed generation costs through a capacity charge rather than through volume-based charges. For the 2024 financial year, NERSA only approved the introduction of *Homeflex*, a residential time-of-use tariff, as well as a net billing offset rate for customers with small-scale embedded generation to be compensated for energy supplied to the grid. No structural changes to tariffs have been approved for the 2025 financial year.

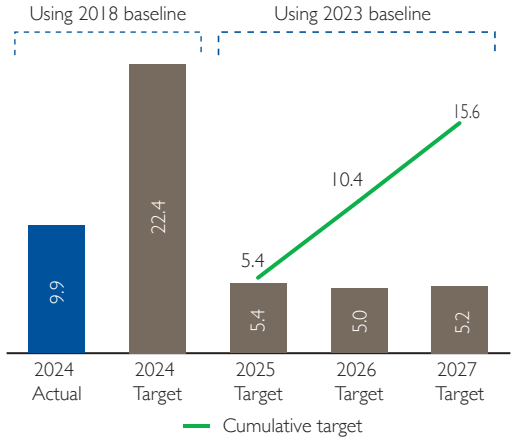
In September 2024, we submitted a revised retail tariff plan to restructure tariffs and better address the cost reflectivity of the generation, transmission and distribution components of electricity supply, for possible implementation from the 2026 financial year. NERSA published the plan for stakeholder comment in November 2024, with a decision expected in January 2025 to allow for implementation of any tariff changes from 1 April 2025.

Did you know?
Eskom has always made ringfenced revenue applications for Generation, Transmission and Distribution. It is, therefore, possible for NERSA to make separate allowable revenue determinations for each licensee under the prevailing MYPD methodology.

CONTROLLING EXPENDITURE

A significant focus of our turnaround plan is improving our financial performance through sustainable cost curtailment and efficiencies, as well as realising opportunities for other income.

Turnaround savings, R billion



1. Eskom requested the shareholder to amend the target for the 2024 financial year to R10.5 billion, based on a revised methodology using the 2023 financial results as a baseline. The shareholder denied this request, although the revised methodology and baseline has been applied in the targets for the 2025, 2026 and 2027 financial years.

The majority of savings for the past year were attributable to other income from new customer connections, containment of growth in primary energy costs from the negotiation of coal prices more favourable than our assumptions, together with other procurement savings. Unfortunately, these savings were largely eroded by increased spend on Eskom-owned and IPP OCGTs.

It should be noted that Deloitte has qualified this KPI, as they were not able to substantiate the estimates and judgements applied in management's estimation of the baseline against which coal savings of approximately R1.3 billion have been reported.

IR Refer to the qualification contained in the independent sustainability assurance report on page 127 for further information

Savings targets for the next three years are based on a revised methodology using our 2023 results as a baseline, which caters for the decline in sales, worsening generation plant performance, change in production mix (specifically the contribution by OCGTs and IPPs) and growth in our cost base since the 2018 baseline.

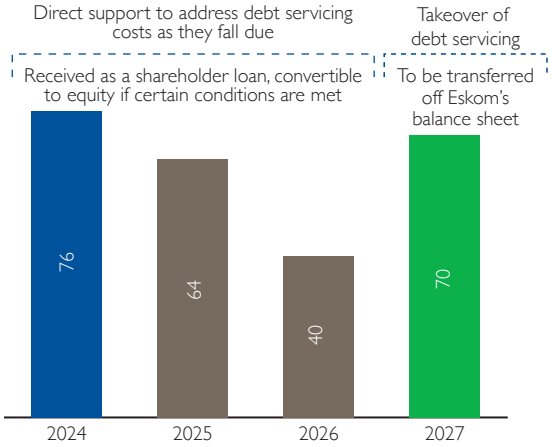
During the 2025 financial year, we have established a programme to enhance operational efficiency and reduce costs, aimed at returning Eskom to profitability in the short to medium term. The additional savings being targeted through this programme will be from primary energy optimisation, procurement efficiencies, digital transformation and capital productivity, together with revenue growth opportunities.

ADDRESSING ESKOM'S DEBT BURDEN

GOVERNMENT SUPPORT

Addressing our debt burden is a key component of the turnaround plan to resolve the organisation's long-term financial sustainability. Government support remains the primary enabler for servicing our debt and strengthening our balance sheet over time.

Government debt relief support, R billion



During the year, we received R76 billion in shareholder loans from Government under the Eskom Debt Relief Act, 2023 as amended. By year end, R44 billion of this had been approved for conversion to equity by the Minister of Finance, based on our continued compliance with the strategic conditions attached to the support. The shares related to the conversion were issued to the shareholder in April 2024.

The remaining R32 billion in support, which was received during the fourth quarter, was recognised as a liability in the financial statements at year end as it would only be assessed for compliance with the conditions in the 2025 financial year. Subsequent to year end, the Minister of Finance approved the conversion of this amount to equity on 29 July 2024, with the related shares issued in August 2024.

Our finances *continued*

Based on the amendment of the Act, Eskom is required to pay interest at a market rate on all future amounts advanced as a shareholder loan, effective from 8 April 2024, when the amendment was promulgated. Although, the interest charge will only be calculated from 15 July 2024, when the implementation agreement was concluded. Eskom and National Treasury also agreed to reduce the debt relief support by R2 billion for the 2024 financial year, from R78 billion to R76 billion, and a further R2 billion for the 2025 financial year, from R66 billion to R64 billion, to cater for assumptions around the delayed disposal of Eskom Finance Company SOC Ltd.

DEBT SERVICING
SOLVENCY RATIOS

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Group							
FFO as % of gross debt, %	25.86	13.12	**11.15**	🟠	**10.74**	9.12	14.11
FFO (after net interest) as % of gross debt, %	20.20	5.98	**3.98**	🟠	**3.94**	2.40	7.06
Cash interest cover, ratio[SC]	6.13	1.92	**1.22**	🟠	**1.18**	1.29	1.69
Debt service cover, ratio[SC]	2.74	0.76	**0.44**	🟢	**0.46**	0.58	0.76
Gross debt/EBITDA, ratio	4.37	7.05	**9.08**	🔴	**11.58**	13.92	8.54
Debt/equity (including long-term provisions), ratio	0.75	1.39	**1.62**	🔴	**1.99**	1.88	1.81

The debt/equity ratio has worsened as a result of the decline in equity, linked to the R55 billion net loss after tax recorded for the year. This is despite the positive impact of the R44 billion in Government support converted to equity at year end. The major contributing factors to the loss for the year remain financial sustainability challenges arising from the lack of cost-reflective tariffs, poor generating plant performance, above-inflationary cost increases, non-payment by customers as well as high debt servicing costs. Furthermore, the loss after tax was worsened by the derecognition of the deferred tax asset of R36.6 billion at 31 March 2024.

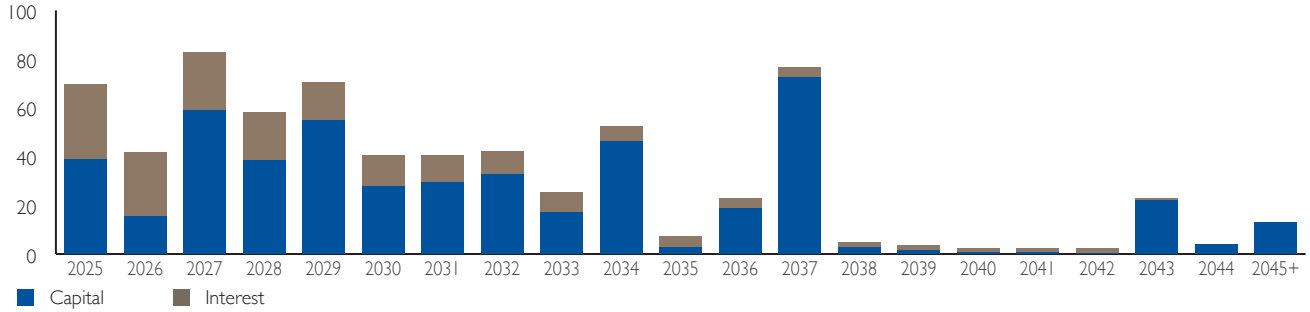
AFS Refer to note 14 in the financial statements for further information on the derecognition of the deferred tax asset

Other than this, our solvency ratios have mostly improved when compared to the prior year, which is largely attributable to the improvement in EBITDA performance and reduction in debt. Although, operating cash flows remain inadequate to fund our debt servicing requirements on a standalone basis.

Debt servicing outflows, including both capital repaid and interest paid, amounted to R89.8 billion for the year (2023: R72.2 billion). The R76 billion in Government debt relief support was necessary to meet these obligations, although we did have to fund a portion of these requirements from available funds.

Our debt repayment profile remains pressured over both the short and long term, with debt repayments and interest payments of around R210 billion and R120 billion respectively over the next five years, based on the existing debt book (excluding future borrowings). Debt service outflows of R71 billion are expected in the 2025 financial year.

Projected debt maturity profile (net of swaps and excluding future borrowings) at 31 March 2024, R billion



Government's debt relief support will greatly assist us in meeting debt servicing outflows up to March 2026, with the takeover of up to R70 billion in debt servicing (principal and interest) thereafter providing further support. However, there are sizeable redemption obligations after this, which will have to be serviced from improved operating cash flows and potential incremental borrowings. Our latest Corporate Plan indicates that we will be able to service or refinance these maturities, although this relies on a more cost-reflective tariff path. Our Treasury Department has developed a contingency plan, setting out potential financing scenarios should tariff path assumptions not be realised, with any additional financing to be subject to approval from the Minister of Finance.

DRAWDOWN PROGRAMME

The conditions of the Eskom Debt Relief Act, 2023 as amended, specify that no new borrowings will be allowed from 1 April 2023 until the end of the debt relief period, unless approved by the Minister of Finance. Eskom may, however, continue to draw down on existing facilities in place at 31 March 2023.

On 31 March 2023, we had concluded R16 billion in private placement funding with the support of the Minister of Finance, although the funding was only received in early April 2023. This funding was necessary to support liquidity during the first quarter of the financial year, while awaiting receipt of the first tranche of the shareholder loan after enactment of the Eskom Debt Relief Act in July 2023.

The only other funding secured during the year was through existing facilities from development financing institutions (DFIs). Total drawdowns from DFIs amounted to R7.5 billion, against a target of R10.6 billion. We are targeting a DFI and export credit agency (ECA) drawdown programme of R23.2 billion over the next five years, in addition to the remaining shareholder loans due from Government.

DFI and ECA drawdown schedule	R billion
2025	**11.2**
2026	**2.8**
2027	**6.7**
2028	**1.6**
2029	**0.9**
Total	**23.2**

Our finances *continued*

DEBT SECURITIES AND BORROWINGS

The main focus of our debt strategy going forward is to ensure continued adherence to the conditions attached to the debt relief support, to enable conversion of shareholder loans to equity. This is critical for deleveraging our balance sheet and reducing our finance costs over time.

Our gross debt securities and borrowings balance has decreased to R412.2 billion (2023: R423.9 billion), mainly due to debt servicing outflows and the restriction on new borrowings. Nevertheless, the weakening of the Rand had an unfavourable impact on the balance of foreign-denominated borrowings. A reconciliation of the major movements in debt securities and borrowings is shown below.

Movements in gross debt securities and borrowings	R billion
Balance at 31 March 2023	**423.9**
Debt raised from private placements concluded in March 2023	**16.0**
Debt raised through DFI funding	**7.5**
Debt repaid	**(54.6)**
Net fair value and foreign exchange movements	**12.8**
Other[1]	**6.6**
Balance at 31 March 2024	**412.2**

1. Mainly comprises interest accruals.

Net debt, R billion	2024	2023	% change
Debt securities and borrowings	**412.2**	423.9	3 ▼
Loan from shareholder[1]	**32.0**	–	100 ▲
Lease liabilities	**7.4**	8.1	9 ▼
Cash and cash equivalents[2]	**(23.6)**	(7.5)	214 ▲
Payments made in advance	**(0.6)**	(0.7)	6 ▼
Net derivatives held for risk management[2]	**(26.3)**	(25.0)	5 ▲
Net debt	**401.1**	398.8	<1 ▲

1. A total of R76 billion was received during the year, of which R44 billion was approved for conversion to equity by year end. The remaining R32 billion was subsequently approved for conversion in the 2025 financial year.
2. In the table above, assets are reflected as negative amounts.

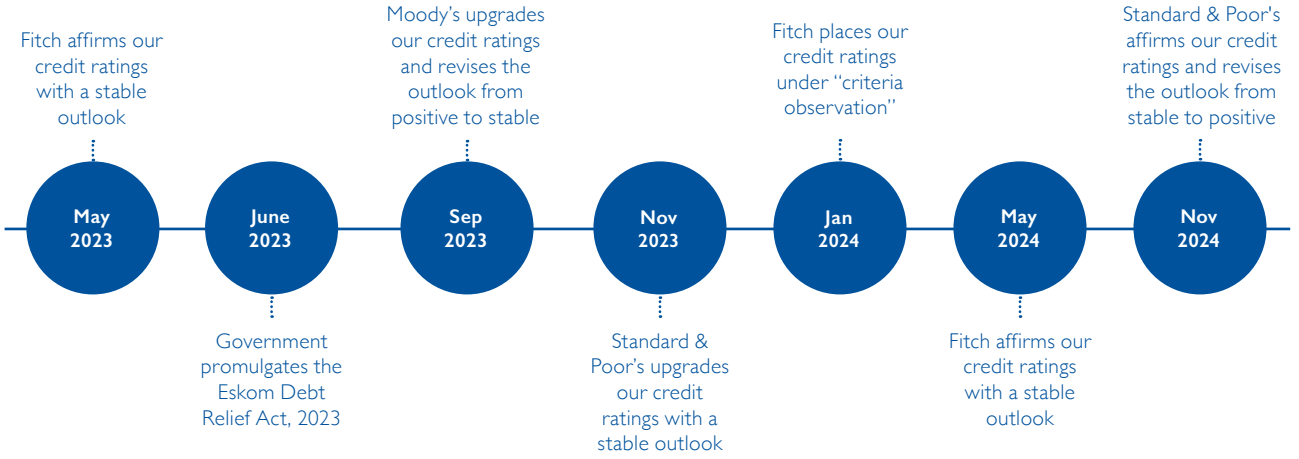
Based on financial modelling, our debt securities and borrowings is expected to reduce by around 40% over the next five years, to a more sustainable level of approximately R250 billion, due to the debt relief support from Government. This is dependent on continued compliance with the conditions attached to the Eskom Debt Relief Act, 2023 as amended, including restrictions on new borrowings, together with an appropriate tariff path.

CREDIT RATINGS

LATEST CREDIT RATINGS

Rating	Standard & Poor's	Moody's	Fitch: local currency
Foreign currency Local currency Standalone	B B CCC	B2 B2 Caa1	n/a B CCC-
Outlook	Positive	Stable	Stable
Last rating action Last action date	Affirmed 22 November 2024	Upgrade 6 September 2023	Affirmed 28 May 2024

While our credit ratings remain at sub-investment grade level, we have experienced a significant improvement in ratings in recent past on the back of Government's debt relief support.



On 18 January 2024, Fitch placed 19 global organisations including Eskom, under "criteria observation" due to the application of revised criteria for government-related entities. These introduce more granular rating outcomes and place greater emphasis on the standalone credit profile of each entity. "Criteria observation" means that an entity's existing rating may change due to the revised criteria, but does not necessarily indicate a change in the underlying credit profile. Fitch indicated that all ratings placed on "criteria observation" would be reviewed within six months.

On 28 May 2024, Fitch affirmed our previous credit ratings with a stable outlook. The affirmation reflects the strong ties between Eskom's credit ratings and that of the sovereign, in line with the revised rating criteria for government-related entities.

Investors remain concerned about Eskom's poor operating performance, weak financial position and dependence on Government support. Implementation of our turnaround plan to improve plant performance as well as address the lack of cost-reflective tariffs, non-payment by municipalities and the high debt burden, remains critical for improving our credit ratings.

Our finances *continued*

MANAGING ARREAR MUNICIPAL DEBT

Key debt management indicators at 31 March 2024

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Arrear debt as % of revenue, %	7.11	5.11	**5.17**	●	**3.95**	4.80	3.91
Average debtors days (including municipalities, Soweto and international customers), days[1]	n/a	111.31	**98.38**	●	**100.03**	95.19	88.44
Debtors days – municipalities, average debtors days[1]	n/a	225.17	**194.65**	●	**212.64**	179.27	149.63
Debtors days – large power top customers excluding disputes, average debtors days[1]	n/a	16.43	**16.06**	●	**15.47**	14.48	14.63
Other large power user debtors days (<100GWh p.a.), average debtors days[1]	n/a	16.01	**16.54**	●	**16.48**	16.28	17.54
Debtors days – small power users excluding Soweto, average debtors days[1]	n/a	47.30	**46.47**	●	**45.19**	46.19	47.70
Payment levels, %[SC, 2]	93.00	94.00	**94.90**	●	**94.91**	95.03	95.97

1. Debtors days are based on amounts processed on our billing system, and are shown before considering adjustments relating to non-collectability. Therefore, the amounts may not agree with those disclosed in the financial statements. No targets have been approved for the 2027 financial year and are therefore shown as not applicable.
2. Based on a new definition of the shareholder compact target which includes Soweto interest. The comparatives for 2023 and 2022 exclude Soweto interest.

AFS For details of debtors by category, including impairment and carrying values, refer to notes 5.1.1 and 20 in the financial statements

Non-payment of accounts is a systemic challenge to the entire electricity industry. We have pursued a multi-pronged strategy aimed at recovering the outstanding arrear debt owed to us. This includes negotiating payment arrangements with defaulting municipalities, pursuing our legal rights through the courts, assisting struggling municipalities through active partnering agreements; and working with various intergovernmental platforms to resolve the culture of non-payment by municipalities. We aim to address arrear debt on three levels.

Current account management

Stop defaulting and enforce payment of current amounts

Arrear debt management

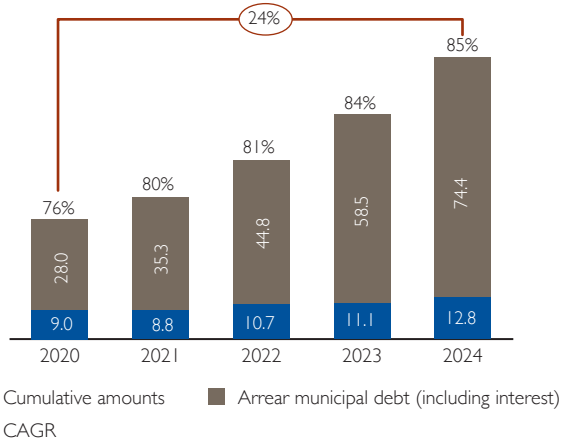
Reduce and/or eliminate overdue debt

Future debt management

Prevent future defaulting through pre-emptive action

Regrettably, the problem has continued to escalate over the years, with arrear municipal debt amounting to R74.4 billion at year end (2023: R58.5 billion). Resolving the historic arrear debt challenge, collecting the revenue owed to us and preventing future growth in overdue amounts are critical to improving operating cash flows and, ultimately, our financial sustainability.

Invoiced municipal debt (including interest) and percentage of total debt in arrears at 31 March 2024, R billion



The number of municipalities with an arrear debt balance of more than R100 million has increased to 69 at 31 March 2024 (2023: 61). Around 76% of the arrear municipal debt is owed by municipalities in the Free State (29%), Mpumalanga (27%) and Gauteng (20%). Of recent concern is the growth in arrear debt from metros, particularly in Gauteng. Year-on-year the capital balance outstanding from metros has increased by 156% and from non-metro municipalities by 25%.

The top 10 defaulting municipalities (including metros) owed arrear debt of R44.4 billion at year end, which constituted 60% of total arrear municipal debt.

Municipality, R million	2024	2023	% change
1. Emalahleni Local Municipality, Mpumalanga	**8 510**	7 418	15 ▲
2. Maluti-a-Phofung Local Municipality, Free State	**7 976**	7 239	10 ▲
3. Emfuleni Local Municipality, Gauteng	**7 065**	5 913	19 ▲
4. Matjhabeng Local Municipality, Free State	**5 761**	5 250	10 ▲
5. Govan Mbeki Local Municipality, Mpumalanga	**4 479**	3 723	20 ▲
6. City of Tshwane Metropolitan Municipality, Gauteng	**3 117**	1 060	194 ▲
7. Lekwa Local Municipality, Mpumalanga	**2 190**	1 860	18 ▲
8. Ngwathe Local Municipality, Free State	**2 009**	1 713	17 ▲
9. City of Matlosana Local Municipality, North West	**1 750**	1 438	22 ▲
10. City of Ekurhuleni Metropolitan Municipality, Gauteng	**1 580**	330	379 ▲

The arrear debt owing from City of Tshwane (CoT) and City of Johannesburg (CoJ) metros in Gauteng has continued to escalate after year end. We are engaging with these metros and pursuing our legal rights through the courts.

CoT and Eskom concluded a five-year payment arrangement plan in December 2024, subject to CoT settling its current accounts on time, failing which the arrear debt owed will become payable immediately.

The High Court ordered CoJ to settle its outstanding debt, although CoJ is appealing the matter and has disputed the amounts billed by Eskom. In November 2024, Eskom served a notice of intent to interrupt power supply to CoJ. Following an engagement between CoJ, Eskom and the Minister of Electricity and Energy, the notice was withdrawn, subject to CoJ settling its current accounts and to allow an independent evaluation of the disputed billing to be concluded.

Our finances *continued*

MUNICIPAL DEBT RELIEF PROGRAMME

National Treasury implemented its municipal debt relief programme from 1 June 2023, through which any municipality with arrear debt outstanding at 31 March 2023 may apply for relief, subject to certain conditions. The conditions aim to restore a minimum set of financial management best practices in municipalities, including enforcing the settlement of current accounts.

National Treasury circular 124, dealing with the municipal debt relief programme, can be accessed online at https://mfma.treasury.gov.za/Circulars/Pages/default.aspx

After a municipality has demonstrated compliance with the conditions for 12 consecutive months, National Treasury will request Eskom to write off one-third of the municipality's arrear debt balance outstanding at 31 March 2023. If fully complied with, the programme aims to write off the municipal arrear debt over a period of three years.

We have ring-fenced the amounts identified for potential write-off based on the arrear debt outstanding at 31 March 2023. These write-offs will not affect our future profitability as the arrear amounts have been fully provided for; they were either not recognised as revenue or a receivable to begin with, due to the accounting criteria for collectability not being met, or they have been subsequently impaired. No write-offs were processed during the 2024 financial year as the municipalities must comply with conditions for 12 consecutive months for the first third to be written off.

While implementation of the municipal debt relief programme means we will not be able to recover the historic arrear debt owed to us, the objective of the programme is to resolve the poor payment levels and improve the settlement of current accounts by municipalities over time, thereby leading to improved operating cash flows going forward.

Performance against the municipal debt relief programme at 31 March 2024		
71 municipalities approved to participate in the programme	→	Representing **R55.6 billion** (95%) of the arrear debt balance outstanding at 31 March 2023
23 municipalities complying **46 municipalities not complying** **Two municipalities newly participating**	→	Compliant municipalities account for only **R6.9 billion** (12%) of the arrear debt balance outstanding at 31 March 2023

Based on the conditions, the following steps are taken if a municipality participating in the debt relief programme fails to settle its current account on time:

- A breach notification is issued to the defaulting municipality, and National and Provincial Treasury are informed of the breach in writing. The municipality is given 40 days to remedy the breach
- During the 40-day period, National and Provincial Treasury will take remedial action to ensure the municipality's continued participation in the debt relief programme
- If the municipality fails to rectify the breach, National Treasury will inform Eskom of the municipality's removal from the debt relief programme

If a municipality is removed from the programme, we will be allowed to resume our credit control and debt management policies, as well as resume any legal proceedings that had been stayed under the conditions of the municipal debt relief programme. The municipality will no longer receive relief and will once again become liable for its remaining arrear debt, including interest and penalties. We will also approach National Treasury for support in pursuing licence revocations for affected municipalities.

The municipal debt relief programme has delivered disappointing results. At year end, only 23 out of the 71 municipalities had complied with the condition to settle their current accounts as they fall due. Regrettably, 46 municipalities had failed to settle their current accounts on time, of which one municipality subsequently settled its account in April 2024. Two municipalities were new to the programme and could not be assessed for compliance at 31 March 2024 as their first payments on the programme were only due after year end.

By November 2024, the level of compliance has deteriorated even further, with 61 out of the 71 municipalities failing to comply with the condition to settle their current accounts. These municipalities represent over 90% of the arrear debt balance outstanding at 31 March 2023.

Our top three largest defaulting municipalities – Emalahleni, Maluti-a-Phofung and Emfuleni – received approval to participate in the municipal debt relief programme, yet all three remain overdue on their current accounts.

In July 2023, the High Court ruled that Emfuleni must appoint Eskom to perform all functions and services relating to its electricity business. An agreement was expected to be concluded in the first quarter of the 2025 financial year, although the parties were unable to reach consensus. In September 2024, we obtained a court order to attach Emfuleni's bank accounts as they had repeatedly failed to comply with the conditions of the municipal debt relief programme. Emfuleni has since entered into a distribution agency agreement to release the attached bank accounts.

We were able to conclude a similar agreement with Maluti-a-Phofung in May 2024, through which we will collaborate with the municipality to assist in maintaining and operating its network, train and upskill municipal staff and takeover billing and revenue collection services.

Active partnering agreements are also in place with Phumelela, Msunduzi, Raymond Mhlaba and Bela-Bela municipalities. However, most of these agreements relate to the provision of technical services, including maintenance of infrastructure, with limited impact on revenue collection.

The Board remains concerned about the low level of compliance by municipalities, given that the conditions of the municipal debt relief programme prohibit Eskom from pursuing action against non-compliant municipalities for the duration of the programme. We have requested National Treasury to engage with non-compliant municipalities to correct their behaviour or to remove them from the programme so that we may resume legal proceedings and debt recovery processes.

National Treasury has written to affected municipalities to inform them that their participation in the municipal debt relief programme will be terminated should they fail to rectify the breach, although no municipalities have been removed from the programme to date.

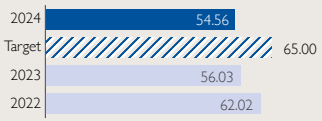
A workstream has been established under NECOM, with the aim of resolving distribution challenges contributing to the energy crisis. A key focus of the workstream is to develop a sustainable distribution industry by addressing legacy challenges, including the culture of non-payment, through influencing short, medium and long-term solutions for municipalities and Eskom within the changing electricity landscape.

FUTURE FOCUS AREAS

- Participating in the public consultation process of our MYPD 6 revenue application and pursuing the migration to a cost-reflective tariff path
- Exploring a longer tariff horizon for future revenue applications to enhance tariff certainty for the industry
- Proposing the restructuring of tariffs through a revised retail tariff plan, to recover the fixed and variable component costs of generation, transmission and distribution
- Implementing initiatives to achieve cumulative turnaround savings of R15.6 billion over the next three years and return Eskom to profitability in the short to medium term
- Enforcing strict adherence to the conditions attached to the Eskom Debt Relief Act, 2023 as amended, to ensure the conversion of shareholder loans to equity and deleverage our balance sheet, thereby, reducing finance costs over time
- Supporting the municipal debt relief programme and the settlement of current accounts by defaulting municipalities to improve payment levels
- Implementing active partnering agreements with municipalities to improve service delivery
- Working with NECOM and other Government structures to address sustainability challenges in the electricity distribution industry

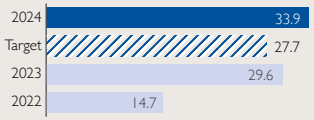
Our infrastructure

EAF continued to deteriorate to
54.56%,
with average plant unavailability for the year over 15 500MW



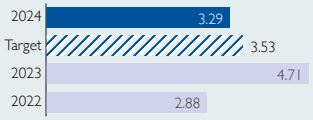
Loadshedding on
329 days
partly due to three Kusile units being unavailable for six to eight months

Spend on Eskom and IPP OCGTs increased to
R33.9 billion
to mitigate loadshedding



Kusile Unit 5 synchronised
to the grid on 31 December 2023, delayed by a year due to a fire in September 2022

System minutes lost at
3.29
recovered to within expected levels



SAIDI of
34.9 hours
showed slight improvement, remaining well within target

In accordance with our mandate, we aim to effectively operate our infrastructure, which constitutes our manufactured capital, to provide the country with a reliable supply of electricity. Our plant consists of our generation fleet and transmission and distribution networks, supplemented by capacity supplied by IPPs and cross-border imports. We're also finalising the construction of new power stations and high-voltage transmission lines under our new build programme.

MANAGING SUPPLY AND DEMAND

Electricity supplied by Eskom + IPPs + imports
↓
Transported by transmission and distribution networks
↓
To local and international customers, with some energy losses

ROLE OF THE SYSTEM OPERATOR

To maintain the integrity of the power system, our world-class System Operator has to balance electricity supply and demand in real time by maintaining the frequency of the power system at around 50Hz, within a dead band of 49.85Hz to 50.15Hz. This is achieved by managing available dispatchable generation capacity while compensating for variations in energy supplied by renewable generation, which is non-dispatchable.

Did you know?
It remains a challenge to manage non-dispatchable capacity such as wind and solar energy when the sun is not shining or the wind is not blowing as it can lead to huge shifts in available capacity from day to day. The biggest shift in wind availability from one evening peak to the next has been around 2 000MW. This situation is especially true during winter when the passage of a cold front across the country sees an increase in demand in Gauteng at the same time as wind generation drops off in the south. If this is combined with cloudy conditions in Gauteng, which affects production from behind-the-meter solar PV, it acts as a "triple whammy" to the system, which is a challenge for the System Operator to manage.

When demand outstrips supply and the shortfall cannot be supplemented by peaking capacity from pumped storage stations or OCGTs, we implement loadshedding and load curtailment of key customers to maintain the balance. Furthermore, to protect the power system, we need to ensure that we have sufficient emergency reserves at pumped storage and OCGT stations to respond to significant unplanned breakdowns or disruptions to supply.

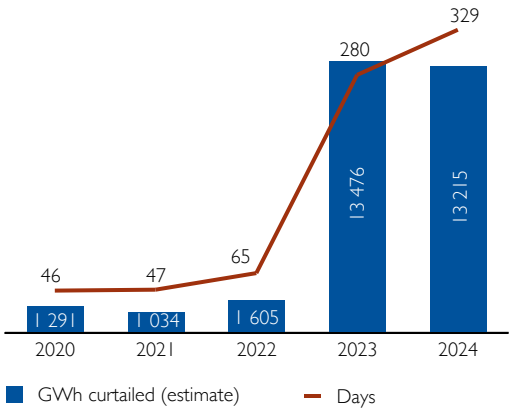
This situation is expected to continue until additional dispatchable capacity of 4 000MW–6 000MW is added to the grid, to ease supply constraints and stabilise the grid, creating much-needed space for maintenance and reducing the need for loadshedding.

We regularly test the various defence systems to ensure that we can respond effectively to a major event, such as a regional or national blackout.

SYSTEM PERFORMANCE

Over the past year, we have seen sales volumes contract further, both due to the impact of loadshedding, but also due to customers installing behind-the-meter embedded generation, mostly in the form of solar PV. Due to inadequate supply capacity being available, we were forced to implement loadshedding on 329 days during the year (2023: 280 days) at higher levels than the previous year, with energy not supplied during loadshedding estimated at 13.2TWh (2023: 13.5TWh). Put another way, we implemented loadshedding for a total of 6 367 hours, which translates to an effective 265.3 days of continuous loadshedding during the year (2023: 5 557 hours equivalent to 231.6 days).

Loadshedding and load curtailment over the past five years, GWh and days



Our infrastructure *continued*

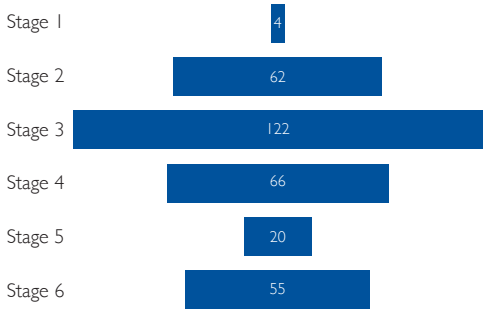
Even though loadshedding was implemented on more days than in the previous financial year, overall, the estimated energy not supplied due to load reduction remained at a similar level.

Did you know?
We lost an estimated 13.9TWh of energy through theft during the past year (2023: 13.4TWh), which exceeds the estimated load curtailed during the year and is equivalent to the output of around three large coal-fired units. The impact of illegal connections and other forms of energy theft on both financial performance and network operations should not be underestimated.

Over the winter period (from May to August 2023), average generation unplanned unavailability was 16 513MW, higher than the Winter Outlook's base-case assumption of 15 000MW. Actual unplanned unavailability exceeded the maximum assumption of 18 000MW under the Winter Outlook about 13% of the time. Over the summer period (from September 2023 to March 2024), average unplanned unavailability was 14 910MW, higher than the Summer Outlook's base-case assumption of 14 500MW. Actual unplanned unavailability exceeded the maximum assumption of 17 500MW under the Summer Outlook more than 2% of the time.

Operational, system performance and environmental data can be accessed on our Data Portal at www.eskom.co.za/dataportal

Loadshedding during the financial year, days



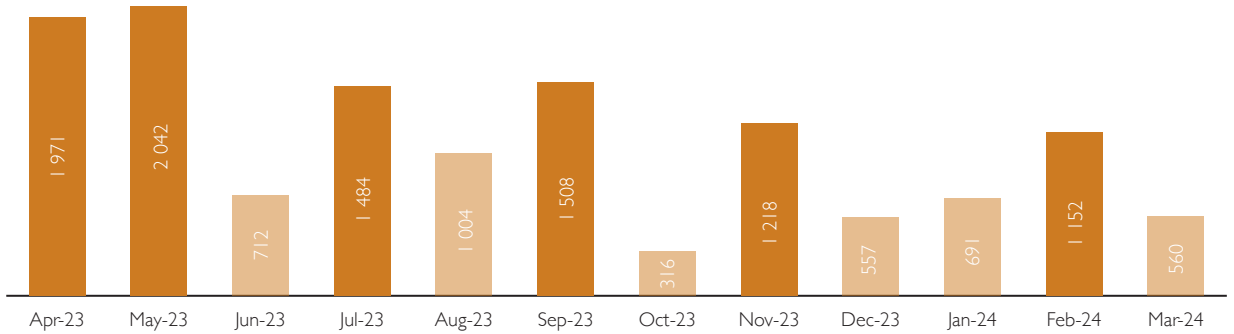
Over 4 000MW of Eskom's capacity was offline for an extended period, adding to the constrained system and resulting in elevated levels of loadshedding being required to balance supply and demand of the grid. This was due to incidents such as the flue gas duct failure in October 2022 taking Kusile Units 1, 2 and 3 out of service; the generator explosion at Medupi Unit 4 in August 2021 making the unit unavailable; the planned life extension outages on both Koeberg units; and the Kusile Unit 5 air heater fire in September 2022 delaying synchronisation and commissioning of the unit by about a year.

Other than the poor Eskom generation plant performance due to high levels of unavailability (accounting for a shortfall of about 1.7TWh for the year), there are several other reasons for energy supplied not meeting expectations:

- Delays in renewable IPP programmes that have not yet delivered capacity in line with Government's outlook in the IRP 2019 (shortfall of about 1.4TWh)
- Delays in short-term and risk mitigation IPP programmes – which are required to augment our inadequate capacity – that have not come online as quickly we had expected (shortfall of about 7.4TWh)
- Lower-than-budgeted power imports (shortfall of about 1.6TWh)

We made extensive use of both Eskom and IPP-owned OCGTs to meet demand during periods of poor base-load generation availability. A total of 5.1TWh was supplied by Eskom-owned and IPP OCGTs during the year (2023: 4.1TWh) at a cost of R33.9 billion (2023: R29.6 billion) at load factors of around 17%. This was in line with our half-year forecast of R32.2 billion. Although this situation is not sustainable in the long term, we utilise OCGTs to the extent possible within our financial constraints, given the much higher cost of loadshedding to the country.

Energy curtailed per month, GWh



As can be seen from the above, loadshedding was generally more severe during the first half of the year. The system performance improved during the second half of the year, assisted by the return to service of three units at Kusile. However, the return to service of Koeberg Unit 1 in November 2023 was followed immediately by Unit 2 being taken out of service for an extended planned outage, therefore, providing no immediate net benefit to the system. Although adding to the system constraints in the short term, these extended outages at Koeberg will enable the station to operate reliably for an additional 20 years, subject to the National Nuclear Regulator (NNR) extending the licence, thereby benefitting the system in the long term.

Renewable IPP generation continued to support the power system throughout the year, producing 17.9TWh (2023:16.9TWh), with wind generation supporting the evening peaks and solar PV contributing most support during the daytime.

The synchronisation of Kusile Unit 5 further assisted the grid, particularly over evening peaks, even though the unit is only operating at full power around-the-clock since reaching commercial operation on 30 June 2024. Kusile Unit 6 is planned to be synchronised to the grid by February 2025, with the expected return to service of Medupi Unit 4 using a second-hand stator by March 2025. These units will further assist in supporting the constrained power system.

The last time we implemented loadshedding was on 26 March 2024. Since then, the system has performed much better in general, with no loadshedding being required since then.

Our infrastructure *continued*

USE OF OPEN-CYCLE GAS TURBINES

Supply constraints continue to have an adverse impact on financial performance due to the increased reliance on expensive OCGT production to avoid or minimise loadshedding. OCGT production, while critical for alleviating supply constraints and reducing the impact of loadshedding, is significantly more expensive than other generation sources.

Measure and unit	Target 2027[1]	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Eskom OCGT production, GWh	3 798	1 899	**2 539**	●	**3 634**	3 018	1 826
Eskom OCGT cost, R million[2]	32 396	15 618	**19 609**	●	**23 873**	21 355	10 033
IPP OCGT production, GWh	1 584	792	**1 056**	●	**1 509**	1 098	899
IPP OCGT cost, R million	6 335	4 463	**8 094**	●	**10 054**	8 287	4 649

1. The 2027 target is the cumulative target over the next three years
2. The OCGT cost includes diesel storage and demurrage costs of R95 million (2023: R104 million; 2022: R108 million) incurred when not utilising the OCGTs.

Favourable diesel price movements during the year enabled higher production from OCGTs than originally anticipated. An additional R5 billion was also approved for diesel purchases to compensate for the poor performance by coal-fired stations as well as lower production by IPPs. The funds were reallocated from other areas that were underspent, including the Risk Mitigation IPP Programme (RMIPPPP).

For the coming year, we have catered for a load factor of 9% on both Eskom and IPP-owned OCGTs, reducing to 6% in the 2026 financial year and 3% in the 2027 financial year, as EAF improves and more renewable and short-term IPP capacity comes online.

GENERATION PERFORMANCE

To meet the country's electricity demand and provide electricity at a reasonable price, we continue to operate 30 base-load, mid-merit, peaking and renewable power stations, with a total nominal capacity of 46 788MW. The median age of our coal-fired stations exceeds 40 years.

Included in the capacity are four small hydroelectric stations as well as the 100MW Sere Wind Farm, which are not considered for capacity management purposes.

IR Detailed information on the installed and nominal capacity of our power stations, as well as IPP capacity, is set out on pages 118 to 119

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Energy availability factor (EAF), %[SC]	70.00	65.00	**65.00**	●	**54.56**	56.03	62.02
Planned capability loss factor (PCLF), %	10.50	10.50	**10.50**	●	**12.04**	10.39	10.23
Unplanned capability loss factor (UCLF), %	18.00	23.00	**23.00**	●	**32.34**	31.92	25.35
Other capability loss factor (OCLF), %	1.50	1.50	**1.50**	●	**1.06**	1.66	2.40
Partial load losses, average MW[1]	n/a	n/a	**n/a**	n/a	**6 615**	6 057	4 851
Post-philosophy outage UCLF, %[SC, 1]	n/a	n/a	**14.00**	●	**31.61**	35.75	29.74
Unplanned automatic grid separations (UAGS trips), number[1]	n/a	n/a	**n/a**	n/a	**593**	736	697

1. Future targets shown as n/a are dependent on system performance.

TECHNICAL PERFORMANCE

We use several indicators to assess the performance of our generation fleet. EAF or energy availability factor looks at overall plant availability to produce energy. PCLF or planned capability loss factor is an indication of the level of planned maintenance, while UCLF or unplanned capability loss factor refers to unplanned losses, whether through full breakdowns or partial unavailability of plant. OCLF or other capability loss factor considers those losses outside a station's control, which, together with UCLF, makes up the unplanned unavailability of the fleet.

Plant availability (EAF) at 54.56% remains lower than the previous year (2023: 56.03%) and significantly worse than the shareholder compact target of 65%. The decrease in EAF compared to the previous year is largely due to an increase in unplanned losses (UCLF) to 32.34% (2023: 31.92%), offset by a slight decrease in other load losses (OCLF) to 1.06% (2023: 1.66%). Despite the high levels of UCLF, planned maintenance increased to 12.04% (2023: 10.39%), due to an increased focus on the Generation Recovery Plan in an effort to improve the performance of the fleet over the longer term. Due to the success of addressing the new build design defects, the five Medupi units in operation recorded an EAF of about 75% for the year.

Coal-fired stations recorded an average energy utilisation factor (EUF) of 96.51% for the year (2023: 95.59%), with EUF over 90% at all 14 coal-fired stations. This is substantially above the expected average EUF performance of around 75% over the long term considering the age of the fleet, which has negative technical implications as reflected in the increasing plant breakdowns (UCLF) that result in declining EAF.

As mentioned before, the high EUF can be alleviated by adding additional capacity to the grid and improving Generation plant reliability – when more capacity is available, the plant doesn't have to work as hard to achieve the same result. We are striving to reach average EAF of 65% for the 2025 financial year and 70% for the 2026 financial year, in conjunction with reducing EUF within international norms.

Kusile Unit 4 achieved commercial operation on 31 May 2022 and became official for measurement purposes one year later, from 1 June 2023. It achieved EAF of 58.09% during the past year. Optimisation of the wet flue gas desulphurisation (FGD) plant to support the unit was completed in February 2023. The unit will operate at full capacity once a permanent solution is effectively implemented. Partial load losses averaged at about 120MW during the year (about 15% of the capacity of the unit).

Our infrastructure *continued*

PLANNED MAINTENANCE

Planned maintenance has improved year-on-year and achieved the target.

Fifty-four outages were scheduled for the year. When scheduling outages, consideration is given to system capacity constraints, plant risks and the availability of spares and resources. By the end of the year, 32 outages were completed, 10 were in execution, nine were deferred to the coming financial year and three were cancelled as the work was completed under a different outage. Furthermore, we completed an additional 36 short-term outages – this refers to corrective maintenance to avoid an increased risk of availability loss and does not depend on the duration of the outage.

We use several measures to track outage performance, such as outage readiness, due date performance and post-outage UCLF. Outage readiness is tracked three months before the planned execution of an outage and is reliant on timeous and adequate release of funds.

The outage readiness indicator at T-3 (three months prior to outage) was assessed at 69.89% for the year (2023: 70.25%), against a target of 80%. Several factors contributed to the poor outage performance; action plans are in place to address the shortcomings. These factors include:

- Spares and schedule management
- Outage integration and funding
- Training and competencies
- Staff complement
- Investigation of outage slips

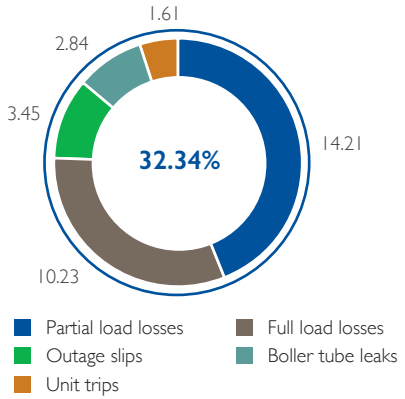
Did you know?
The late release of funds has a ripple effect on the T-3 performance as it affects the ordering of spares and other long-lead materials, issuing of task orders and finalising the integrated schedule. Outage performance and recovery plans have been hampered in recent years by the late release of funds caused by our constrained liquidity position. However, the situation improved somewhat in the current financial year, with the full funds having been released in July 2023. For the 2025 financial year, R11.69 billion has been made available for outages, all of which has been released. This was made possible by the certainty provided by the support from Government under the debt relief programme.

Post-outage UCLF is a key measure to track outage effectiveness on units that undergo general overhauls, mini overhauls and interim repairs, and is measured up to 60 days after a unit synchronises to the grid after maintenance. Post-outage UCLF of 31.61% also performed worse than the target of 14% (2023: 35.75%), although improving slightly year-on-year.

UNPLANNED LOSSES

UCLF has deteriorated significantly compared to the previous year, with both partial and full load losses increasing. Some of the main contributors to unplanned losses are major incidents, outage slips, boiler tube failures and unit trips. The Generation Recovery Plan is being driven with increased focus, and progress continues.

Contribution to UCLF, %



Partial load losses

Despite the Generation Recovery Plan, average partial load losses of 6 615MW have increased significantly compared to the previous year (2023: 6 057MW) and remain significantly worse than target. Partial load losses contributed 14.21% UCLF for the year (2023: 13.12%), almost 44% of total UCLF.

Our recovery plans did not achieve the planned reduction in partial load losses. For the 12 outages during the year aimed at reducing partial load losses completed, none of the units have realised the full targeted reduction, despite some improvement being recorded. To optimise outage execution to reach the targeted reduction in partial load losses, we will be implementing several interventions to address the root causes identified:

- Disciplined schedule management during planned outages
- Improved outage integration
- More training to improve competencies
- Increased staff complement

Kendal, Majuba, Matimba, Duvha and Arnot contributed 59% of total partial load losses for the year. Focused interventions at Kendal and Majuba are expected to reduce partial load losses by approximately 20% in the short term.

Major incidents

A flue gas duct failure was experienced at Kusile Unit 1 in October 2022, also affecting Units 2 and 3. The incident resulted in around 2 100MW being unavailable, significantly worsening the system performance. The Kusile flue gas duct failure accounted for 2.61% UCLF for the year.

The temporary stacks were completed with the FGD bypassed. This allows us to operate the units in line with the approved national environmental exemptions and conditions. Regrettably, there have been some non-compliances on particulate emissions from the stack. For the first few weeks, the filtration process was not yet fully effective and, therefore, resulted in high dust emissions. Nevertheless, to date, no non-compliance with the SO_2 stack limits or SO_2 ambient standards has occurred while operating the temporary stacks. Until the permanent stack is completed, the necessary steps will be implemented to mitigate the impact of SO_2 emissions on air quality.

All three of the units were returned to service by November 2023. The return of the units has contributed to easing grid constraints and had a positive impact on reducing levels of loadshedding. The permanent repair of the damaged stack is expected to be completed by March 2025.

The system continues to be impacted by the Medupi Unit 4 generator explosion in August 2021, resulting in 720MW not being available to the grid. The unit was removed from the nominal asset base in October 2023 and will not contribute to UCLF until its return by March 2025. A second-hand stator has been procured and delivered and is being installed. Planned completion of manufacturing of the new stator and delivery to site is the end of November 2025. The new stator is then planned for installation during a planned general overhaul six years after the return to service of the unit.

Tutuka Unit 6 was due to return to service in November 2023 from an extended interim repair outage. Multiple attempts to light up the unit led to fuel oil deposits which ignited, resulting in a fire. A recovery plan by the original equipment manufacturer (OEM) includes two phases. The first entailed the safe-making and removal of debris and was completed in February 2024. The approval of contracts for the next phase is in progress. The unit was placed into extended inoperability on 1 August 2024 and is expected to return to service in the 2026 financial year. The incident accounted for 0.91% UCLF for the year.

Outage slips

Due date performance is calculated for units that were on outage for more than 21 days and for reliability outages longer than 14 days. For the year under review, only 36.11% of outages met their due date (2023: 33.33%), significantly below the target of 80%. Once an outage slips against the due date, it is then measured as UCLF. Outage slips contributed 3.45% to UCLF for the year (2023: 3.18%).

Our infrastructure *continued*

Boiler tube failures

The boiler tube failure rate (failure per unit per year using a 12-month moving average) increased to 2.37 for commercial units (2023: 2.17), with boiler tube failures contributing 2.97% to UCLF (2023: 2.56%). The boiler tube failure rate has shown an upward trend over the past five years, largely attributed to outage deferrals and deferred midlife-refurbishments because of constrained capital funding during that time. Over the past year, earlier outage deferrals are estimated to have contributed 0.55 to the overall boiler tube failure rate. Nevertheless, three stations recorded outstanding performance at the end of March 2024 based on a failure rate of less than 1, namely Kendal, Matimba and Medupi.

A number of initiatives are being pursued to improve boiler tube failure performance:

- Addressing the deferred boiler tube scope
- Ensuring units do not operate outside design limits to minimise thermal excursions
- Reducing unit trips and cyclic stresses
- Improving milling plant availability and performance to better manage combustion conditions and operating temperatures
- Improving the availability of spares

Unit trips

The coal fleet recorded 571 trips during the year (2023: 712 trips), which contributed 1.61% to UCLF for the year (2023: 3.13%), significantly lower than the previous year.

Other losses

Poor coal quality accounted for 0.75% OCLF for the year (2023: 0.73%), with most losses being experienced at Matla.

KOEBERG PERFORMANCE

Koeberg Nuclear Power Station continues to operate within the required safety parameters, at the lowest marginal primary energy cost of our base-load stations.

Koeberg Unit 1 was shut down on 10 December 2022 for outage 126, a planned long-duration outage which included the replacement of the three steam generators. The outage was significantly delayed due to resourcing challenges and unexpected technical challenges experienced as part of the steam generator replacement project. The unit was synchronised to the grid in November 2023 and underwent commissioning testing at various power levels with the unit connected to the grid. Since December 2023, the unit operated at full load until being shut down on 11 September 2024 due to an isolation valve failure. The unit was safely returned to service on 20 September 2024.

Koeberg Unit 2 was taken out of service on 11 December 2023 to undergo a similar long refuelling and maintenance outage to replace its three steam generators. The unit is expected to return to service by early January 2025.

Koeberg long-term operation project

The long-term operation (LTO) activities, which include the replacement of the steam generators, continue according to schedule. This will enable Koeberg to operate for another 20 years beyond 2024. This is aligned with the IRP 2019 requirement for continued energy security beyond 2024.

Did you know?
Extending Koeberg's operating life is an investment into sustainable and low-carbon electricity generation infrastructure, as nuclear produces no greenhouse gas emissions during operation. Over its lifecycle, nuclear produces about the same amount of carbon dioxide-equivalent emissions per unit of electricity as wind, and one-third of the emissions per unit of electricity when compared to solar.

The NNR has responded positively to our request and has separated the licence expiration dates aligned to each unit's design life of 40-years. Therefore, the Unit 1 licence expiry date remained as 21 July 2024, while the Unit 2 licence expiry date has been extended to 9 November 2025.

We are driving completion of the commitments that were stipulated in the safety case submitted to the NNR to support long-term operation. Due to the limited time left to conclude the activities, we conduct detailed monitoring of these commitments to ensure that any emerging risks to timeous completion are identified early, to enable mitigating actions to be taken.

The NNR completed a series of public engagement sessions in February and June 2024. The NNR will address the public feedback from these sessions. The NNR is also reviewing our safety case and associated analyses in support of long-term operation, together with a consolidated readiness report, which we submitted in October 2023. If approved, this would allow Unit 1 to operate until July 2044 and Unit 2 until November 2045.

On 15 July 2024, the NNR announced its decision to grant Eskom a licence to continue operating Koeberg Unit 1 for another 20 years. As we are now authorised to continue operating Unit 1 beyond the current licence end date, it will continue to operate safely until January 2025 when the unit will be shut down for its next scheduled refuelling outage. As the current licence for Unit 2 only expires on 9 November 2025, and Koeberg is still implementing some of the prerequisites for long-term operation in the current outage, the NNR has deferred the decision for long-term operation on Unit 2 until later. Once the current outage is complete, Unit 2 will be returned to service, and the NNR will announce their decision later, but prior to 9 November 2025.

Our infrastructure *continued*

As part of the licence requirements, we are working with the NNR to finalise the details of a ring-fenced nuclear decommissioning fund to ensure that sufficient financial resources will be available to fund Koeberg's decommissioning costs.

Nuclear safety

Nuclear safety is assured through a defence-in-depth approach across the value chain of nuclear operations within Eskom. The nuclear objectives, policies and procedures drive nuclear safety and security as an overriding priority in every aspect of nuclear operations to ensure the protection of people and the environment. Nuclear safety is continuously validated through layered oversight and safety monitoring by Eskom executives, as well as internal and external oversight bodies. This provides Eskom with a comprehensive, industry-benchmarked view of nuclear safety.

Benchmarking

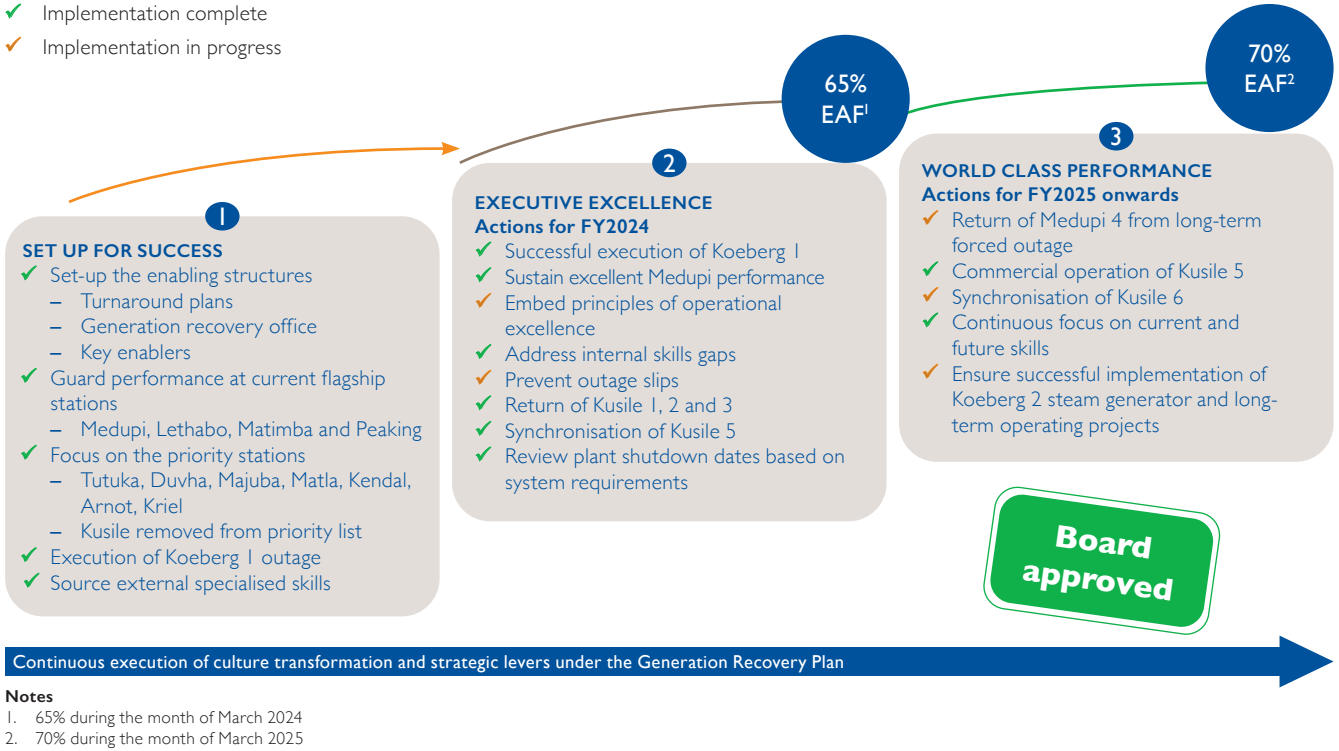
Eskom remains a member of the World Association of Nuclear Operators (Wano). South Africa remains a member of the International Atomic Energy Agency (IAEA). These affiliations facilitate the definition of standards, sharing best practices, conducting periodic safety reviews, training personnel and benchmarking performance.

The most recent routine Wano peer review of Koeberg was carried out in April 2023, the outcome of which was favourable. Based on that review, Koeberg's performance is showing an upward trajectory with strong performance against the benchmarked core values. The continuous engagement with Wano and other benchmarking bodies is essential to verify performance standards, maintain alignment with industry best practice, and maximise the support available.

GENERATION RECOVERY PLAN

The Generation Recovery Plan was refocused towards the end of the 2023 financial year with a stronger focus on EAF recovery. It will deliver initiatives to improve EAF and recover load losses through an intensive reliability maintenance programme. Achievement of improved technical performance will also result in improved environmental performance. The immediate focus is to reduce the intensity and frequency of loadshedding.

The Board has approved the Generation Recovery Plan which focuses on improving EAF to 70% and above over the next five years. This will be achieved by continued focus on recovering performance at the top six worst-performing stations that contribute more than 50% of unplanned load losses, while also sustaining performance at the stations that have shown reliable performance.



Notes
1. 65% during the month of March 2024
2. 70% during the month of March 2025

For the past year, the focus remained on the top six stations, namely, Duvha, Kendal, Kusile, Majuba, Matla and Tutuka, with Arnot and Kriel together accounting for eight priority stations. Given sustained improvement at Matla, it will be removed from the list of priority stations, and Matimba will now be included as a focus station. Increased output at the priority stations will be achieved through a combination of improving outage and maintenance performance together with focusing on operational excellence. This should dramatically reduce the intensity of loadshedding in the short-term, while wider industry reforms outlined in the Energy Action Plan are implemented in parallel.

The Generation Recovery Office has been established, along with the Operating, Maintenance and Outage Centres of Excellence, to drive the implementation of the Generation Recovery Plan. The recovery plan relies on several focus areas, including plant condition, capacity, skills and experience, reducing fraud and corruption, strengthening policies and procedures, funding, environmental compliance, coal and new build defects. Station-specific plant-related actions have been consolidated to allow continuous tracking and monitoring.

Kusile Unit 5 has achieved commercial operation. To further improve available capacity, Generation will recover units on long-term outages, such as Koeberg Unit 2 which is on planned outage and Medupi Unit 4 which is in extended inoperability, while ensuring the first synchronisation of Kusile Unit 6. This should add about 2 500MW to the grid by the end of the coming year.

ENERGY SUPPLIED BY IPPS

We procure energy from IPPs under several government-led programmes. By the end of the year, the group had 119 power purchase agreements (PPAs) in place for total capacity of 9 645MW, although not all of the projects are in commercial operation yet. Under the Renewable Energy (RE-IPP) Programme, 90 renewable IPP projects with a capacity of 6 180MW are in commercial operation (2023: 6 105MW). We also procure energy and capacity from two IPP OCGT peakers with a capacity of 1 005MW, as well as through two short-term programmes and Government's RMIPPPP, with capacity of 160MW and 150MW, respectively.

Our infrastructure *continued*

Delays in bringing renewable IPP capacity online, compared to what was envisaged in the IRP 2019, continue to add pressure to the constrained power system, often requiring the use of expensive OCGTs to make up the shortfall.

In response to this and our capacity shortfall, we launched two programmes for short-term energy purchases from domestic generators, namely the Standard Offer and Emergency Generation programmes.

The Standard Offer provides a mechanism for Eskom to purchase energy from customers with excess generating capacity or from other independent generators. The energy is purchased at the avoided cost of Eskom generation. Agreements for 620MW have been signed at 31 March 2024, and the additional capacity is expected late in 2024. The one contract that had been operational was switched to the Emergency Generation Programme.

The Emergency Generation Programme allows for the purchase of energy from existing generators where additional capacity is available at an appropriate price. Even though the cost of production might exceed the Eskom standard tariff, the cost would still be lower than our marginal cost of generation (mostly from OCGTs) and would mitigate against loadshedding. Contracts have been awarded to six participants; two projects totalling 160MW are operational.

Did you know?
In the Standard Offer Programme, we set the price and generators can choose whether and how much to supply at that price. Under the Emergency Generation Programme, suppliers bid a price and volume, and we decide whether to take up the energy.

The bid evaluation for the RMIPPPP resulted in the identification of 11 preferred bidders for total capacity of 1 996MW. We concluded PPAs with three of the projects totalling 150MW in June 2022; with an additional two projects totalling 203MW in August 2023; and another two projects totalling 225MW in December 2023. The remaining four projects totalling 1 418MW did not reach legal close due to outstanding environmental and port authorisation issues, and, as such, did not meet the long-stop date of 31 December 2023 imposed by the then DMRE. The first three projects totalling 150MW for solar PV with battery storage went into commercial operation by December 2023.

UPDATE ON FUTURE IPP PROGRAMMES

Preferred bidders for bid window 5 of the RE-IPP Programme were announced in October 2021, with 25 projects identified totalling 2 583MW, comprising 1 608MW wind and 975MW solar PV. The Board approved the conclusion of PPAs with preferred bidders subject to stipulated conditions. Six preferred bidders for wind projects did not conclude PPAs. Of the remaining 19 projects that concluded PPAs, eight projects failed to achieve commercial close. The remaining 11 projects, totalling 1 159MW, are in construction phase and anticipated to come online between November 2024 and April 2025.

Five preferred bidders for bid window 6 were announced in December 2022, with another eligible bidder later being announced as preferred, bringing the total capacity awarded to 1 000MW. Two projects totalling 360MW reached financial close in April 2024 and are in construction, with anticipated commercial operation dates of July 2025 and December 2026. The remaining four projects received an extension from the then DMRE to the end of March 2025 to achieve commercial close. Bid window 7 was announced in December 2023 with the release of an RFP (request for proposal) for 5 000MW capacity, comprising 3 200MW wind and 1 800MW solar PV. Bid submissions closed on 15 August 2024, with the announcement of the preferred bidders anticipated by December 2024.

Five preferred bidders totalling 513MW have been announced for the first round of the Battery Energy Storage IPP Programme (BESIPPP). Approval was obtained to buy the capacity and ancillary services as contained in the PPA, subject to certain conditions. A second procurement round of 615MW for the BESIPPP was launched in December 2023 to procure capacity for eight sites in the North West; bid submissions closed on 29 August 2024, with the announcement of the preferred bidders anticipated by December 2024. A third procurement round of 616MW for the BESIPPP was launched in March 2024 to procure capacity for five sites in the Free State; the closing date was extended to 31 October 2024.

The then DMRE released an RFP for a gas programme in December 2023 to procure 2 000MW of land-based gas-fired capacity at various sites, with bid closing extended to 25 March 2025.

ENERGY CAPACITY AND PURCHASES

IPP capacity available and the energy procured under various IPP programmes for the year to 31 March 2024 is set out in the following table.

Measure and unit	Target 2027[1]	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Total capacity, MW	16 325	9 164	**11 082**	●	**7 495**	7 110	6 831
Total energy purchases, GWh	94 799	23 921	**28 537**	●	**20 183**	17 957	15 972
Total spent on energy, R million	213 238	58 771	**61 837**	●	**49 407**	43 400	36 714
Lease accounting adjustment, R million[2]	(13 492)	(4 085)	**(2 392)**	n/a	**(1 632)**	(1 635)	(1 511)
Total expenditure, R million	199 746	54 686	**59 445**	●	**47 775**	41 765	35 203
Weighted average cost, c/kWh[3]	225	246	**217**	●	**244**	242	230

1. The 2027 target is the cumulative target over the next three years.
2. For accounting purposes, the capacity charges for the Avon and Dedisa IPP gas peakers are treated as arrangements that contain a lease in terms of IFRS 16. Refer to note 2.8 in the financial statements for the related accounting policy.
3. The weighted average cost is calculated on the total amount spent on energy, before excluding the lease adjustment.

IR Refer to "Our interaction with the environment – Investing in renewable energy" on page 89 for information on energy supplied by renewable IPPs

IPP capacity of 75MW of solar PV–based energy was commissioned during the year, against a target of 176MW for the RE-IPP Programme. Under other programmes, 310MW was commissioned, against a target of 1 800MW for the short-term programmes and 1 996MW from the RMIPPPP. We expect 894MW of renewable capacity and 410MW from other programmes to be commissioned during the coming year.

IR For a breakdown of IPP operational capacities by source, refer to "Plant information" on page 119

Our infrastructure *continued*

CROSS-BORDER POWER IMPORTS AND EXPORTS

Nine of the 12 member countries of the Southern African Power Pool (SAPP) are interconnected. The SAPP supports reliable and economical electricity supply to member countries by coordinating among member utilities the planning and operation of the electric power system.

INTERNATIONAL SALES AND PURCHASES

GWh	Target 2027[1]	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
International sales	30 825	10 355	**10 789**	●	**10 362**	11 437	13 298
International purchases	23 389	9 990	**10 753**	●	**9 150**	8 654	8 500
Net sales	7 436	365	**36**	●	**1 212**	2 783	4 798

1. The 2027 target is the cumulative target over the next three years.

International sales volumes decreased by 9% year-on-year, partly due to increased implementation of load curtailment of cross-border customers with firm power supply agreements in accordance with NRS048-9, coupled with suspension of non-firm power supply agreements during loadshedding and periods of generation supply constraints. Furthermore, customer efficiencies have also resulted in lower offtake from Eskom.

International purchase volumes increased by 6% year-on-year, mainly due to higher offtake by Eskom from Hidroelèctrica de Cahora Bassa (HCB), because of Electricidade de Moçambique (EDM) in the south of Mozambique not taking up their full allocation.

GROWING POWER IMPORTS

Transmission is pursuing a short-term energy purchase programme from cross-border utilities and cross-border IPPs as one of the key NECOM initiatives to assist in alleviating loadshedding. We have obtained the necessary government approvals required to enable procurement of power from the region and launched the Cross-Border Standard Offer Programme in October 2023. Under this programme, cross-border procurement will be undertaken utilising a standard offer mechanism. The static energy rate utilised will be renewed and approved annually and will be reflective of the avoided cost of generation. We have received applications from IPPs in Mozambique, Namibia, Zambia and Botswana. After evaluation, PPAs will be negotiated and concluded subject to budget availability.

NETWORK PERFORMANCE

Our network consists of transmission infrastructure, with high-voltage lines evacuating energy from our power stations, and our distribution network, which distributes electricity from the transmission network and IPPs to customers. We also supply redistributors (municipalities and metros) that manage their own distribution networks.

IR Detail of our transmission and distribution infrastructure is set out on page 120

Our infrastructure *continued*

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Number of system minutes lost <1, minutes[SC, 1]	3.53	3.53	**3.53**	●	**3.29**	4.71	2.88
Number of major incidents >1 minute, number	2	2	**2**	●	**1**	1	2
System average interruption duration index (SAIDI), hours[SC]	37.0	38.0	**38.0**	●	**34.9**	35.5	35.5
System average interruption frequency index (SAIFI), events	17.0	17.5	**18.0**	●	**11.7**	11.8	12.3
Restoration time, %[2]	91.9	91.5	**91.3**	●	**93.1**	92.2	93.4
Distribution energy losses, %[SC]	9.36	9.65	**9.48**	●	**9.92**	9.74	9.62

1. One system minute is equivalent to interrupting the whole of South Africa at maximum demand for one minute.
2. Restoration time considers the time it takes to restore supply during an unplanned outage by measuring the percentage of dispatched work orders where power is restored within 7.5 hours.

Transmission system reliability performance for system minutes lost <1 improved significantly against the prior year, supported by a reduction in the number of interruption incidents, improved restoration response and reduced exposure to theft-related events. A major incident in the Northern Grid in October 2023 resulted in a total interruption of two system minutes to transmission customers.

However, switchgear failures arising from ageing infrastructure and frequent operation for loadshedding continue to remain a challenge. The focus remains on the implementation of revised maintenance practices given loadshedding operating requirements, as well as sustaining high levels of maintenance execution, restoration response, line fault reduction and replacement of assets in poor condition.

Furthermore, Transmission line fault performance continued to be impacted by bird-caused and veld fire-induced faults. Bird guards are being installed in priority areas and have resulted in improvements in targeted areas.

The Transmission Development Plan (TDP) 2022 requires investment in strengthening the national transmission system over the next 10 years with 14 218km of transmission lines and 122GVA of transformer capacity, equating to 170 transformers. Innovative project delivery models and partnerships are being explored and implemented to drive accelerated delivery of the TDP, to enable grid connection of 37GW of new generation capacity in South Africa – the majority of capacity is targeted in the Western Cape (12GW), Eastern Cape (7GW), Northern Cape (6GW) and Mpumalanga (5GW). This TDP is the most ambitious undertaking that the Transmission business has ever faced.

The Distribution network continued to perform well despite high levels of loadshedding, theft and vandalism, and capital constraints. Loadshedding also negatively impacts plant reliability, contributing to premature equipment failure. Although loadshedding events are excluded from technical measures, consequential failures outside the designated loadshedding blocks are not excluded, thereby negatively impacting performance.

Adverse weather conditions also resulted in higher fault volumes leading to major equipment failures which require longer repair times. Theft, vandalism, overloaded networks and transformers remain a constant challenge that not only increase interruptions, but also consume resources that could be allocated to addressing network faults and other incidents.

Despite these challenges, restoration time performance improved through optimised dispatching solutions.

Did you know?
To address these challenges and improve the customer experience, we piloted a load limiting project during the past year. Under this project, customers with smart meters receive a limited supply of 10A during loadshedding in stages 1 to 4. The customer enjoys the benefit of around 2 300MW of supply instead of experiencing loadshedding, and we benefit financially from the continued sale of electricity, even if at a lower level. In addition, as the network is never de-energised, the risk of theft and vandalism is reduced, and we have also seen a reduction in network faults. This innovative approach results in a win-win for Eskom and our customers. The intention is to roll out the project to more customers over time.

To modernise the distribution grid and sustain network performance in support of new revenue contribution, Distribution plans to construct around 4 000km of medium and high-voltage lines and add transformer capacity of about 1 400MVA, or 482 transformers, during the next five years. Significant grid investment is required to sustain and improve network performance going forward, and the capital allocation has been increased by about 27% over the next five years.

In addition to existing demand response arrangements with key industrial customers, we have launched the Distribution Demand Management Programme (DDMP) to further assist in managing demand to manage system constraints. The role of demand-side management is to influence the electricity demand profiles of end-use customers for the benefit of local, regional and national power system needs.

The intended benefits of the DDMP are:

- Reducing the usage of expensive OCGTs, especially during evening peak times
- Minimising the impact of loadshedding
- Optimising the national system profile through load management/peak clipping and energy efficiency measures
- Creating system flexibility and providing reliability to the Transmission System Operator

The DDMP intends to achieve 1 250MW demand reduction capability through demand-side management and demand response interventions over the next three years.

ENERGY LOSSES AND EQUIPMENT THEFT

We continue to experience both technical and non-technical losses on our networks.

Did you know?
Technical energy losses are an inherent consequence of electricity network operation, arising from energy lost as heat when power flows through equipment such as cables, overhead lines, transformers and substation equipment, and occurring in transmission and distribution equipment.

Non-technical losses include electricity theft, illegal connections, tampering and bypassing of electricity meters, as well as the purchase of illegal electricity tokens, known as ghost vending. It further includes meter reading and billing errors.

Energy losses on our networks have increased to 11.94% overall (2023: 11.76%), with 9.92% relating to the distribution environment (2023: 9.74%) and 2.23% to transmission lines (2023: 2.32%). Total distribution energy losses amounted to 19.1TWh for the year (2023: 19.2TWh).

Network constraints and overloading contribute to technical losses on our ageing medium-voltage networks. To minimise technical losses on medium-voltage networks, feeders with voltage phase imbalances are corrected, contributing to a reduction in energy losses.

Non-technical losses are estimated at around 73% of total Distribution losses (2023: 70%), or 13.9TWh for the year (2023: 13.4TWh). The cost of non-technical losses is estimated at R6.4 billion for the year (2023: R5.6 billion), and it has a significant financial and operational impact on Eskom.

Our infrastructure *continued*

Ghost vending in perspective

Ghost vending has two distinct sources, namely illegal vending from offline credit dispensing units (CDUs) (possibly in the hands of external criminals) and online vending fraud emanating from fraudulent activities on the Eskom vending system (possibly in the hands of Eskom staff managing and operating the platform).

Eskom implemented the online vending system (OVS) in 2008 as a critical revenue collection system to combat ghost vending through offline CDUs, by selling encrypted electricity tokens using a standard transfer specification (STS), which Eskom introduced to South Africa. Eskom only uses the OVS to dispense tokens to customers of Eskom and those municipalities that make use of Eskom's OVS platform.

The OVS enables customers to purchase prepaid electricity via virtual channels, such as banking apps, remote terminals such as ATMs located in retail outlets, or using other vending stations. The system vends electricity tokens from the main Eskom central server through approved national vending agents using a secure backend in real time. The system should not permit any external vending channel to vend a token if the vending agent cannot communicate with the Eskom server (e.g. when the system is offline) or cannot be authenticated via the secure protocol. Once the token is generated, it is encrypted and stored in the OVS database and sent to the customer by the vending agent. Once the customer enters the token, the prepaid meter decodes the 20-digit token using the STS security protocol, and only accepts the token if all the related information matches the OVS system and is accepted as valid. If the information does not match, the token will be rejected.

However, despite these controls, a recent investigation uncovered the bulk generation of illegal prepaid tokens on Eskom's online vending system. It is suspected that collusion between Eskom staff and illicit operators breached security controls to facilitate the generation of fraudulent prepaid electricity tokens. The means by which the tokens are sold in the market has not been established, as illicit tokens are being traded in many ways. This creates an active market for the illegal sale of prepaid electricity tokens at reduced prices in comparison to tokens sold by Eskom and its registered vendors.

When an illicit token is loaded into a prepaid meter, the token will be accepted and will update the meter with the available credit kilowatt-hours. The illicit tokens that have been issued also create an obligation for Eskom to deliver electricity and incur the related cost of providing electricity when a token is loaded onto a prepaid meter. No revenue can be recognised from the illicit consumption of electricity as there is no compensation for the electricity delivered.

Therefore, the risk to Eskom manifests in the form of both redeemed and unredeemed tokens. Redeemed tokens relate to a realised loss for delivery against illicit tokens used in the current year, which forms part of the distribution energy losses of 19.1TWh for the year, where electricity was consumed without payment. Unredeemed tokens represent a possible loss in the future as no corresponding revenue will be received.

The potential obligation emanating from the exposure that illicit tokens can be used in the future cannot be reliably measured because of the high level of uncertainty around the number of illicit prepaid electricity tokens generated and the number of tokens already utilised, as well as those tokens that remain compatible with Eskom meters after the key revision number (KRN) rollover.

An independent IT forensics company is conducting an investigation to highlight vulnerabilities in the OVS. We will implement their recommendations to strengthen security on the system, as well as implement end-to-end solutions to improve detection and interruption of the redemption of illegally generated prepaid electricity tokens. We are also exploring the replacement of the entire system in the future.

The Audit and Risk Committee (ARC) acknowledged that the prepaid electricity ecosystem exposes Eskom to various risks, including the creation and use of illicit tokens and the overreliance on a single supplier for the related software and hardware solutions. There is also a possible conflict of interest, as the supplier is a distributor of tokens. The committee provided oversight of the progress of the investigation into the breach of the OVS and the implementation of action plans, which include improved cyber-security controls to prevent the creation of illicit tokens as far as possible.

ARC requested that all service level agreements in the prepaid electricity ecosystem be reviewed and that the related risks are evaluated and appropriately addressed. This could include the possible exit of agreements where the risk is considered intolerable, as well as implementing a process where national vending agents must provide assurance reports on controls and submit independent confirmation that their systems are secure and that they are only selling valid prepaid electricity tokens.

AFS For more information on the implications and the actions being taken to address the breach, refer to the directors' report. Note 44.2 in the financial statements deals with the associated contingent liability

To address non-technical losses, we are converting conventional meters to smart prepaid meters, focusing on those users most likely to be involved in the use of illegal tokens. Our KRN rollover project, completed in November 2024, required the base date of all legacy prepayment meters to be reset. However, there remains a risk that illicit tokens created can still be used after the rollover.

We are also prioritising illegal connections for normalisation. One of the ways is by engaging community leaders, to encourage communities to play an active role in managing electricity infrastructure and the safe use of electricity.

Theft of overhead aluminium conductor, copper cable and pylon tower members continue to negatively impact our operations and result in significant financial losses. We employ effective risk management, intelligence gathering, stakeholder engagement and the deployment of innovative security technologies to mitigate security threats. Intrusion detection technology in substations, disruption operations and successful arrests have contributed to a decline in incidents. Furthermore, where copper cable is stolen, it is replaced with other materials with a lower market value.

Did you know?
According to the Economic Sabotage of Critical Infrastructure Forum, the theft of copper in South Africa is estimated to cost the country R46.5 billion a year across the forum's various portfolios.

Losses related to conductor theft, cabling and related equipment amounted to R120 million for the year (2023: R197 million), arising from 2 417 incidents (2023: 2 522 incidents). To combat electricity theft in all its forms, we continue to collaborate with SOCs that are affected by the same challenges, industry role players, the South African Police Service and the National Prosecuting Authority. These actions led to 130 arrests during the year (2023: 167).

Our infrastructure *continued*

DELIVERING CAPACITY EXPANSION

Since inception of our capacity expansion programme in 2005 to 31 March 2024, installed generation capacity has increased by 15 529MW, high-voltage transmission lines by 8 622km and transmission substation capacity by 39 528MVA. The programme is expected to be completed by the 2028 financial year.

Measure and unit	Target 2027[1]	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Generation capacity installed and commissioned (commercial operation), MW[SC, 2]	1 600	800	**800**	●	**–**	799	794
Transmission lines installed, km[SC]	1 571.0	286.0	**166.0**	●	**74.4**	326.1	180.5
Transmission transformer capacity installed and commissioned, MVA[SC]	12 380	2 380	**160**	●	**23**	–	1 065

1. The 2027 target is the cumulative capacity or lines to be commissioned and/or installed over the next three years.
2. The 2025 Generation capacity target is a repeat of the 2024 target (i.e. the delivery of Kusile Unit 5, which was not achieved in the 2024 financial year), whereas the cumulative target to 2027 refers to the delivery of Kusile Unit 5 in the 2025 financial year and Kusile Unit 6 in the 2026 financial year.

Originally, we committed to the commercial operation (CO) of one Kusile unit in the 2024 financial year, but the gas air heater fire incident at Kusile Unit 5 in September 2022 delayed the delivery of the unit by about a year. Nevertheless, first synchronisation to the grid was successfully achieved on 31 December 2023. Since then, the unit contributed energy to the grid, particularly over evening peaks, even though it will only operate at full power around-the-clock after reaching commercial operation on 30 June 2024. This marks a significant milestone in sustainably improving Eskom's generation performance.

The target for the installation of transmission lines was not achieved, due to tender pricing challenges which required the issuance of an international tender, thereby delaying progress. The transformer capacity target was not achieved either – although the targeted capacity was successfully cold commissioned, challenges relating to protection schemes delayed final commissioning to beyond the target date.

Group funded capital expenditure (excluding capitalised borrowing costs) per division

Division, R million	Target 2027[1]	Target 2025	Target 2024	Actual 2024	Actual 2023	Actual 2022
Generation	77 949	25 017	**29 528**	**26 531**	24 517	22 093
Transmission	44 268	6 732	**5 960**	**4 269**	3 543	3 028
Distribution	21 149	3 507	**2 298**	**2 879**	2 603	2 433
Subtotal	143 366	35 256	**37 786**	**33 679**	30 663	27 554
Future fuel (coal and nuclear)	13 670	5 350	**3 227**	**2 769**	2 861	2 418
Other areas including subsidiaries and intergroup eliminations	5 434	1 605	**2 247**	**573**	425	251
Total Eskom group funded capital expenditure[2]	162 470	42 211	**43 260**	**37 021**	33 949	30 223

1. The 2027 target is the cumulative capital expenditure targeted over the next three years. An amount of R42.2 billion is targeted in 2025, with R56.4 billion in 2026 and R63.9 billion in 2027.
2. Capital expenditure includes additions to property, plant and equipment, intangible assets and future fuel, but excludes strategic spares, construction stock and capitalised borrowing costs. Figures noted above are based on internal reporting, and do not necessarily align to the movement on property, plant and equipment as disclosed in the annual financial statements.

Capital expenditure for the year was R6.2 billion lower than budget. Factors contributing to the variance include lower spend on Generation refurbishment projects and equipment, Transmission grid strengthening and refurbishment projects, as well as future fuel projects at the Matla, New Denmark, Khutala and Kriel collieries. Savings on capital expenditure was reallocated to fund spending on OCGTs.

MEDUPI AND KUSILE PROJECT PERFORMANCE

At Medupi, five units are in full commercial operation, supplying energy to the national grid. The sixth and final unit achieved commercial operation on 31 July 2021. As indicated earlier, Unit 4 is expected to be offline until the second quarter of the 2025 financial year, following the generator explosion in August 2021. The focus is on completing the remaining balance of plant (outside plant) scope of works, remedial works, the resolution of claims and project close-out.

At Kusile, four units have achieved commercial operation. Units 1 to 3, which were offline due to the flue gas duct failure in October 2022, have been successfully returned to service using temporary stacks.

On 17 September 2022, the gas air heater (GAH) on Kusile Unit 5 caught fire while executing the third boiler steam blows, being the last milestone activity prior to first synchronisation. As a result, all unit commissioning activities were discontinued. At that time, eight key commissioning milestone activities had been successfully achieved. A technical investigation was conducted, and the investigation report was finalised in February 2023.

The GAH fire incident significantly impacted the unit commissioning schedule as the GAH had to be fully repaired before commissioning activities, which included plant optimisation and capability tests, could resume. GAH repairs were completed at the end of August 2023. First synchronisation of the unit to the grid was successfully achieved on 31 December 2023, and the unit contributed up to 723MW to the national grid during the testing phase, which assisted in strengthening the grid. Commercial operation was achieved on 30 June 2024, thereby adding 799MW installed capacity to the national grid.

Despite the significant schedule delays due to the GAH fire incident, the shareholder advised Eskom not to submit a second addendum to the shareholder compact for the 2024 financial year. The target for commercial operation of Kusile Unit 5 was therefore not revised. Instead, the measure and target were rolled over to the shareholder compact for the 2025 financial year.

On Kusile Unit 6, key commissioning activities are underway, impacted by delays in receiving outstanding boiler and turbine materials at site. Four key commissioning milestones have been successfully achieved to support first synchronisation. The unit is expected to synchronise to the grid by February 2025, with commercial operation following around six months later.

The target for full project completion of Kusile is May 2027.

Our infrastructure *continued*

CORRECTING MAJOR DESIGN AND CONSTRUCTION DEFECTS AT MEDUPI AND KUSILE

Since inception, the completed interventions to correct the major plant defects at the new build projects have resulted in a steady improvement in the availability and reliability of units at Medupi and Kusile. The effective correction of the major plant defects will ultimately ensure that the plant achieves contractual levels of performance.

At Medupi, the EAF is commendable, showing an average improvement of 20% since the effective correction of the major plant defects to about 75% for the past year, with some units running at or close to full load. The reliability and availability of the Kusile units is also improving steadily, with some units running at or close to full load, despite the use of temporary stacks.

Progress on resolving the new build major plant defects at Medupi and Kusile is as follows:

Major plant defect	Project site	Status	Completion date	Comments
Air and flue gas ducting erosion	Medupi, Kusile	Complete	Dec 2022	Completed
Western fill: demineralised water tanks and water treatment laboratory	Kusile	Complete	Jul 2023	Completed
Control and instrumentation (C&I) repeated distributed control system (DCS) card failures	Medupi	Complete	Sep 2023	Completed
Milling plant defects	Medupi, Kusile	Complete	Dec 2023	Agreement completed with contractor. Spares of five mills handed over to Eskom for installation during upcoming mill outages
Pulse-jet fabric filter (PJFF) plant poor performance due to an inadequate pulsing system and flue gas flow entry	Medupi, Kusile	Complete	Jun 2024	Solution completed with the OEM
Gas air heater mechanical performance, erosion and operational performance in terms of ash carry-over and outlet temperature stratification	Medupi, Kusile	In progress	Dec 2024 (forecast)	Testing of final solution with OEM in progress
Furnace exit gas temperature resulting in excessive reheater spray water flow	Medupi, Kusile	In progress	Medupi: Dec 2024 (forecast) Kusile: Apr 2026 (forecast)	Spray flow installations have started, for completion as outages become available

The total estimated cost for the defect correction of all Medupi and Kusile units, based on the currently available information, ranges between R3.7 billion and R5.3 billion (excluding Eskom costs for DCS defects correction), after completion of the due contractual process to determine contractual liabilities. The liable parties/contractors are held to account within the provisions of the relevant contracts and are fully responsible for the related major plant defect costs.

The cost of executing the major defects correction plan is managed within the Board-approved Medupi and Kusile project budgets. To date, Eskom has incurred R571 million on boiler plant defects at Medupi and Kusile, which is funded from operational maintenance expenditure.

Additional plant defect corrections, undertaken with or without third party involvement, are forecast for completion after 2027, depending on the extent of technical solutions and unit outage availability under the outage plan.

OTHER PROJECTS

BATTERY ENERGY STORAGE SYSTEMS (BESS)

The distributed battery storage project addresses local system challenges and supports transformational aspects by demonstrating large-scale deployment in support of the South African renewable energy strategy. The project is co-financed by the World Bank, New Development Bank and African Development Bank.

Phase 1 of the project will comprise 800MWh of battery storage and consists of four separate packages.

Package	Sites	Province	Status	Progress
1	Hex	Western Cape	Complete	Construction was completed in June 2023, and the site was officially opened on 9 November 2023. Rehabilitation has been successfully concluded and the process of re-establishing natural vegetation is in progress. The site is operational
2	Pongola and Elandskop	KwaZulu-Natal	Complete	The sites achieved commercial operation on 15 October 2024
3	Skaapvlei, Paleisheuwel and Graafwater	Western Cape	In progress	Construction is in progress at all three sites. Manufacturing and delivery of all battery equipment is complete. Commissioning completion is forecast towards the end of the 2025 financial year
4	Melkhout and Rietfontein	Eastern Cape and Northern Cape	Contracting	Received a no-objection decision from the funders to proceed. Contract award is forecast by the end of December 2024

Phase 2 of the project relating to Distribution substations is on hold given Government's debt relief conditions and the unavailability of funds from our own reserves. However, the Komati PV and BESS project of 600MWh has been separated from Phase 2; that project can continue based on the existing approval. PFMA approval has been requested from DPE and National Treasury, and the NERSA licence applications are in progress.

Our infrastructure *continued*

MEDUPI FGD RETROFIT

Kusile is fitted with FGD as an atmospheric emission abatement technology to reduce the release of SO_2 from the stacks into the atmosphere. The FGD plant removes oxides of sulphur, in line with international best practices, to ensure compliance with air quality standards.

The initial business case for Medupi Power Station was approved based on a commitment to retrofit FGD to the units within six years of commissioning each unit during general overhaul outages. The FGD retrofit was a condition of the World Bank funding for the Medupi project; it will also support our air quality strategy to comply with atmospheric emission standards and reduce emissions.

The project is in the development phase. IFC has approved the revised strategy from being technology-agnostic to incorporating the main option of wet FGD. Funding for the project has been approved for the 2024 to 2029 financial years.

The RFP for the Eskom owners' engineers – who will oversee the work of the contractor during execution – was issued to the market in May 2024; the closing date was extended to August 2024. The request for proposal for the execution of the FGD contract was issued to the market in September 2024, with the closing date in December 2024. Considering the market dynamics and inflationary escalations, the 2018 approved cost of R38.4 billion for wet FGD has been revised to R41.7 billion; this will be reviewed and updated after conclusion of the tenders.

The revised formal agreement between Eskom and the World Bank is that the FGD abatement technology would be installed by no later than 30 June 2027. Based on the revised strategy, the installation date for the FGD in all the units was revised to September 2032. However, the project schedule remains highly dependent on the successful contractor's execution schedule and the technology selected after the RFP process, as well as the power station outage plan. The World Bank is regularly informed and updated on the status and progress of the project, and will be provided with a more accurate programme after contract award to the chosen Engineering, Procurement and Construction (EPC) supplier.

Meeting the atmospheric emission licence (AEL) conditions and lender timelines remains at risk. We continue to engage with the shareholder and other relevant stakeholders on a possible extension.

RT&D PROJECTS

In the short term, our Research, Testing & Development (RT&D) strategy is focused on operational recovery of the three line divisions. In the medium term, the strategy seeks to assist the business in transitioning away from coal, and in the long term, to assist the business in being a leading clean and green energy company to enable competitiveness, sustainability, profitability and new growth areas.

Several high priority projects are underway, including:

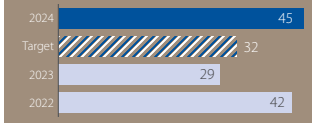
- Considering the feasibility of turning coal fines (powder) into briquettes that can be used in coal-fired power stations
- Trialling options for the removal of organic compounds in raw water supplied by the Mokolo Water project to Medupi Power Station
- Testing the operating variability of coal-fired units at minimum levels to support the penetration of renewable energy
- Reviewing air quality data based on ground-based and satellite assessments
- Evaluating the levels of and trends in several priority air pollutants in the vicinity of our power stations and areas where air quality offset programmes are being implemented
- Providing options for more cost-effective transmission lines based on direct-current lines, which are capable of transmitting power at high voltages over long distances
- Enabling the capacity uprating of transmission lines as a way of deferring more capital-intensive projects

FUTURE FOCUS AREAS

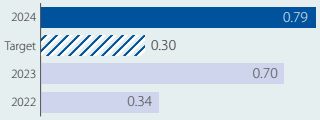
- Pursuing additional dispatchable generation capacity of 4 000MW to 6 000MW to support the stability of the power system, create space for reliability maintenance and reduce the need for loadshedding
- Executing the Generation Recovery Plan to recover plant performance over the medium to long term and thereby improve Generation's financial, operational and environmental sustainability
- Successfully executing the Koeberg Unit 2 steam generator replacement outage and the LTO project to extend the life of the station
- Leading the Just Energy Transition and using repurposing and repowering as an alternative to full decommissioning of power station sites
- Contracting additional capacity under the short-term IPP programmes and developing other programmes to alleviate short-term capacity constraints
- Facilitating the conclusion of PPAs with the preferred bidders under Government's various IPP programmes
- Supporting Government's IPP Office to execute additional programmes such as the battery storage and gas programmes
- Actively seeking cross-border trading opportunities to assist the Eskom power system
- Sustaining transmission system reliability performance and reducing the number of line faults, while executing the TDP and Transmission sustainability improvement initiatives
- Modernising the distribution grid and sustaining network performance to support new revenue contribution through capital investments
- Building distribution network resilience to facilitate increased distributed energy resource integration (microgrids, small-scale embedded generation and rooftop solar) and wheeling while maintaining network performance standards
- Driving demand-side management initiatives to support the constrained power system
- Installing smart meters for new customers and all residential customers over the next five years, to enable customers to manage consumption and support the business in reducing energy losses
- Collaborating with law enforcement agencies to enhance the security of our infrastructure and sites
- Completing Medupi and Kusile power stations within the Board-approved revised full project completion dates of the 2026 and 2028 financial years respectively, together with effectively correcting all the major plant defects at Medupi and Kusile to enable technically acceptable performance for new plant
- Effectively executing Generation emission-control and technical plan projects
- Driving completion of the Medupi FGD and battery storage projects, subject to funding constraints given the debt relief conditions

Our interaction with the environment

Normalised coal stock ↑ to
45 days
in an effort to improve station reliability and security of supply

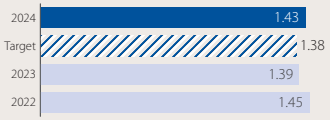


Particulate emissions at
0.79kg/MWhSO
recorded the worst performance in decades

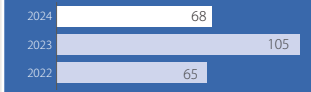


Kusile Units 1, 2 and 3
returned to service using temporary stacks after flue gas duct failure

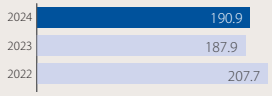
Specific water consumption at
1.43ℓ/kWh
sent out ↑ slightly due to a change in generation mix and maintenance challenges at stations



Environmental legal contraventions at
68 incidents
remained unacceptably high



CO_2 equivalent emissions of
190.9Mt
remained stable



As an electricity utility, we need to focus on effective environmental management practice to exercise our environmental duty of care and ensure compliance as well as sustainability of the business. We are conscious of the waste and emissions that we discharge and the nature-related impacts and dependencies of our operations, including the impact of our operations on the communities affected by our infrastructure. In the long term, we need to diversity our energy mix to achieve a lower environmental footprint. This area of focus also covers our carbon emissions and mitigates against climate risk.

We have several initiatives in place to reduce our environmental footprint, such as implementing projects to reduce particulate emissions; taking less efficient units out of service when possible to reduce water use and emissions; and utilising dry-cooled technology in our newer coal-fired stations, namely, Matimba, Kendal, half of Majuba, Medupi and Kusile. To improve air quality, units at Medupi and Kusile are commissioned with fabric filter plant to reduce particulates, as well as low NOx technology to reduce NO_x emissions. Kusile is being commissioned with flue gas desulphurisation (FGD) technology to reduce SO_2, while Medupi will be retrofitted with FGD after completion. Koeberg Nuclear Power Station uses very little fresh water, with nuclear being considered a low-carbon technology.

Ultimately, sustainability in an Eskom context refers to actions to reduce emissions and greenhouse gases, as well as managing scarce natural resources – this includes water usage and the management of land, biodiversity and waste – together with effective upgrades to the grid to enable renewable capacity. Furthermore, these actions also have to consider our social impact, especially in the communities where we operate.

We remain dedicated to understanding and minimising our environmental impact. We take a comprehensive approach to improving our carbon footprint and strive for sustainability in all that we do.

SECURING OUR RESOURCE REQUIREMENTS

To generate electricity, we require coal, fuel oil, water, nuclear fuel and diesel as primary energy sources. These have to be sourced, procured and delivered to our power stations in sufficient volumes and at the appropriate quality, at the right time and at an affordable cost.

SECURING OUR COAL REQUIREMENTS

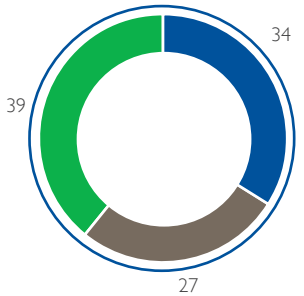
COAL SUPPLY STRATEGY

Much of our generation capacity is driven by fossil fuels, mainly coal, with more than 80% of our generation capacity and around 90% of the energy we supply coming from coal-fired power stations. Given this, and the fact that coal costs comprise about 60% of our own primary energy costs, the management of coal is a key area of focus, which affects both our financial and operational sustainability. Our Primary Energy Department continues to engage with coal mines to ensure that the necessary controls are in place to supply the correct quality and quantity of coal to our power stations.

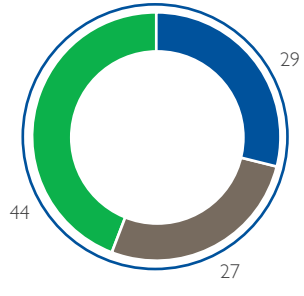
Our long-term coal strategy favours dedicated long-term coal contracts with coal delivered by conveyor, based on the coal quality specification of the different power stations.

The volumes and value of coal purchased over the past year were made up as follows:

Coal volumes, %



Value of coal purchased, %



Cost-plus | Fixed-price | Short/medium-term contracts

Over the past year, we've seen a slight increase in coal supplied from short and medium-term contracts, as we've increased our coal stock levels at all stations to support operational sustainability aligned to the Generation Recovery Plan. Accordingly, the year-on-year increase in the average cost per ton of coal purchased amounted to 6.6% (2023: 12.6%, restated due to a prior year accounting adjustment).

Our interaction with the environment *continued*

Our top 10 coal suppliers are set out below.

Supplier	Contract type
Exxaro Coal	Mix of cost-plus and fixed-price
Seriti Coal	Mix of cost-plus and fixed-price
Universal Coal	Fixed-price
Salungano (previously Wescoal)	Fixed-price
Glencore	Fixed-price
HCI Coal	Fixed-price
Mbuyelo	Fixed-price
African Exploration Mining and Finance Corporation	Fixed-price
Mwelase Mining	Fixed-price
Overlooked Group (previously Sudor Coal)	Fixed-price

In support of our long-term coal strategy, we have issued requests for proposals (RFPs) for fixed-price agreements to the market. A long-term coal supply agreement (CSA) for Kusile is being concluded, with an agreement for the next three years already in place. Arnot also has a CSA in place.

Under the Camden, Duvha, Kriel, Matla and Tutuka RFPs, engagements with shortlisted tenderers to cater for the coal shortfall requirements are moving ahead. A five-year CSA for Camden has been concluded, while five contracts have been concluded under the Duvha RFP, with another two to follow. One CSA from the Matla RFP is at the final stage of contracting. Supply contracts are carefully managed based on the expected life of stations to avoid penalties and surplus coal stock.

Negotiations on the extension of existing cost-plus agreements for Lethabo, Kendal and Tutuka continue. At Matla, the cost-plus CSA has been extended, and negotiations are in progress to renew the cost-plus CSA.

Coal quality

Coal-related load losses accounted for 0.75% OCLF for the year (2023: 0.73%), with 99% of the losses occurring at Matla. Nevertheless, there has been significant improvement in the coal quality of both conveyor-fed coal from the tied colliery and other coal delivered by road. We continue to focus on various projects to improve Matla's coal quality, and we're engaging with the mine to determine how the future coal supply could be beneficiated to meet Matla's coal quality specifications. Under an interim solution, coal from other sources will be mixed with coal from the tied colliery to improve coal quality.

Initiatives such as verification sampling are ongoing and have resulted in improved coal quality from short and medium-term suppliers across the system.

TECHNICAL PERFORMANCE

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Coal burnt, Mt[1]	102.17	90.20	**99.52**	**n/a**	**99.48**	102.38	110.30
Coal purchased, Mt[1]	106.24	91.07	**106.08**	**n/a**	**107.45**	98.42	108.70
Coal purchase R/ton, % increase[SC, 2]	10.0	10.0	**10.0**	●	**6.6**	12.6	2.1
Coal stock days	79	92	**96**	●	**80**	65	76
Normalised coal stock days, budgeted standard daily burn[3]	32	32	**32**	●	**45**	29	42

1. From 1 April 2022, pre-commissioning burn is no longer capitalised to the asset and instead recognised in primary energy cost. However, pre-commissioning burn is still excluded from the figures reported above. The current year figure excludes 537kt coal burnt during the commissioning at Kusile (2023: 492kt).
2. The figure for 2023 has been restated due to a change in accounting treatment. Full details are available in note 48 of the financial statements.
3. Normalised coal stock days exclude coal at Medupi.

The average coal cost increase was kept within the target of 10% mainly by better production at cost-plus mines which lowers the coal unit cost, as well as by procuring short and medium-term coal at more favourable rates.

As indicated earlier, there has been a focus on recovering coal stock days over the past year, resulting in a significant improvement in recovering coal stock days since the beginning of the financial year. At year end, as a result of the stock day recovery programme, all stations were at or above expected stock levels (2023: six stations below minimum levels).

SECURING OUR WATER REQUIREMENTS

Our generation process is highly reliant on a secure supply of water of the appropriate quality, given the criticality of adequate surface water for cooling and demineralised water requirements, as well as a variety of other uses in operations. This requires a high availability of water infrastructure to maintain security of water supply. Existing water supply agreements ensure security of supply to existing coal-fired generation power stations. These agreements, where required, will be modified or renewed in accordance with the lifespan of our power stations.

The water supply agreement between Eskom and the Rand Water Board was extended for another 15 years effective from April 2023. The Vaal River Eastern Sub-System Memorandum of Agreement with the Department of Water and Sanitation (DWS) for the supply of raw water to Eskom power stations in Mpumalanga was extended for another two years to 31 March 2026. The Mokolo Crocodile Water Augmentation Project (MCWAP) Phase 2A is under development by the Trans Caledon Tunnel Authority with a planned water delivery date of May 2029 to meet Medupi's FGD retrofit date and to ensure long-term water security to Matimba and Medupi power stations.

To ensure that we continue to have access to adequate water resources, we engage DWS on planning, operational and strategic matters that will have an impact on our water supply and associated infrastructure. In addition, continue to influence various water strategies and policies such as the National Water Resources Pricing Strategy, the National Water Resources Infrastructure Agency Bill, as well as the formation of the catchment management agencies.

Over the next decade and beyond, total water usage is expected to decrease as wet-cooled coal-fired power stations shut down, the dispatch of dry-cooled stations increases, and the transition towards renewable, nuclear and gas energy supply takes place. Nevertheless, the retrofitting of emissions abatement technology will increase the water use of the remaining coal fleet. We have provided water demand to DWS to allow for its national and catchment planning and water reallocation strategy. These water scenarios will be updated when needed.

IR For a discussion of our water usage, refer to "Managing water consumption" on page 87 in this section

The Integrated Vaal River System (IVRS) storage level was at 90% on 30 March 2024 (27 March 2023: 100%). The IVRS yield is expected to remain in deficit until Phase 2 of the Lesotho Highlands Water Project is commissioned by 2028. However, modelling of the IVRS does not require water restrictions over the next four years, due to sufficiently high dam levels.

Planned maintenance will be conducted from 1 October 2024 to 31 March 2025 on the Lesotho Highlands Water Project Phase 1 on the transfer and delivery tunnel from Katse Dam to Ash River outfall. Water supply from Vaal Dam to Eskom's power stations will not be impacted: when Vaal Dam's level drops below 25%, water can be transferred from Grootdraai and Sterkfontein dams. Power stations are required to prepare for poor water quality and low pumping from Vaal Dam.

The Mokolo River System supplies raw water to Matimba and Medupi power stations. The Mokolo Dam level stood at 100.3% at 30 March 2024 (27 March 2023: 101.5%). The risk of water curtailments to Eskom is low, but cannot be ruled out until the MCWAP Phase 2A is commissioned, which is now expected by May 2029. The project will augment water supply to Lephalale, as well as to Matimba and Medupi and Exxaro's Grootegeluk mine. The 2024 annual operating analysis of the system indicated a risk of water curtailment for the Mokolo River Water Supply System for 2026

Our interaction with the environment *continued*

to 2028 years. However, no curtailment for power generation is currently indicated during this period, given the delays in the Medupi FGD retrofit, combined with good rainfall seen recently.

Water supply constraints being experienced within Gauteng necessitates that we implement water conservation and water demand management measures at our facilities and buildings and that we activate business continuity plans during periods of water restrictions and outages by Rand Water Board and municipalities.

Overall, the risk of water supply interruptions remains due to raw water supply infrastructure being unavailable and unreliable. DWS has appointed maintenance contractors to address the maintenance backlog by planning outages and returning critical plant to service. Water quality deterioration, especially in the upper Vaal River System, poses a risk to several power stations that need to refurbish and upgrade their water and waste treatment facilities, which may negatively impact the cost of production. Quarterly meetings between DWS, Eskom and other affected parties are held to resolve the water supply infrastructure and water quality risks that have been identified.

SECURING OUR NUCLEAR FUEL REQUIREMENTS

Existing contracts with Westinghouse and Framatome for the supply of nuclear fuel fabrication services and the delivery of fabricated nuclear fuel are sufficient to meet Koeberg's nuclear fuel demand until the end of 2025. We are preparing to go to the market to negotiate new fuel fabrication service contracts. The contracts are envisaged to be placed in 2025 for supply from 2026 onwards. We also hold contracts valid until 2028 for the supply of enriched uranium product, which is used in nuclear fuel fabrication.

AFS For further information on nuclear fuel balances, refer to note 10 on future fuel supplies and note 13 on inventories in the annual financial statements

REDUCING OUR ENVIRONMENTAL FOOTPRINT

The material impact of our operations on the environment is addressed through the implementation of plans with governance oversight. These include strategic water management implementation plans, as well as emission reduction and air quality improvement plans at generation facilities, together with proactive and reactive bird mitigation projects on our power lines.

We use several KPIs to measure the effectiveness of our interventions, including relative particulate emissions, specific water consumption and the number of reported legal contravention incidents as a result of significant failures of business systems.

IR Refer to page 122 for information on the environmental implications of using or saving electricity

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Relative particulate emissions, kg/MWh sent out[SC, 1]	0.30	0.30	**0.30**	●	**0.79**	0.70	0.34
Specific water consumption, ℓ/kWh sent out[SC, 1]	1.36	1.37	**1.38**	●	**1.43**	1.39	1.45
Net raw water consumption, Mℓ[2]	n/a	n/a	**n/a**	n/a	**260 680**	256 430	283 610
Environmental legal contraventions reported as a result of significant failure of business systems, number[3]	–	–	**1**	●	**7**	10	7
Carbon dioxide (CO_2), Mt[2, 4]	n/a	n/a	**n/a**	n/a	**190.4**	187.5	207.2
Nitrous oxide (N_2O), t[2, 4]	n/a	n/a	**n/a**	n/a	**1 382**	1 438	1 561
Methane (CH_4), t[2, 4]	n/a	n/a	**n/a**	n/a	**1 523**	1 483	1 466
Carbon dioxide equivalent (CO_2e), Mt[2, 4]	n/a	n/a	**n/a**	n/a	**190.9**	187.9	207.7
Sulphur dioxide (SO_2), kt[2, 4]	n/a	n/a	**n/a**	n/a	**1 431**	1 449	1 671
Nitrogen oxide (NO_x as NO_2), kt[2, 5]	n/a	n/a	**n/a**	n/a	**735**	743	822
Particulate emissions, kt[2, 4]	n/a	n/a	**n/a**	n/a	**145.30**	129.32	66.65

1. Relative particulate emissions values and specific water consumption include all units at Medupi as well as Kusile Units 1 to 4. Units are only included one year after achieving commercial operation, therefore Kusile Unit 5 is still excluded; Kusile Unit 4 has been included since 1 June 2023. At stations with unusually high emission levels, such as Kendal, the monitors often exceed their maximum limits, resulting in an under-reporting of total emissions and relative performance.
2. No target is set for net raw water consumption or for emission volumes. Therefore, the target for these measures is shown as not applicable.
3. These relate to specific cases of environmental legal contravention incidents that are of high significance in terms of the impact on the environment and/or on Eskom in that they have a material business impact and illustrate a significant failure of business systems.
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, as well as oil consumed during power station start-ups.
5. N_2O and NOx reported as NO_2 are calculated using average station-specific emission factors (which are measured intermittently) and tonnages of coal burnt.

PARTICULATE AND GASEOUS EMISSIONS

Burning coal to generate electricity produces greenhouses gases, particularly carbon dioxide (CO_2) as well as three major pollutants in the form of emissions: particulate matter (PM), sulphur dioxide (SO_2) and nitrogen oxides (NO_x). The National Environmental Management: Air Quality Act, 2004 (NEMAQA) requires the installation of technology to reduce emissions. Since the early 1980s, we have implemented pollution reduction technology to substantially reduce particulate matter emissions and, more recently, NO_x emissions. Kusile Power Station is our first power station to have FGD installed to reduce sulphur dioxide emissions, while Medupi Power Station will be retrofitting FGD.

IR Further details of particulate and gaseous emissions are available in the technical statistical table on page 115

RELATIVE PARTICULATE EMISSIONS

Relative particulate emission performance continued to decline since the prior year, with focused maintenance of the generating plant not yet yielding results. This is the worst performance since 1995, when 0.76kg/MWh sent out was recorded, before emission-related upgrades at many stations.

Kriel, Matla, Kendal and Lethabo continue to show very poor performance and together, these stations emitted more than half of the ash that Eskom released into the atmosphere. Reasons for poor performance include ash and dust handling plant issues; poorly performing and damaged electrostatic precipitators (ESPs) which limit particulate emissions; poor sulphur conditioning (SO_3) plant performance. There are also occasions when power stations continue operating with high emissions due to electricity supply constraints.

To address the poor performance, Generation continues its drive to entrench a culture of achieving environmental compliance, with a renewed focus on the importance of compliance for sustainable asset management while stations are implementing emission recovery actions.

Our interaction with the environment *continued*

Kendal emission challenges

Kendal continues to implement the agreed-upon emission recovery plan as a condition of the AEL compliance directive received in 2019. Repairs on all units have now been completed. The station is progressively working to address underlying plant challenges, such as the ash plant and boilers. Due to these challenges, the Kendal units continue to operate in non-compliance with emission limits for extended periods. Where necessary, the station will review and update the existing emission recovery plan. Despite the ongoing challenges, there has been a general decrease in the level of emissions during the year, which is a positive development.

In the Kendal air quality criminal case regarding the station's alleged AEL non-compliance, Eskom appeared in court on 1 November 2023 and pleaded not guilty to three of the four counts. After initial administrative discussions, the matter was adjourned until 18 to 20 March 2024, at which time the state began to present its case. Thereafter, the matter was postponed again until 18 to 22 November 2024 for further argument. The matter was heard in November 2024 and the State presented its case. The matter has been postponed to January 2025. The limited hearing dates and prolonged periods between hearings are due to the court's caseload.

Air quality offset programmes

We are undertaking an air quality offset programme to align to DFFE's call for emission reduction efforts in response to power generation impacts. The programme aims to reduce particulate matter emissions in communities adjacent to some of our coal-fired power stations by improving ambient air quality and indoor thermal comfort, through insulating homes with ceilings, switching households from coal to electricity and liquid petroleum gas, and addressing the burning of waste. Our goal is to have a comprehensive approach to cleaner energy which includes reducing harmful indoor emissions and create a cleaner, healthier environment for communities living near our power stations.

We are making good progress on the various projects under this programme.

The air quality offset programme in KwaZamokuhle near Hendrina ended in October 2024, with 3 300 out of a planned 3 500 interventions completed. At Ezamokuhle near Majuba, the project concluded in September 2024, with 2 086 out of a planned 2 100 houses having been completed. In the Sharpeville area, all six waste clean-ups have now been completed.

Planning and contracting for further phases of the programme is underway. Funding for partially implementing phase 2 of the project was obtained, with an initial focus on two settlements near Tutuka and Kendal. For Sivukile near Tutuka, a tender has been awarded to complete 1 160 houses by June 2025. For Phola near Kendal, the aim is to complete 6 073 houses by August 2027.

In total, 36 000 households across Mpumalanga have been identified for participation in the Eskom-funded programme by 2028.

GASEOUS EMISSIONS

SO_2 emission limits

There have been seven SO_2 exceedances of daily limits recorded by coal-fired power stations during the year (2023: five).

Following the failure of the west chimney stack at Kusile in October 2022, the Department of Forestry, Fisheries and the Environment (DFFE) authorised Eskom in June 2023 to construct temporary stacks to operate units until the permanent stack can be constructed. The temporary stack structures were completed ahead of time, and Unit 3 was brought back to service on 30 September 2023, followed by Unit 1 on 16 October 2023, thereby alleviating pressure on the power system. Unit 2 returned to service on 28 November 2023. It is envisaged that permanent repairs to the west stack will be completed by March 2025.

In June 2023, we received the necessary approvals from DFFE and the Nkangala District to operate the temporary stacks at increased sulphur dioxide emissions levels while repairs to the west stack are underway. This was appealed by the Centre for Environmental Rights on behalf of several organisations and neighbouring landowners. The then Minister of DFFE upheld the positive decision in September 2023, with the Nkangala District Municipality accepting the Minister's decision a few days later. This means that the station can legally operate subject to conditions which it must comply with.

To date, no non-compliance with the SO_2 stack limits or SO_2 ambient standards has occurred while operating the temporary stacks. We continue to implement the necessary monitoring activities as committed to the authorities.

NO_x emission limits

There have been 31 exceedances of NO_x limits recorded by coal-fired power stations during the year (2023: none).

COMPLIANCE WITH ATMOSPHERIC EMISSION LICENCES

Atmospheric emissions include any emissions that result in air pollution, including particulate and gaseous emissions. We are allowed to emit atmospheric pollutants within certain limits, based on atmospheric emission licences (AELs) issued to power stations by the authorities.

Coal-fired stations continue to operate in general compliance with emission limits in their AELs, although non-compliance with these limits occurs periodically and are reported to the authorities as required. Our AELs require us to report emergency incidents (referred to as section 30 incidents under the National Environmental Management Act, 1998 or NEMA) to the authorities. A total of 18 section 30 incidents were reported during the year (2023: 71).

It is estimated that all coal-fired units have operated in non-compliance with their allowable daily limits for particulate matter emissions on 2 235 operating days (for all units) combined during the year (2023: 1 109 days). The biggest contributors were Matimba, Kendal, Matla and Lethabo, with deteriorating plant performance and system constraints remaining the greatest contributing factors, with stations operating in non-compliance in order to meet demand and limit the level of loadshedding required.

Matimba exceeded its daily limit 1 174 times of which 886 were classified as non-compliant, caused by ashing backlogs that ultimately affect emissions performance. An improvement was noted later in the year due to recovery actions being implemented. Kendal recorded 971 exceedances of which 742 were non-compliant, primarily due to dust handling plant challenges, which cause the electrostatic precipitators to operate at reduced efficiency, resulting in more particulate matter being emitted. Matla recorded 613 exceedances of which 409 were non-compliant, with poor coal quality being the main contributor to these exceedances.

By year end, 16 units were operating in non-compliance with average monthly emission limits (2023: 13), placing 9 045MW at risk of censure or closure by the authorities (2023: 7 691MW). The main contributors were Kendal, Matla, Lethabo, Matimba and Kriel. Some notable reasons for operating in non-compliance were malfunctions at the dust handling plant affecting the performance of the electrostatic precipitators and flue gas conditioning (SO_3) plant, as well as excessive emission exceedances during unit start-ups.

MINIMUM EMISSION STANDARDS

South Africa's Minimum Emission Standards (MES), first published in 2013 and amended in 2018, set out emission limits that require Eskom to reduce gaseous emissions of sulphur dioxide and nitrogen oxides, as well as particulate matter. The objective is to protect people and the environment by providing reasonable measures for the prevention of pollution and ecological degradation and to ensure ecologically sustainable development while promoting justifiable economic and social development.

Eskom applied to DFFE in August 2020 for suspension, alternative limits and/or postponement under the MES, based on an internally approved Emission Reduction Plan, which defined which stations would have emission reduction technology installed and when. The decision by the then Minister of DFFE in November 2021 would, if implemented, have resulted in the closure of power stations and an immediate loss of capacity of 16 000MW and a further 10 000MW after 2025, a situation which would be untenable for the country as a whole. In response, we submitted an appeal in December 2021 for those stations that received unfavourable decisions, requesting the Minister to consider our motivation for a balanced and sustainable way forward.

In March 2022, the Minister agreed to invoke a consultative process in accordance with the provisions of section 3A of the National

Our interaction with the environment *continued*

Environmental Management Act, allowing all appellants, stakeholders and interested and affected parties to participate. The Minister also established a National Environmental Consultative and Advisory Forum to review the MES decisions and appeals, and to make recommendations on the matter, after consultation with a range of stakeholders. We engaged extensively with the forum during the process.

Based on our initiatives, we requested legal indulgence from full MES compliance; a fleet approach to emissions load reduction; and consideration of various other factors, such as our Just Energy Transition (JET) strategy, ambient air quality and other contributors to health impacts, water use, increased production of waste, funding constraints, security of supply, and the tariff impact of full compliance.

The forum undertook public consultations for all stations and submitted its recommendations to the Minister on 8 March 2024; she announced her decision on 22 May 2024; the decision was generally favourable to the continued operation of Eskom's coal-fired power stations.

In relation to the power stations that are to close by 2030 – Hendrina, Grootvlei, Arnot, Camden and Kriel – our request for suspension of the MES limits has been granted; this affects around 10 000MW installed capacity. This allows these stations to continue to operate at emission levels achievable in terms of the installed emission reduction technologies. We have been directed to submit decommissioning plans within 12 months of the decision. Work to develop these plans is underway.

For power stations operating beyond 2030, namely Matla, Duvha, Tutuka, Kendal, Lethabo, Majuba, Matimba and Medupi (affecting around 30 000MW installed capacity), we have been directed to submit an application in terms of section 59 of NEMAQA for an exemption in respect of each of these facilities from the provisions of the Act within 60 days of the issuance of the decision. We requested until 31 March 2025 to submit the exemption application for these stations; DFFE granted an extension until 10 December 2024. We have assessed several alternatives and published draft exemption reports for public comment. Public participation meetings were conducted in November 2024 and the exemption application was submitted in December 2024.

These stations will continue to operate at existing emission levels as set out in their atmospheric emission licences until final decisions on the exemption applications are received.

Emission reduction projects

In the past, we committed to retrofitting several power stations with emission reduction technologies, such as fabric filter plant (FFP), low NO_x burners and/or FGD, to reduce emissions under postponement applications granted by the then Department of Environmental Affairs. Full compliance with the new plant standards was estimated to cost in the region of approximately R340 billion, which Eskom and the country cannot afford, given our poor financial performance, substantial debt burden and reliance on Government support, together with the lack of appetite for funding of coal-based technologies.

Our Emission Reduction Plan focuses on the reduction of particulate matter at seven power stations (Kendal, Matimba, Lethabo, Tutuka, Duvha, Matla and Kriel); nitrogen oxide reduction projects at three stations (Majuba, Lethabo and Tutuka); and sulphur dioxide reduction at Medupi and Kusile. We will also continue to implement the air quality offset programme in communities in the vicinity of our coal-fired power stations.

Work continues to implement the emission reduction projects to improve compliance to the limits set out in our power stations' atmospheric emission licences, and we are seeing positive progress.

MANAGING WATER CONSUMPTION

As a strategic water user, we receive water supply at the highest level of assurance over the life of our power stations. Given the criticality of water to our generation operations and the significant quantities of water we consume, we will drive several priorities under our Water Efficiency Plan, including:

- Securing and maintaining a high assurance of water supply for electricity generation
- Maintaining high water-use efficiency across all power stations
- Achieving our intent of zero liquid effluent discharge
- Ensuring legal compliance with water legislation
- Managing water supply from power stations and water supply infrastructure to third party water users
- Supporting the Just Energy Transition and continued power station operations beyond 2030
- Engaging relevant stakeholders in support of our water plans

Power stations have developed individual water management action plans in response to the strategic Water Efficiency Plan.

SPECIFIC WATER CONSUMPTION

Water performance of 1.43ℓ/kWh sent out has deteriorated slightly since the prior year (2023: 1.39ℓ/kWh sent out). Water performance across the fleet of coal-fired power stations was negatively affected by low load factors and poor water management practices linked to operational challenges. These include dam overflows and leaks at power stations, as well as high raw and demineralised water usage. Due to system capacity constraints, there is limited opportunity to schedule outages to implement corrective measures.

A total of 30 water-related legal contravention incidents were registered during the year due to non-compliance with water use licences issued to our power stations under the National Water Act, 1998 (2023: 58). Focused monitoring of the effective implementation of water management action plans, both at power station level and by the Generation Environmental Compliance Steering Committee, have not yet led to a significant improvement compared to the previous financial year, despite some improvement being recorded.

SUPPORTING BIODIVERSITY

Our activities in the generation, transmission and distribution of electricity impact biodiversity and are also impacted thereby. Therefore, we consider biodiversity as a material impact that requires management and focus.

Our interaction with the environment *continued*

LAND MANAGEMENT

We have integrated responsible land and biodiversity management practices to minimise the impact of our activities on ecosystems and to enhance ecosystem services. We manage nature reserves and other land by implementing sustainable biodiversity conservation initiatives. We also implement alien invasion management plans to prioritise the protection of natural habitats, wildlife species and ecosystems in our areas of responsibility. Additionally, we implement biodiversity offsets as necessary. These mitigation interventions are often undertaken in collaborations with conservation organisations, local communities and other stakeholders.

Eskom has formally declared three nature reserves at Koeberg Nuclear Power Station, Ingula Pumped Storage Station and Majuba Power Station, to protect South Africa's biodiversity and to sustain South Africa's natural biodiversity heritage:

The primary drive for proclaiming the Koeberg Nature Reserve was to support the operation of Koeberg Nuclear Power Station while conserving the natural habitat, thereby preserving land for future development as well as providing a buffer area surrounding the nuclear station. The nature reserve incorporates a mosaic of environments (habitats) which include small seasonal wetlands, coastal dune fields, Cape Flats Dune Strandveld, Atlantis Sand Fynbos, an inter-tidal zone as well as two aquifers: the Primary Sandveld Aquifer and the Malmesbury Aquifer.

The Ingula Nature Reserve is South Africa's 27th Ramsar site to be added to the List of Wetlands of International Importance. It was declared to protect the Drakensberg's high altitude grassland ecosystem, wetlands and escarpment forest which hosts several threatened species, including the critically endangered white-winged flufftail, wattled crane, bearded vulture and white-backed vulture. The declaration of the reserve contributes directly towards environmental sustainability and meeting the United Nations Sustainable Development Goals.

Eskom also manages other land under conservation practices, such as that at Thyspunt, Bantamsklip, Grootvallei, Majuba and Sere.

IMPACT ON RED DATA BIRDS

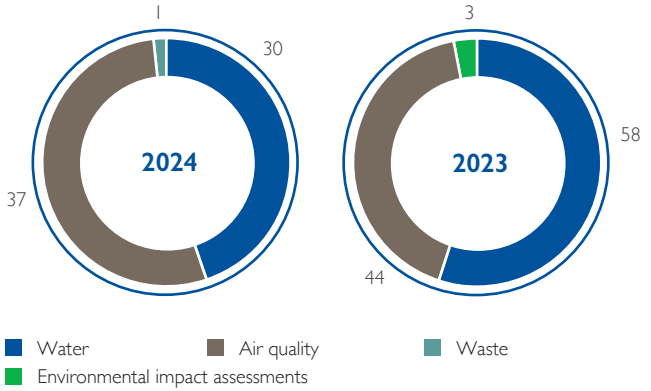
We monitor our impact on biodiversity through, among others, red data bird mortalities. We continue to implement proactive management interventions, such as:

- Implementing proactive bird mitigation programmes on high-risk power lines
- Installing bird diverters
- Implementing recommendations from investigations undertaken on red data bird mortalities
- Redesigning power line structures to bird-friendly design based on scientific studies
- Research work through our Research, Testing and Development (RT&D) Department

In addition, we perform environmental impact assessments, habitat restoration and conservation initiatives to scientifically assess biodiversity risks and protect vulnerable species. Nevertheless, red data mortalities were higher during the year, 258 (2023: 170), although we acknowledge that the actual number may be higher than this. We continuously research more effective mitigation measures.

REDUCING ENVIRONMENTAL LEGAL CONTRAVENTIONS

A total of 68 environmental legal contravention incidents were recorded with the reasons indicated below (2023: 105). All the incidents occurred at coal-fired power stations (2023: 97).



Of the environmental legal contravention incidents, seven were escalated as being a result of significant failure of business systems (2023: 10). Of these, three were due to particulate matter emission exceedances, and the rest were due to water-related matters at coal-fired power stations.

Eskom's Environmental Steering Committee and the Generation Environmental Compliance Steering Committee oversee the response to findings from compliance notices from the authorities.

Our interaction with the environment *continued*

Furthermore, the Social, Ethics and Sustainability Committee closely monitors management's progress on fulfilling commitments to achieve environmental compliance. To meet environmental compliance obligations and exercise our duty of care towards the environment, we have adopted an integrated approach which prioritises (i) governance; (ii) performance management; (iii) skills development; and (iv) detailed operational plans to address the risks and root causes of incidents of non-compliance relating to relative particulate emissions, water use and the release of polluted water from power stations.

Legislation required equipment and material containing polychlorinated biphenyls (PCBs) to be phased out by 31 December 2023. Generation and Distribution concluded their processes for the removal of the last remaining PCB-contaminated transformers; the disposal certificates were received in December 2023. The rest of the business had already phased out PCB-containing equipment by the previous financial year. A final external audit will be conducted during the 2025 financial year in line with the DFFE approval to confirm that we have achieved the legislated phase-out date.

IR Detail on the disposal of ash, asbestos, PCB-containing material, as well as used nuclear fuel and nuclear waste is set out in the technical statistical table on page 115

PROVISIONS FOR ENVIRONMENTAL RESTORATION AND REHABILITATION

We provide for the environmental obligations related to the decommissioning of:

- Nuclear plant and rehabilitation of the associated land, as well as managing spent nuclear fuel assemblies and radioactive waste
- Other generating plant and rehabilitation of the associated land
- Cost-plus mines, where we have a contractual or constructive obligation to reimburse coal suppliers. It covers the estimated closure cost, including pollution control and rehabilitation of the associated land

We have raised the following provisions relating to environmental rehabilitation and restoration:

R million	Actual 2024	Actual 2023	Actual 2022
Power station-related environmental restoration – nuclear plant	**23 679**	21 824	18 269
Power station-related environmental restoration – other generating plant	**16 086**	15 863	16 293
Mine-related closure, pollution control and rehabilitation	**13 280**	13 113	15 303
Total	**53 045**	50 800	49 865

AFS Refer to notes 4.5 and 27 in the financial statements for more information

INVESTING IN RENEWABLE ENERGY

Our direct investment in renewable generating capacity remains modest, with six hydroelectric stations and one wind facility. Through the Just Energy Transition, we aim to introduce more renewable capacity, mainly through repowering and repurposing of our end-of-life stations, to reach our long-term objective of attaining net zero emissions by 2050, with an increase in sustainable jobs.

IR For information on the capacity of our power stations and a breakdown of capacity supplied by IPPs, refer to pages 118 to 119

During the year, Eskom's Sere Wind Farm contributed 329GWh to the national grid (2023: 214GWh), at an average load factor of 35.81% (2023: 23.54%), which aligns to expectations for wind-based renewable plant. It recorded an average availability factor of 97.40% (2023: 67.48%).

We also purchase renewable energy from IPPs, with the main sources being wind and solar power, with small amounts supplied by biomass, landfill gas and small hydro technologies. Renewable IPPs contributed 17 851GWh during the year (2023: 16 859GWh), which constitutes around 8.5% of energy available for distribution for the year. Furthermore, most of the imported power comes from hydro power supplied by Cahora Bassa.

In aggregate, 13.1% of the power supplied during the year was from renewable sources in the form of solar, wind and hydro, with 82.5% coming from coal and diesel, and 3.9% from nuclear (2023: 12.7%, 82.5% and 4.6% respectively). The balance of 0.5% was from other sources (2023: 0.2%).

We have made available land for lease in Mpumalanga, where grid access is available, to allow project developers to build additional renewable energy capacity. In Phase 1, land rental agreements were signed with five developers for 17 parcels of land, with the potential to deliver approximately 1 800MW of power close to Majuba and Tutuka power stations. Developers are responsible for all approvals including environmental approvals, land use rezoning and servitude acquisitions. These processes are underway, and we are working with the developers and Government to address any constraints or delays. On our side, the focus is on finalising the grid connection applications. We also intend developing renewable capacity on our own land or in partnership with external parties.

RESPONDING TO CLIMATE CHANGE

Climate change refers to long-term shifts in global temperatures and weather patterns. This is largely driven by human activities such as burning fossil fuels, which release greenhouse gases (GHGs) into the atmosphere. These gases trap heat and cause the planet to warm up, leading to effects like melting ice caps, rising sea levels, changing rainfall pattens, increased evaporation and more extreme weather events. Without intervention, climate change will endanger the lives and livelihoods of hundreds of millions of people around the world and have a devastating impact on ecosystems.

As explained earlier, coal and gas-fired power stations contribute greenhouse gases to the atmosphere. In South Africa, electricity generation currently contributes around 41% of the national GHG emissions, which is a significant decrease from the early 2000s. One of the key initiatives being driven worldwide is phasing out unabated coal-fired electricity production. In South Africa, the speed at which coal-fired production can be phased out depends on the rate at which replacement low-carbon generation capacity can be rolled out, together with the necessary funding, regulations, skills and logistics.

International support for South Africa's JET Investment Plan has increased from $8.5 billion pledged at COP26 to $11.2 billion.

OUTCOMES OF COP28

COP28 had critical outcomes for the Just Energy Transition. The current energy trilemma informs the decision for our transition to occur at a pace and scale the country can afford, as our focus is on building an energy system that is secure, accessible and sustainable for all South Africans.

The technical report of the first Global Stocktake (GST) noted that collectively the world is not on track to meet the commitments under the Paris Agreement and that the temperature goal is at risk of not being met. In the political talks on the first GST, there was collective agreement from nearly 200 countries for the first time to move away from fossil fuels, "in a just, orderly and equitable manner." This is an important political signal about the significant transition that lies ahead. The GST called for tripling the global capacity of renewable energy and doubling the annual rate of energy efficiency improvements before 2030, together with phasing out inefficient subsidies for fossil fuels that do not address energy poverty or facilitate just transitions, as soon as feasible, although there was ambiguity around the development of new coal plants.

South Africa emphasised that climate ambition must be balanced across mitigation, adaptation and means of implementation. Thus, a Global Goal on Adaptation was adopted in which measurable, time-bound targets and thematic areas for adaptation are included to encourage countries to accelerate their adaptation plans.

Our interaction with the environment *continued*

SOUTH AFRICA'S RESPONSE TO CLIMATE CHANGE

As a signatory to the Paris Agreement, South Africa has submitted an updated Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC), aiming for a pathway based on an average temperature increase of well below 2°C more than pre-industrial levels. The NDC commits the country to limiting its GHG emissions to between 398MtCO_2e and 510MtCO_2e by 2025, and between 350MtCO_2e and 420MtCO_2e by 2030. This is considered a fair contribution by South Africa to the global effort. Signatories are further expected to provide updated NDCs during 2025 with a commitment for 2035. In order to ensure the country meets its international obligations, South Africa has implemented several pieces of domestic legislation.

CARBON TAX

Under the Carbon Tax Act, 2019 as amended, carbon tax has been levied on GHG emissions since 1 June 2019, to encourage consumers to reduce consumption of carbon-intensive products and shift the country onto a low-carbon pathway. However, generators of electricity from fossil fuel are allowed a deduction equal to the environmental levy paid and the renewable energy premium incurred through renewable energy purchases in the same tax period.

The Carbon Tax Act has been amended to allow Generation's GHG emitting activities (code 1A1a) to continue to claim the renewable energy premium from RE-IPP contracts ceded to the NTCSA.

The deduction of the environmental levy and renewable premium against the 1A1a liability has been extended to 31 December 2025, with the first carbon tax liability to Eskom arising in the 2026 financial year. Thereafter, the carbon tax is expected to be passed through to the electricity consumer given that the price of electricity is regulated. Current forecasts are that the carbon tax liability will add around R20 billion per year to the revenue requirement.

POLLUTION PREVENTION PLANS

Eskom has an approved pollution prevention plan for the period 2021 to 2025. We submitted our 2023 annual progress report for the implementation of the plan to DFFE by the deadline of 31 March 2024. This progress report highlighted that planned station shutdown dates were under review because of the shortage of generation capacity and the resulting loadshedding. Existing pollution prevention plans will become official mitigation plans under the new Climate Change Act, 2024.

ESKOM'S RESPONSE TO CLIMATE CHANGE

As a significant emitter of GHGs, we acknowledge our role in the climate change challenge and are committed to reducing our carbon footprint. We remain steadfast in our commitment to sustainability and combatting climate change. By embracing low-carbon energy sources and storage, as well as enhancing energy efficiency and fostering resilience, we are positioning ourselves as a leader in the transition towards a low-carbon economy. Through collaboration with stakeholders and continuous innovation, we are dedicated to creating a sustainable energy future for South Africa while mitigating our environmental impact and contributing to global climate goals.

We have developed a decarbonisation strategy with an aspiration to achieve net zero emissions by 2050. The strategy is multifaceted, addressing mitigation through cleaner energy adoption and emissions reduction, adaptation through resilience-building measures and innovation through research and collaboration.

By addressing both mitigation and adaptation, we aim to ensure a sustainable and reliable energy future for South Africa, supporting economic growth and social development while minimising our environmental impact. Our comprehensive approach to climate change demonstrates our commitment to a resilient and sustainable future.

Under the Just Energy Transition, our older, less efficient coal-fired power plants will be gradually decommissioned as new low-carbon capacity is added to the grid to maintain security of electricity supply. The intention is to deploy new renewables at existing sites in the interim, to support local communities and provide Eskom employees and stakeholders with valuable experience with these technologies. The plan aims to mitigate the socio-economic impacts that communities would otherwise experience if the older stations simply shut down. We are keeping an eye on international developments in carbon capture and storage technologies. These could potentially mitigate the environmental impact of continued coal use during the transition period, although both the cost and the long lead times may prove insurmountable.

IR Refer to "Our role in communities – Just Energy Transition" from page 103 for more information on our JET initiatives, including the repowering and repurposing of Komati Power Station

We align our investment and operational plans with the Integrated Resource Plan (IRP), which outlines the country's future electricity generation mix. The draft IRP 2023 includes targets for renewable energy deployment and the reduction in coal as part of the energy mix, guiding Eskom's strategic decisions. Mainly through IPPs, a significant amount of renewable energy capacity has already been added to the grid, contributing to a cleaner energy mix and reducing the reliance on fossil fuels.

CLIMATE RESILIENCE AND ADAPTATION

Due to our unique geography, South Africa is expected to experience approximately double the rate of warming compared to the global average. To remain resilient, we need to conduct climate risk assessments, implement adaptation measures and incorporate climate considerations into our long-term planning. We have engaged the Council for Scientific and Industrial Research (CSIR) to undertake downscaled climate projections for future time periods to understand what physical changes in the climate to expect under different levels of mitigation. For instance, transmission lines are prone to damage during extreme weather. Snow and ice, wildfires and extreme wind can damage above-ground power lines and transmission towers.

It is imperative for our line divisions and subsidiaries to have climate change adaptation plans in place. We continue to ensure that physical climate and weather risks are addressed through the development, implementation, monitoring and reviewing of divisional climate change adaptation plans.

Generation Division has a mature plan in place covering all coal-fired, nuclear and peaking power stations and related business units. All risks have been assessed, classified and rated, and fully integrated through our integrated risk management process into emergency and disaster management plans as well as business continuity plans. Eskom Rotek Industries is undergoing a review of its approved adaptation plan. Due to ERI's footprint overlapping with Generation Division, most risks are covered through the Generation adaption plan. Flooding risks and associated treatment plans are in place at operational level depending on site conditions.

NTCSA finalised its climate change plan during the year under review, covering three pillars: i) addressing GHG emissions; ii) anticipating and adapting to climate change; and iii) transforming operations in support of the JET and contributing to sustainable development. The plan has been formally approved.

Distribution Division's adaptation plan has also been approved.

These plans provide a high-level overview of the climate risks and approaches to building increased resilience and adaptive capacity across the divisions. They are complemented by more detailed actions and initiatives at local site level to identify exposure of assets and infrastructure, as well as vulnerabilities and the risks posed to the sustainability of operations, and to ensure that measures are implemented to manage these risks. A draft climate adaptation dashboard has been developed and is under review. This dashboard will be used in the 2025 financial year to report progress on execution of the divisional adaptation plans.

Our interaction with the environment *continued*

CLIMATE RISKS AND OPPORTUNITIES

We face climate risks stemming not only from the projected physical changes in climate (physical risks), but also from external actions taken to respond to climate change (transition risks) that arise as the world tries to limit the global average temperature increase. However, there are also significant opportunities for Eskom to participate in a Just Energy Transition where we strive to achieve net zero carbon emissions by 2050 with a net increase in sustainable jobs.

Extreme climate and weather events	→ Damage infrastructure Disruption of electricity supply
Changing environmental conditions	→ Risks to water availability Increased temperatures affecting plant efficiency
Increased energy demand	→ Cooling during heatwaves and changing consumption patterns
Supply chain disruptions	→ Impact on resources
Transitioning to low carbon future	→ Building resilience in infrastructure to support the JET
Economic impacts	→ Businesses, industries, communities, local and global carbon pricing initiatives
Public health and safety	→ Reliable supply of electricity for emergency services, Health care facilities and vulnerable populations

Through the development of adaptation plans we have identified physical climate risks that could affect the operation of our generation plant and network infrastructure. These types of risks have already been experienced on occasion, such as the floods in KwaZulu-Natal in 2022 where transmission towers were damaged or washed away. An extreme storm in the Central Karoo in February 2024 resulted in damage to distribution lines, with power to several nearby towns being disrupted for 12 days. We recognise that extreme weather events are likely to increase in frequency and severity as climate change advances.

- **Rising temperatures and extreme heat:** Loss of cooling capacity; reduced output and/or forced plant outages, conductor sag, line trips, increased raw water temperature, exceedance of equipment design thresholds, increased fire risk, evaporation, logistics and supply chain management impacts, workforce exposure and impacts, increasing energy demand
- **Extreme cold snaps:** Contraction of lines and ice loading, contraction oil in transformers, efficiency of cooling towers due to freezing, mist/moisture affecting network insulation especially in polluted environments, snow and ice affect conductors and insulators
- **Extreme precipitation events/wet spells:** Flooding, overflow of water storage dams, impact on ash dam design integrity, access to sites, interruption to water supply, intermittent supply of coal, erosion impacts on tower foundations, water pump houses, towers washed away
- **Drought:** Water availability, impact on operations and plant, vegetation management plans
- **Increased wind speeds:** Impact building, towers, lines, tripping of wind turbines (load reduction), increased dust generation and erosion (Ash dams), loose debris, containerised buildings
- **Wildfires:** impacts on transmission and distribution lines, damage to infrastructure, insulator flash overs, coal conveyers

We recognise that climate change is not only an environmental issue, but also a business issue with far-reaching effects on the electricity grid. Our operations – from generation, transmission and distribution activities – to end-user demand, are at risk of disruption due to climate-related risks. The impacts of these risks are location- and sector-dependent.

Climate change adaptation and building resilience in the electricity sector are essential for ensuring energy security, mitigating economic risks, protecting public health and safety, and facilitating the transition to a low-carbon future. During this process, it is critical that we continue to engage with stakeholders and legislators to coordinate efforts to respond to climate change effectively and circumspectly to balance the energy trilemma.

We continue to support climate change adaptation research and the integration of climate change impacts to support climate resilience operations and long-term planning initiatives. We are committed to partnering with research institutions locally and internationally with the aim of developing capacity and contributing to scientific knowledge in the field of climate change science, climate impacts and overall adaptation research and initiatives.

SR Refer to "Our climate change performance" in the sustainability report for more on our response to climate change

METRICS AND TARGETS

Aligned with the goals of the Paris Agreement, we continue to drive efforts to mitigate and adapt to climate change. Performance is measured through various metrics, including GHG emissions data and legislative compliance. Eskom reports on many additional environmental and operational aspects that either have co-benefits or contribute to resilience.

GHG emissions

We continue to submit an annual GHG report to DFFE based on their technical guidelines for scope 1 emissions. These are based on the 2006 Intergovernmental Panel on Climate Change (IPCC) GHG Guidelines and 2019 IPCC Refinements.

Carbon footprint

We calculated our annual carbon footprint (including scope 2 and 3 emissions) expressed in tons of carbon dioxide equivalent (tCO_2e) for the 2023 calendar year, using the same methodology as 2022. The footprint was calculated in line with the globally recognised *GHG Protocol: A Corporate Accounting and Reporting Standard*.

Did you know?
The carbon footprint calculated based on the GHG Protocol guidelines may involve different scopes, thresholds and assumptions than DFFE's regulated reporting requirements. This means that while our results provide valuable insights, direct comparisons with regulated data may not be possible.

Our interaction with the environment *continued*

The results of the carbon footprint study for the 2023 calendar year, compared to the results for the two previous years, are presented in the table below. Stationary combustion of fossil fuels, including coal and diesel consumption, accounted for more than 97% of Eskom's greenhouse gas emissions.

GHG emissions by source, tCO_2e	2023 calendar year	2022 calendar year	2021 calendar year
Scope 1			
Stationary combustion[2]	**183 904 930**	193 157 386	207 230 321
Eskom fleet vehicles	**129 543**	71 623	78 138
Fugitive emissions	**85 762**	65 712	52 841
Waste disposal	**3 189**	81 972	3 366
Non-combustion product use	**10 925**	9 689	3
Scope 2			
Electricity and heat purchased[3, 4]	**131 899**	85 171	–
Scope 3			
Electricity purchased from IPPs[3]	**765 429**	494 263	–
Coal delivery to site – road and rail	**3 717 648**	4 900 752	252 743
Generation Division waste[3]	**2 371**	35	–
Business travel – use of employee vehicles	**8 122**	8 598	6 003
Business travel – air travel	**11 129**	3 621	937
Business travel – vehicle rental	**489**	627	1 216
Total[5]	**188 771 436**	198 879 449	207 625 568

1. Years refer to calendar years, and not financial years as indicated elsewhere in the report.
2. For coal, an Eskom-specific annual weighted average net calorific value of 0.01901TJ/ton fuel was used based on the actual measured value for 2023.
3. Not calculated in 2021 due to the limitations of the tool used at the time.
4. As electricity generation is Eskom's main activity, scope 2 emissions are in principle accounted for as scope 1 direct emissions under the GHG Protocol. However, since 2022 we have included estimated energy losses on the transmission and distribution grids relating to electricity purchased from IPPs as scope 2.
5. Due to different scopes and input assumptions, the results are not directly comparable with our CO_2 emissions reported in the table on page 115.

There has been a notable decrease in emissions from Eskom's stationary combustion. This is attributed to the reduced output from the coal-fired fleet as a result of low plant availability. Emissions in other categories have increased, due to improved reporting and data collation. The GHG Protocol recommends that subsidiaries should report their emissions with the parent company, and we have included ERI's scope 1 and 3 emissions for 2023 reporting purposes.

As in the prior year, we have accounted for electricity purchased from IPPs as scope 3 emissions, because it is not produced by Eskom. However, the purchased electricity being transmitted and distributed along our infrastructure incurs some losses before reaching the end user. These losses are reported as scope 2 emissions.

As the highest emitter of CO_2 on the African continent, we acknowledge our carbon footprint and are developing strategies to ensure a Just Energy Transition to decarbonise, onboard low-carbon alternatives and leverage the shutting down of old coal-fired power stations, which will result in reduced emissions. The current GHG emission monitoring enables us to set attainable targets to achieve net zero emissions by 2050 and to remain a sustainable business. Although this is an ambitious goal, it will benefit the country and the continent at large.

CDP disclosure

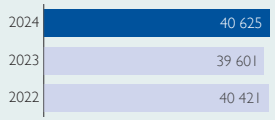
We continue to voluntarily disclose our climate change performance on the Carbon Disclosure Project (CDP), a global platform for investors, companies, cities, states and regions to manage their environmental impacts. The CDP provides the global financial sector with the most complete source of self-reported corporate environmental data from more than 7 000 of the world's largest companies. It considers the impact and management of issues related to climate change, water security and deforestation. The information assists investors, corporations and regulators in making informed decisions on investing in particular industries, sectors and countries.

FUTURE FOCUS AREAS

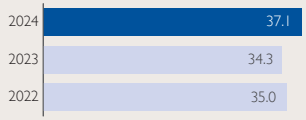
- Extending cost-plus coal contracts to match power stations' useful lives to optimise the cost of coal and ensure security of coal supply from dedicated coal resources, including reinvesting in cost-plus mines to enable contractual supply
- Utilising dedicated coal reserves for supply to stations without cost-plus contracts
- Extending existing long-term fixed-price coal contracts for designated power stations as well as identifying and pursuing options to supply other power stations, rather than procuring on the short-term market
- Utilising the open tender process to source uncontracted coal for the remaining life of power stations
- Striving to move coal as economically as possible, leaning towards a tied colliery model to deliver coal by conveyor, with rail and road transportation being less preferred options
- Managing the environmental rehabilitation and closure liabilities at cost-plus and defunct coal mines supplying our coal-fired stations
- Negotiating and concluding water supply agreements with DWS for the supply of raw water to the bulk of our coal-fired power stations
- Monitoring and ensuring the Mokolo Crocodile Water Augmentation Project Phase 2A is implemented timeously to meet Medupi's FGD retrofit water requirements and to ensure long-term water security to Matimba and Medupi power stations
- Engaging and partnering with key stakeholders to manage the water supply and quality risks to our power stations
- Ensuring improved environmental performance at power stations, with specific focus on water use, emissions and environmental legal contraventions to improve legal compliance and reduce harm to the environment and society
- Ensuring compliance with the conditions related to the MES appeal decision by DFFE
- Implementing both reactive and proactive bird mitigation projects on existing power lines
- Expediting the closure of non-compliance with licences and permits and accelerating responses to communication from authorities

Our people

Number of employees
3% ↑
to 40 625 to build capacity

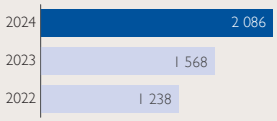


Gross employee benefit expense
8% ↑
to R37.1 billion



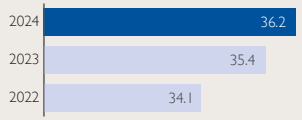
Training spend
27% ↑
to R1.4 billion

Number of pipeline learners
33% ↑
to 2 086



ACI representation of
90.1%
at year end

Female representation improved to
36.2%



Concluded a three-year
collective bargaining agreement to ensure organisational stability

Achieved good progress
in closing gaps identified by the prior year skills audit

Disappointing
safety performance,
with five fatalities and an increase in occupational diseases and lost-time incidents

Our human capital covers our employees and contractors and their competencies, capabilities and experience. Our people are critical to successfully achieving our mandate and strategic objectives. We continue to focus on transforming our workforce in terms of racial, gender and disability representation as well as instilling a high-performance ethical culture. To deliver on our mandate and objectives, we require effective employee engagement and performance management, as well as enhancing our employee value proposition to improve employee productivity and morale and, ultimately, ensure consistent delivery against objectives.

We are identifying skills gaps and then closing those gaps by training our people, maintaining a diversified learner pipeline and enabling talent development opportunities, as well as recruiting where necessary to supplement skills. We also need to retain the talent that we have and recognise and reward their efforts in an appropriate manner.

We remain committed to our value of Zero Harm by promoting safety excellence in all areas. We collaborate with organised labour, employees and contractors on initiatives that create a safe working environment and mitigate safety risks.

OUR WORKFORCE

The Human Capital and Remuneration Committee (HCRC) confirmed four strategic oversight priorities which are linked directly to the thrusts of the People Plan.

High-performance ethical culture

- Culture transformation and change management
- Performance and productivity
- Leadership development and continuity
- Accountability and consequence management

Skills and capabilities

- Training and development
- Closing of skills gaps

Be an employer of choice

- Remuneration, rewards and other offerings to attract and retain the right talent
- Diversity, equity, inclusion and belonging
- Employee wellbeing

Future-fit organisation

- Efficient, productive and agile workforce that delivers future-fit products and services

Our people *continued*

Our vision, mission and values are supported by our leadership brand pillars. We require legitimate and authentic leaders who individually and collectively internalise, articulate and actively live the following leadership brand pillars.

Leadership with the heart of a servant

- Based on teamwork and community
- Built on values driven behaviour
- Involving others in decision making
- Ethical & caring behaviour
- Enhancing personal growth of people
- Creates a caring, trust-based workplace

Leadership that creates a learning organisation

- Allowing for learning from mistakes
- Applies a systems view
- Actively creates unity of vision
- Encourages reflection and learning
- Inspires personal accountability and personal mastery

Leadership characterised by good governance

- Mindfully considers the needs of Eskom, society and South Africa
- Decision making with a long-term view
- Relentlessly pursues a customer focus
- Makes environmentally sound decisions

Leadership characterised by disciplined execution

- Actively displays a safety focus
- Creates clarity around roles, activities etc.
- Prioritises; enables efficient execution
- Accountabilty for self and role played in team outcomes
- Holds people accountable fairly and transparently

COMPOSITION OF OUR WORKFORCE

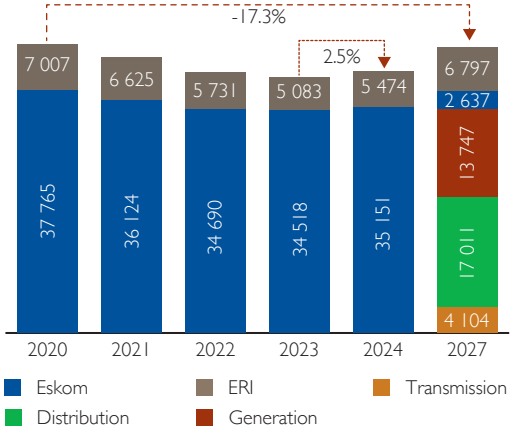
Group headcount amounted to 40 625 employees at year end (2023: 39 601), comprising 39 388 permanent and 1 237 fixed-term employees (2023: 38 725 and 876, respectively). This represents an increase of 1 024 for the year, mainly due to the recruitment of core and critical skills in Generation and ERI.

We recorded an attrition rate of 5.7% (2023: 6.7%), with 2 280 employee exits during the year. However, we replaced skills at a higher rate, with 3 304 employees appointed from the external market, together with 3 062 internal hires, including promotions, to advance our people.

Did you know?
We are a proud contributor to Government's Youth Employment Service (YES) programme, which provides work experience to previously unemployed black youth in entry-level and non-professional roles. At year end, 519 YES employees were receiving work experience in various roles across the organisation.

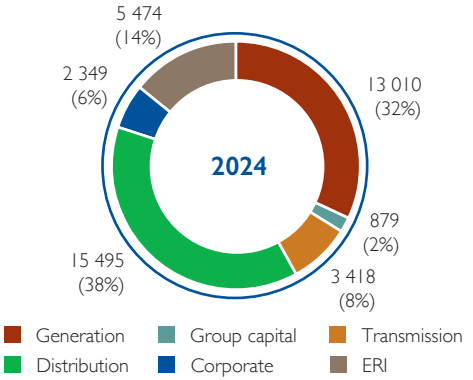
Our workforce plan is aimed at ensuring that current and future staffing levels are aligned to our strategic objectives. The plan was developed and implemented during the previous financial year and focuses on retaining core and critical skills, driving employment equity transformation targets and meeting training and development needs. The workforce plan is also aligned with the strategic requirements of our three licensed businesses.

Change in group headcount



For 2020 to 2024, Eskom refers to Eskom company, including Generation, Transmission and Distribution. For the 2027 target, Eskom refers only to Eskom Corporate, following the legal separation. For comparability, the combined headcount for Eskom Corporate, Generation, Transmission and Distribution is targeted at 37 499 in 2027.

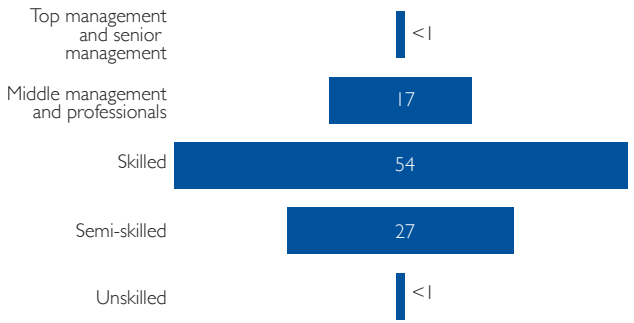
Divisional breakdown, %



Over 80% of our workforce is actively engaged in the crucial tasks of generating, transmitting and distributing electricity to our customers. As our new build programme draws to a close, we are proactively upskilling, reskilling and redeploying employees to various areas within our business to avoid job losses. This ensures that our workforce remains versatile and adaptable, ready to meet the evolving needs of the future electricity industry while preserving employment opportunities for our valued employees.

Our people *continued*

Occupational level breakdown, %



DEVELOPING OUR WORKFORCE

LEARNING AND DEVELOPMENT

The dynamic shifts in the energy industry and our current operational challenges necessitate the upskilling and reskilling of our workforce. To address this need, we have established an upskilling and reskilling framework which, together with the insights obtained from our recent skills audit, will assist in addressing the skills and competency gaps identified. We are focusing on establishing future-fit career paths, implementing redeployment strategies and delivering targeted training interventions to address these gaps and ensure that our workforce remains agile, adaptable and equipped to thrive in a challenging and evolving environment.

Based on the results of our skills audit, we are prioritising interventions across several proficiencies including technical and plant knowledge, business acumen and financial management, and understanding the broader energy industry and associated regulations. Leadership and management capabilities are also being prioritised to build a strong leadership pipeline going forward. While these areas are immediate priorities to support the achievement of our turnaround objectives, our learning and development interventions encompass several other skills and disciplines to ensure the continuous development of our workforce.

A new welding centre has been established with the Eskom Academy of Learning (EAL) which will address the scarce skills requirements in welding and other artisanal disciplines and will feed associated initiatives like the containerised microgrids and solar PV installations with a regular cohort of dedicated skills.

We also recognise that the upskilling and reskilling of employees at ageing power stations, together with the training of beneficiaries from surrounding communities, is critical for enabling a just transition in line with our repowering and repurposing plans. We have established a training centre at Komati Power Station which is equipped with vocational training facilit ies.

Did you know?

We employ the 5B model used globally to address the skills and competency gaps identified. The 5B model outlines five avenues for ensuring that we have the right skills to enable the business to operate efficiently:

Buy: implementing recruitment and other sourcing processes such as headhunting, crowdsourcing and fixed-term contracting

Build: internally building, growing and developing employees through training and development

Borrow: securing the assistance of internal or external industry experts, for example, through engineering, procurement and construction contracts, so that the necessary talent is available when needed for specific project-based work

Bind: retaining our talent to reduce turnover of skills

Bounce: managing or letting go of employees who are not performing or who are not fit for purpose

EAL is repositioning itself to support business to deliver the required training as well as various competency areas identified, including technical training to address operational challenges within the line divisions. Furthermore, we will continue to drive and enable the development of leadership capabilities across the business through programmes and frameworks such as the existing Management Development Programme (MDP) driven by the EAL Leadership Academy and the implementation of the upskilling and reskilling framework.

To ensure leadership continuity, especially at top and senior management levels, we have established succession planning and talent development programmes. These initiatives are designed to identify and nurture future leaders across the organisation. We are positioning the organisation to sustain leadership excellence and adaptability in response to the evolving business landscape.

Two new talent development programmes have been implemented to strengthen our talent pools, build and retain leadership skills and improve succession planning and leadership continuity. The top talent programme is focused on general and executive management positions, while the millennial talent programme is aimed at middle and senior management positions. The first cohort of 35 candidates has completed the programme. Furthermore, 62 executives, general and senior managers have taken up coaching relationships.

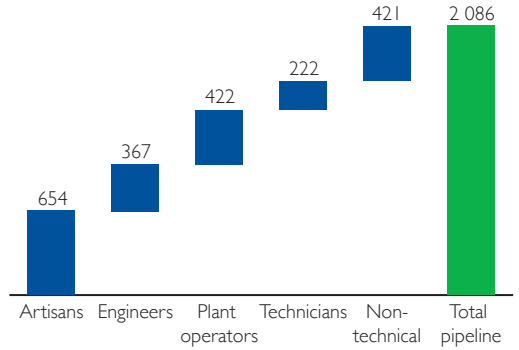
We have also partnered with several local and international institutions which provide external executive programmes aimed at management development, technical and non-technical skills through multiple short programmes, certificates, postgraduate programmes and full-time sponsored studies abroad.

LEARNER PIPELINE

Our learner pipeline is aimed at addressing the demographic shift in the workforce by balancing the ageing workforce with a steady influx of new talent. Through our learner pipeline programme, we are strategically positioning ourselves to meet future skills requirements. Over the next five years, we anticipate recruiting about 46% of our projected workforce growth needs from the learner pipeline and insourcing initiatives. This forward-thinking approach ensures that we have a steady stream of talent equipped with the necessary skills and knowledge to drive our organisation forward, thereby enhancing our capacity for innovation and sustainable growth.

At year end, our learner pipeline represented 5.9% of the permanent Eskom company workforce, against a target of 2.5%. Artisan learners make up the biggest share of the learner pipeline, at around 31%. We have increased the total number of learners by 33% over the past year, demonstrating our commitment to building a pipeline of skills for the organisation.

Learner pipeline, number of learners



Excluding YES programme learners who are externally funded.

Our people *continued*

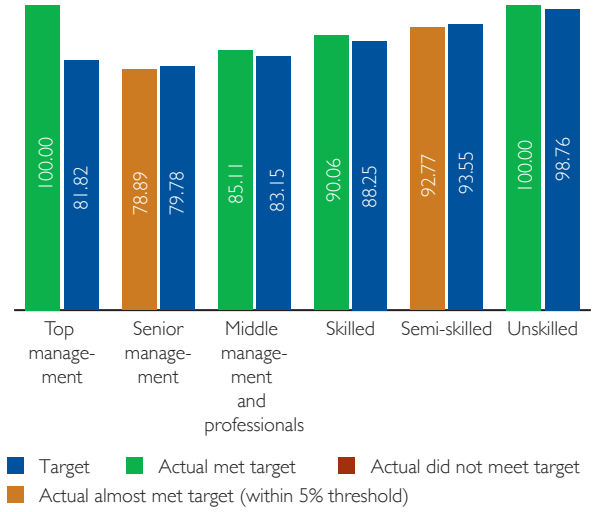
FURTHER STUDIES

We believe that investing in employee development is not merely an option, it is a strategic necessity. During the year, a total of 930 employees were enrolled in further studies, of which 59% were women and 3% were persons with disabilities. Fields of study range from certificate programmes to doctorates, with over two-thirds of these employees pursuing a bachelor's degree or higher qualification. This commitment to education and growth underlines our dedication to fostering a diverse and skilled workforce.

TRANSFORMING OUR WORKFORCE

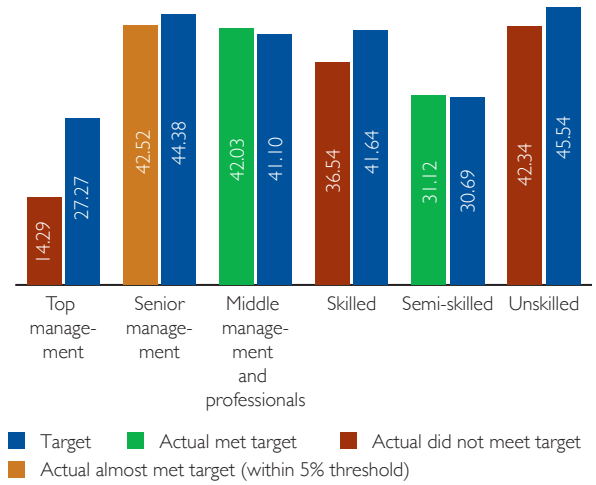
We are committed to transforming our organisation to better reflect the demographics of South Africa through a more diverse and inclusive workforce, in line with our employment equity plan. The transformation objectives of this plan are aligned to the expectations of our shareholder and the principles of the Employment Equity Act, 1998. Transformation initiatives include enhancing employment equity through better representation across all levels of employment, optimising learner management and fostering training and development programmes to advance talent from under-represented groups. We are actively cultivating an environment that celebrates diversity and promotes inclusivity at every level of the organisation.

Racial equity by level of employment, %

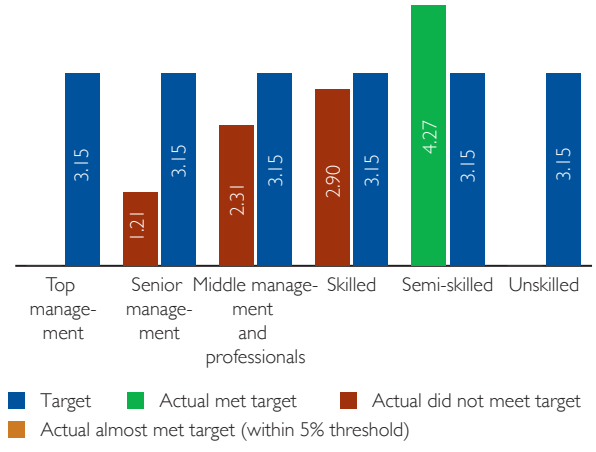


IR Our group and company employment equity performance at senior management level, as well as at professional and middle management level, is set out in the statistical tables from page 116

Gender equity by level of employment, %

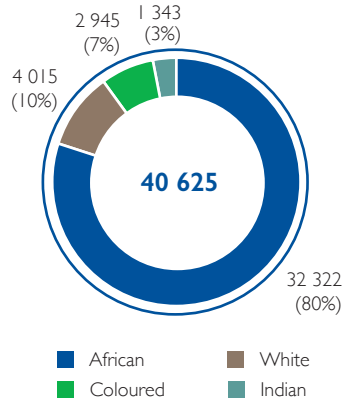


Persons with disability by level of employment, %

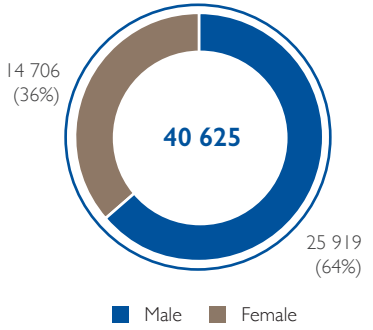


Over the past year, there has been notable progress in improving racial and gender representation within senior management roles, although these remain below target. We have achieved significant progress in racial and gender representation within middle management and professionally qualified positions, with both targets met for the year. Nevertheless, efforts to enhance gender equity and promote representation of persons living with disabilities across all levels of employment remain areas of focus.

Racial representation across the workforce



Gender representation across the workforce



The overall gender ratio of our workforce has improved slightly to 64% male and 36% female (2023: 65% and 35%), with the aim to achieve 50:50 representation by 2030. Female representation in Exco remains a focus area, with four out of the 11 members at year end (including acting positions), being female. Further improvement in employment equity performance is expected to be achieved through the implementation of learning and development programmes targeted at women, delivered through partnerships with academic institutions.

Our people *continued*

Did you know?

We commemorated 10 years since the establishment of the Eskom Women Advancement Programme, which aims to advance the development of women in leadership, ensure that women and girl children take up positions in technical roles and create a gender-sensitive organisation where women across the spectrum are able to freely express their talents, and are afforded platforms and opportunities for unfettered growth. Eskom is a proud signatory of the United Nations' Women's Empowerment Principles (UN WEPs).

We are committed to fostering a conducive work environment that champions gender equality across every aspect. We recognise that without a gender-neutral organisation, our success and growth may be limited, thereby making this a strategic imperative. We will continue to make a deliberate effort to remove barriers and ensure that women can thrive in an environment where everyone can reach their full potential in leadership and technical roles.

We are dedicated to ensuring fair and inclusive representation of persons living with disabilities across every level of employment. Group disability equity remained unchanged at 2.96%, with 1 201 employees with disabilities at year end (2023: 1 171). While we have achieved the national target of 2% prescribed by the Department of Employment and Labour, our internal target is 3.15%, in line with the White Paper on the Rights of Persons with Disabilities. Efforts to enhance awareness and accessibility, such as training, deploying virtual platforms and providing tailored physical equipment for persons living with disabilities, continue.

OUR EMPLOYEE VALUE PROPOSITION

REMUNERATION AND BENEFITS

We endeavour to retain and attract skilled, high-performing employees by offering compensation, benefits and service conditions aligned with market standards and within shareholder-established guidelines.

Bargaining unit employees receive a basic salary, which includes a thirteenth cheque (referred to as an annual bonus but structured as part of the guaranteed cost to company) and other benefits, such as pension, medical aid, death benefits, as well as housing, cell phone and car allowances, all subject to qualifying criteria. Around 82% of our workforce is covered by collective bargaining agreements with our three recognised trade unions – National Union of Mineworkers (NUM), National Union of Metalworkers of South Africa (NUMSA) and Solidarity.

For the 2024 to 2026 financial years, we concluded a three-year collective bargaining agreement with the trade unions, with annual cost-of-living adjustments of 7% for non-managerial employees, to ensure organisational stability while we focus on the turnaround. This is the first time in more than a decade that all parties have reached a collective agreement during the negotiation process, which is testament to the strengthening of partnerships with our trade unions.

Managerial employees receive a guaranteed package on a cost-to-company basis, which covers benefits such as medical aid, pension, dread disease cover, group life and death benefits. A 7% increase for managerial employees was implemented from 1 October 2023, of which 4% was guaranteed for all managerial employees and the remaining 3% was discretionary, to retain high performers and correct income differentials.

The Board has reimplemented a short-term incentive scheme for employees in the 2025 financial year, to recognise and incentivise excellence, deliver improved operational performance and ensure the achievement of our turnaround plan.

IR Executive remuneration is discussed under "Governance and ethics – Remuneration of directors and executives" on page 51

ORGANISATIONAL EFFECTIVENESS

Our objective is to enhance organisational effectiveness and cultivate a strong sense of belonging and connectedness to Eskom by nurturing a high-performance ethical culture, actively engaging with employees and providing a compelling employee value proposition (EVP). We conduct an annual human capital organisational effectiveness survey to assess the views of our people across three critical areas, namely employee engagement, organisational culture and EVP, the results of which are shown below.

We use the results of these surveys to track the success of Eskom's culture transformation. Analysis of the survey results reveals that Eskom Guardians are observing an incremental shift in culture within their business areas and among leadership as there is an upward trajectory across all three areas – employee engagement index, organisational culture index and employee value proposition index – relative to the previous year.

Our comprehensive EVP emphasises retention strategies that go beyond rewards and recognition. This entails providing market-aligned remuneration packages; competitive leave, health and death benefits; extensive development and training prospects, both locally and internationally; diverse career pathways; and experience in large-scale projects and cutting-edge technologies. Additionally, to promote and facilitate employee wellbeing, we have adopted hybrid work practices, enabling eligible employees to work remotely with periodic on-site requirements, based on operational demands.

We maintain our commitment to employee engagement through a range of channels, including leadership site visits, executive interviews and communications, as well as employee events aimed at fostering recognition and celebrating achievements throughout the organisation. We held a total of 138 leadership engagement sessions during the year to drive greater awareness, accountability and alignment across the organisation.

Internal communication platforms ensure that employees are informed about business updates and have opportunities to interact with our leadership. The insights and perceptions of our employees are invaluable for shaping our people management strategies as we advance our turnaround plan. These engagement efforts are pivotal in boosting morale by enhancing employees' sense of connection to the business and each other.

The categories above are scored out of 5.

Our people *continued*

We continue to implement our 1:1:6:10 culture transformation programme, which is a key enabler for delivering a high-performance ethical culture to drive our turnaround plan. As an organisation, we have one purpose – to power growth sustainably – which can only be achieved by adopting a high-performance ethical culture. Our cultural aspiration is supported by six cornerstones which should be reflected in everything we do, including how employees interact with one another and with our customers, suppliers, business partners, key stakeholders and the public. These cornerstones are supported by 10 culture levers that will foster our aspirational high-performance culture over the medium to long term.

HEALTH AND WELLNESS

We prioritise the health and wellbeing of our employees through various programmes which are aimed at equipping employees with the tools to make healthy and safe choices through prevention, treatment, care, support, education and partnership. We proactively manage the early detection and prevention of occupational and lifestyle diseases and injuries through regular medical surveillance, fitness-for-duty assessments and various wellness initiatives.

The employee assistance programme (EAP) remains a helpful resource for employees to overcome personal challenges such as troubled relationships, financial challenges and grief, as well as workplace challenges and other areas where counselling and psychosocial support is required.

PEOPLE RELATIONS

We facilitate strategic management of the relations and interactions between Eskom and employees either as individuals or collectively, with the aim of creating a workplace environment conducive to a high-performance culture, thereby contributing to the achievement of strategic organisational objectives.

Our interactions with trade unions are governed by the Recognition Agreement (RA) signed by Eskom and its three recognised trade unions: NUM, NUMSA and Solidarity. The RA establishes several participatory structures aimed at promoting good people relations through good faith bargaining, consultation and information sharing.

We have several participative structures in place:

- Strategic Forum: An information forum where high-level strategic concerns and principles are debated by high-level representation from Eskom and trade unions
- Central Bargaining Forum: A forum for all national consultations and information sharing on issues that have an Eskom-wide impact. Representatives include Eskom management, trade union officials and recognised full-time shop stewards
- National Group Divisional Forum: A platform for all national divisional group consultations and information sharing on any issues that affect the divisional group as a whole and fall under the Group Executive's decision-making authority. Management as well as full-time and part-time shop stewards serve as representatives for the parties
- Business Unit Forum: A forum for consultation and information sharing on matters that fall within the decision-making power of the business unit management. It consists of management and part-time shop stewards of the business unit
- National Steering Committee and Group and Business Unit Steering Committees: These respective structures are responsible for ensuring the effective functioning of other forums

Over and above the participative structures, Eskom and our recognised trade unions have entered into a collective agreement to establish a Restructuring Consultative Framework (RCF), the purpose of which is to provide a consultative process between the organisation and trade unions in the event of an organisational restructuring. The parties agreed that the RCF would not substitute, supersede or override the provisions of the RA, but would seek to enhance them. In the event of a conflict between the two, the RA would take precedence.

To create a disciplined workforce and sound and fair consequence management to foster a productive work environment, we have developed disciplinary and grievance procedures for the bargaining unit and for managerial employees. These respective procedures outline the processes to be followed in the event of alleged misconduct; the objective is to correct behaviour that we view as unacceptable and to encourage expected behaviour. The grievance procedures provide a mechanism to deal with any discontent, dissatisfaction and unfair treatment within the context of the employment relationship.

FOCUS ON SAFETY

We remain committed to ensuring the health and safety of employees, contractors and members of the public. During the year, we launched a safety culture survey across the organisation. The findings are being analysed and will be used to develop future action plans and safety initiatives. Furthermore, a Safety leadership for supervisors workshop was launched in March 2024 to offer practical safety leadership strategies, enabling supervisors to mitigate risks, foster a culture of safety and create a safer working environment.

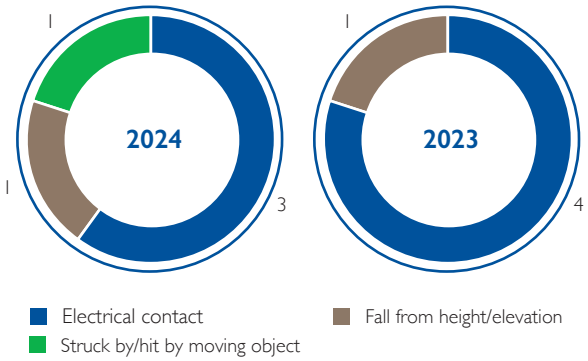
Our people *continued*

We assess our safety performance using lost-time injury rate (LTIR), together with the number of fatalities among employees and contractors. The LTIR target reflected in the table below indicates our tolerance level, as the true target is zero, in line with our value of Zero Harm.

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Fatalities (employees and contractors), number[1]	–	–	–	●	5	5	6
Lost-time injury rate, index (including occupational diseases) – group[SC]	0.29	0.30	0.30	●	0.29	0.26	0.24

1. An Eskom employee made contact with electricity in March 2023 and passed away in April 2023. The incident was declared as a work-related fatality by the Safety Data Integrity Committee in January 2024 and the comparative for 2023 was restated.

Sadly, we recorded two employee fatalities (2023: two) and three contractor fatalities (2023: three) during the year, despite our commitment to safety. The causes of these fatalities are shown below.



In memoriam

We extend our heartfelt condolences to the families, friends and colleagues of the following individuals who lost their lives while serving Eskom and our customers:

Bongani Benson Balura
Mduduzi Thulasizwe Gumede
Xolisa Manginda
Sifiso Lollo Kunene
Siphesonke Ngxeza

Regrettably, LTIR has shown an upward trend over the last few years due to operational pressures and an associated increase in overtime. The primary contributors to lost-time incidents are falls from the same level, occupational diseases, vehicle accidents and incidents related to being struck by or caught between objects. A total of 37 occupational diseases were confirmed during the year (2023: 23). As in the past, these relate mainly to noise-induced hearing loss incidents, which account for more than 70% of cases.

Initiatives have been developed across the organisation to address the concerning LTIR trend. These include collaboration, consultation and leadership training on safety initiatives within our business operations, as well as leadership onboarding, seminars and workshops.

IR Public fatalities are discussed under "Our role in communities – Public safety" on page 104

FUTURE FOCUS AREAS

- Continuing to promote a high-performance ethical culture through the 1:1:6:10 culture transformation programme
- Increasing the numbers and skill level in the electricity industry to meet future skills requirements
- Implementing our workforce plan to support achievement of our strategic objectives and turnaround plan
- Fostering a future-fit and productive organisation that can adapt to future market needs and support the Just Energy Transition
- Becoming an employer of choice by improving processes and practices linked to remuneration and benefits, while adhering to the conditions attached to the Eskom Debt Relief Act, 2023 as amended
- Enhancing employee wellbeing, diversity, equity and inclusion
- Improving accountability and consequence management and incentivising the correct behaviour through appropriate performance management
- Promoting Zero Harm and ensuring that strategic objectives are achieved without compromising the safety of employees, contractors or the public

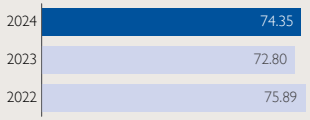
Our role in communities

Total measured procurement spend (TMPS) for the group increased to

R240.4 billion

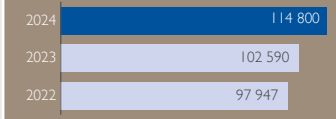
Group preferential procurement spend with B-BBEE compliant suppliers increased to

74.35% of TMPS



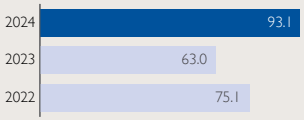
Electrification programme connections increased to

114 800



CSI grants and donations increased to

R93.1 million

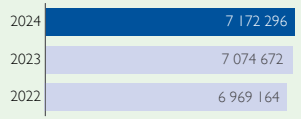


Number of CSI beneficiaries decreased to

272 217

Number of Eskom customers increased to

7 172 296



Eskom adds value to the lives of South Africans by delivering on our commercial mandate, to provide a reliable electricity supply in an efficient and sustainable manner. However, we acknowledge that our reputation has declined significantly over the past decade, through a combination of governance and operational challenges, culminating in the highest levels of loadshedding during the past year since loadshedding was first implemented in the 2008 financial year.

We are striving to be more transparent in how we are addressing these challenges to ultimately rebuild and strengthen the public's confidence and trust in Eskom. Furthermore, we aim to enhance the experience of our customers.

In addition to our commercial mandate, we make a meaningful contribution to South Africa's development through economic empowerment, transformation and access to electricity through Government's electrification programme. We also have a responsibility to recognise and protect the lives and livelihoods of the communities connected to our operations, which we are doing through our public safety initiatives and the Just Energy Transition.

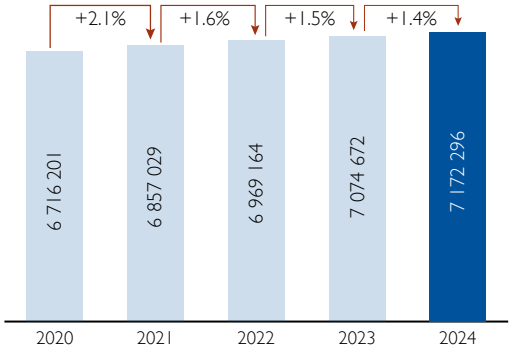
We are committed to supporting socio-economic development through skills development, supplier development programmes and corporate social investment (CSI) initiatives in line with the focus areas of our socio-economic transformation plan.

Focus areas	Objectives
Skills and capability building	Increase the number and skill level of South African workers in areas relevant to the energy sector with a focus on supplier and enterprise skills
Enterprise development	Develop existing and emerging enterprises owned by designated groups as local suppliers in the energy sector
Supplier development	Support growth by awarding local contracts or subcontracting to designated groups, including enterprises that graduated from a supplier development programme offered by Eskom or one of our main suppliers
Localisation and industrialisation	Support the growth of local manufacturing and industrialisation to enable economic growth and reduce inequality in South Africa. This will support the achievement of national transformation objectives and improve our preferential procurement performance
Community outreach projects	Uplift the communities in which we operate through the development of school infrastructure, provision of healthcare services and improvement of electricity infrastructure. This will also assist in mitigating non-technical risks across our value chain through community-focused interventions, effective stakeholder management, sound labour relations, contract management, socio-economic development and other interventions

CUSTOMER CENTRICITY

Our intent with customer centricity is to increase Eskom's competitiveness and sustainability amid market trends and competition, as well as policy and regulatory changes. Customers are increasingly aiming for energy independence by moving to renewable and self-generation alternatives to meet their energy requirements. Our value proposition is to provide differentiated energy-related products and services with improved grid reliability that will enhance market participation, flexibility and offer choice to customers.

Number of customers



The growth in customer numbers has been steadily slowing in recent years. The number of residential customers increased during the year mainly due to the Government-funded electrification programme, together with other new connections. The number of customers have declined across agricultural, industrial, mining, commercial and rail sectors, given the challenging economic conditions as well as the adoption of alternative supply sources and self-generation through solar, wind, gas and diesel by some customers.

IR Detailed customer information, including sales per customer category, is set out in the supplementary information on page 121

Our role in communities *continued*

CUSTOMER SERVICE

Customer satisfaction is measured on a continuous basis using a range of perception-based surveys.

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Key Customer Delight, %	80.0	80.0	**80.0**	●	**88.1**	88.4	85.0
Customer Delight, index	3.7	3.6	**3.0**	●	**4.4**	3.6	3.6

Key Customer Delight performance, which measures the satisfaction of large industrial customers, remains above target. Key customers have expressed their dissatisfaction with the ongoing supply constraints, loadshedding and load curtailment.

The Customer Delight index is a composite customer perception measure, based on customer satisfaction following interaction with customer care channels, as well as operational performance metrics related to billing accuracy, planned outages and the resolution of customer issues or queries.

We have successfully met our customer service targets for the year and are committed to continuing to offer convenient access to customer care, including through digital and self-service channels.

Improvements in customer service delivery will be achieved through operational effectiveness and efficiencies by:

- Systematic execution and improved timelines for quotes and connections
- Customer engagements and empowering customers with self-service channels
- Improving reliability of supply and restoration time
- Prompt resolution of customer queries with improved data quality
- Accurate billing based on actual meter readings, with reduced estimations

Did you know?

You can chat to Alfred, our friendly chatbot, at any time at https://alfred.eskom.co.za/chatroom/

To enhance the customer experience, our responsiveness and customer satisfaction, the business will modernise the retail operations by leveraging technology and digital self-service channels for ease of contact. Our leadership is empowering staff to drive continuous improvement in operational efficiency and effectiveness in service delivery.

Did you know?

We relaunched the Distribution Demand Management Programme (DDMP) in April 2023 to promote load management and energy efficiency. This is aimed at customers willing to reduce consumption during peak demand hours to help support the national grid and empowers our customers to better manage their energy use. We are aiming to achieve over 1 250MW of demand savings within the next three years, with 250MW targeted for the coming year. For further information, refer to www.eskom.co.za/distribution/demand-management-programme/

We are planning to expand our range of products and services to align with customer demands, thereby ensuring our continued relevance, competitiveness and sustainability in a dynamic energy sector. We are exploring innovative value-added services such as:

- Provision of access to renewable energy through wheeling, green tariffs and trading platforms
- Energy management services, with smart meters, sensors and controllers to manage customer load in real time, either to reduce the customer's bill or for load limiting to ensure continuity of supply
- Flexible services such as demand response and remote control of geysers, solar PV and batteries as required for network stability by the System Operator

Our role in communities *continued*

OUR CONTRIBUTION TO SUPPLIER DEVELOPMENT

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

Group procurement equity

Measure and unit	Target 2027	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Preferential procurement, % of TMPS	80.00	80.00	**80.00**	🔴	**74.35**	72.80	75.89
Procurement from black-owned (BO) suppliers, % of TMPS	40.00	40.00	**40.00**	🟠	**38.82**	42.48	47.08
Procurement from black women-owned (BWO) suppliers, % of TMPS	12.00	12.00	**12.00**	🔴	**8.29**	7.21	9.26
Procurement from black youth-owned (BYO) suppliers, % of TMPS	2.00	2.00	**2.00**	🟢	**4.53**	4.26	5.40
Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS	1.00	1.00	**1.00**	🔴	**0.10**	0.18	0.16
Procurement spend with qualifying small enterprises (QSE), % of TMPS	15.00	15.00	**15.00**	🔴	**4.50**	4.39	4.91
Procurement spend with exempted micro enterprises (EME), % of TMPS	15.00	15.00	**15.00**	🔴	**4.65**	5.86	7.88

In addition to the above, we spent R6.1 million on enterprise development against a target of R5 million (2023: R0.1 million) and R8.3 billion on supplier development against a target of R6 billion (2023: R3.7 billion).

During the year, we awarded 1 309 contracts totalling R107.7 billion, with R97.7 billion or 90.72% comprising local content. Of these, 203 contracts supported local content Including manufacturing in designated sectors. Furthermore, R65 billion or 60.34% was allocated to local content in designated sectors.

Did you know?

Eskom's B-BBEE status has improved from level 4 to level 3 due to participation in Government's Youth Employment Service (YES) programme, which is an affirmation of our commitment to South Africa's transformation agenda.

We achieved only the procurement equity target for black youth-owned spend for the year. Targets across other categories were not met due to previously compliant suppliers electing not to renew their B-BBEE certificates. Furthermore, some suppliers have valid B-BBEE certificates but are recognised at a B-BBEE status of level 9 and are, therefore, considered non-compliant. In response, we have conducted an analysis to identify non-compliant suppliers and requested them to obtain updated B-BBEE certificates. We will continue to monitor progress by non-compliant suppliers monthly.

As reported previously, we have approached the Department of Trade, Industry and Competition (dtic) to request that expenditure on IPP contracts be excluded from TMPS when measuring preferential procurement in the B-BBEE scorecard. These contracts were concluded in terms of the then DMRE's RE-IPP Programme, over which Eskom had no control. The dtic indicated that there is no legal provision in the B-BBEE Act, 2003 to allow for such an exclusion and proposed that the then DMRE develop a sector-specific scorecard for IPPs. Engagements with Government are still in progress.

MAXIMISING OUR SOCIO-ECONOMIC CONTRIBUTION

Measure and unit	Target 2027[1]	Target 2025	Target 2024	Target met?	Actual 2024	Actual 2023	Actual 2022
Total electrification connections, number[SC]	124 149	44 974	**85 474**	🟢	**114 800**	102 590	97 947
Corporate social investment committed spend, R million[SC]	469.6	146.1	**137.3**	🔴	**93.1**	63.0	75.1
Corporate social investment, number of beneficiaries	1 465 000	450 000	**750 000**	🔴	**272 217**	438 094	785 085

1. The 2027 target is the cumulative target over the next three years.

ELECTRIFICATION

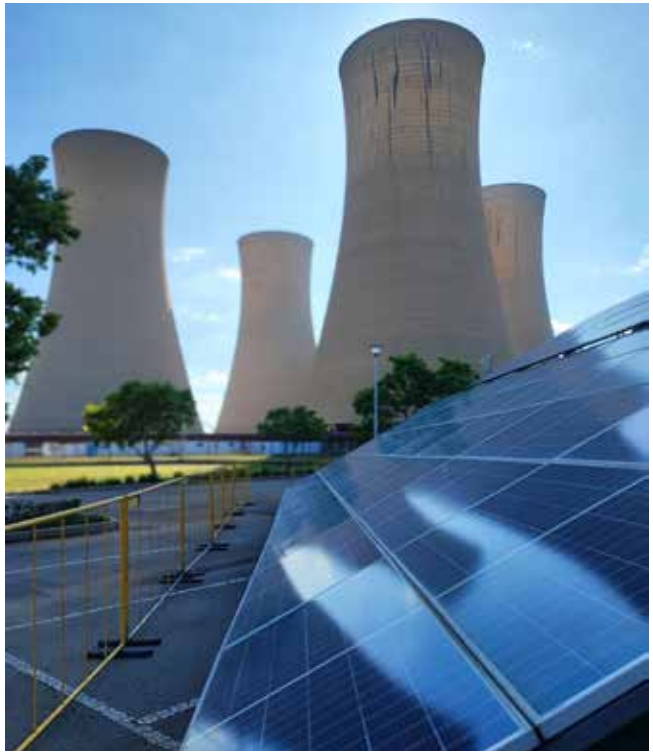
We continue to connect previously disadvantaged households and farm dweller houses in Eskom's licensed areas of supply under the electrification programme funded by the Government.

In support of the universal access programme, a total of 114 800 households were connected to the grid during the year.

We are planning to intensify our efforts and install 233 microgrid units over the next five years, targeting around 50 units per year. Potential microgrid opportunities have been identified to supply hospitals, schools and clinics in several provinces.

Did you know?

A microgrid is a self-contained system that can supply 150kWh per day, powering up to 30 households, and yielding 800MWh per year. The intention is to use containerised microgrids for rural electrification, supported by Government funding.



Our role in communities *continued*

CORPORATE SOCIAL INVESTMENT

The Eskom Development Foundation NPC (the Foundation), our wholly owned subsidiary, is responsible for executing Eskom's CSI strategy, to achieve vital developmental goals within the communities where we operate and enhance the effectiveness of our socio-economic contributions. A fundamental aspect of the Foundation's mission is to make a positive impact in the lives of South Africans in all nine provinces.

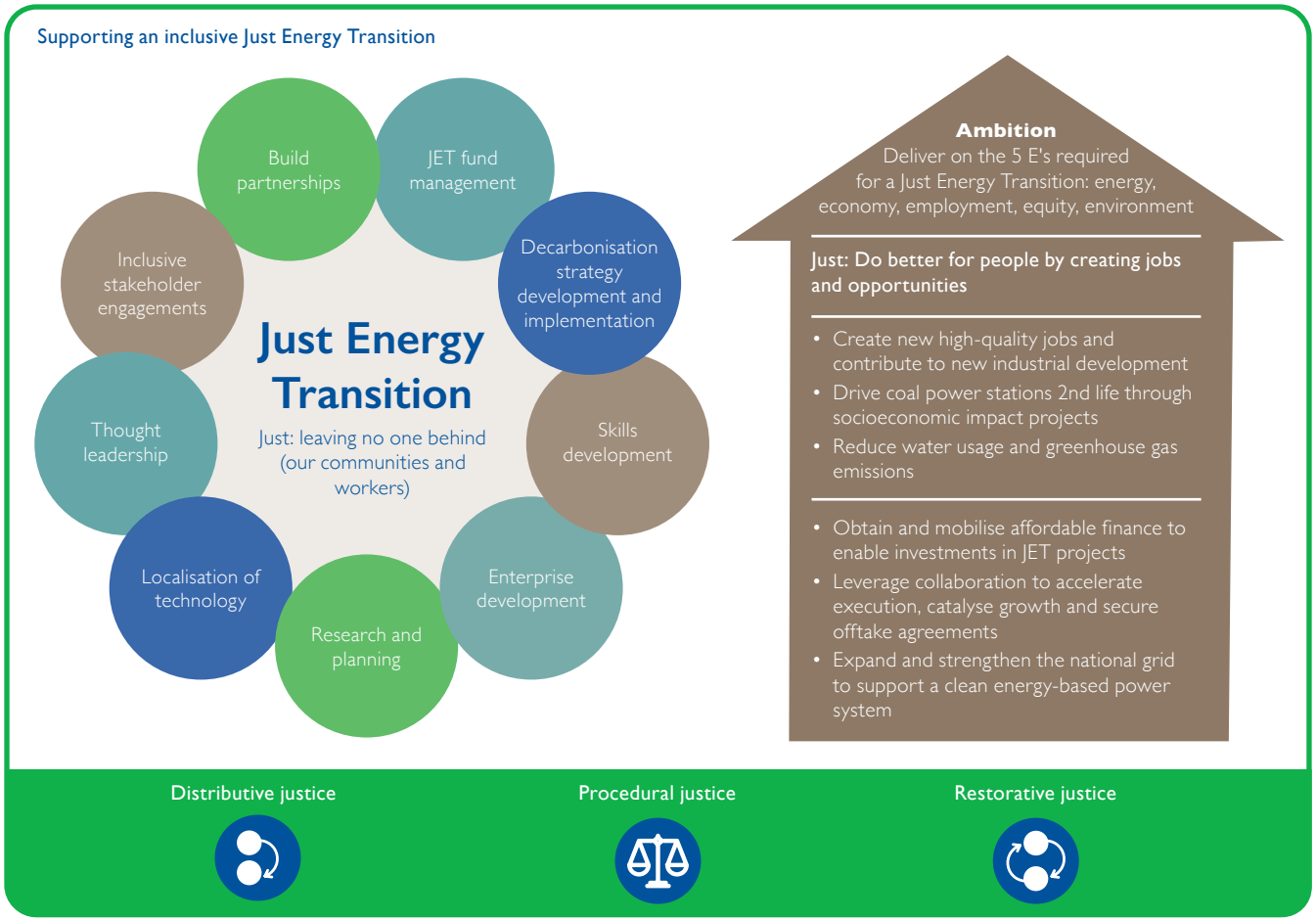
Our CSI initiatives are centred on enhancing quality of life by concentrating on programmes that are run according to the themes of education, health, environment, enterprise development, food security, rural education, infrastructure development and social and community development.

To maximise its impact, the Foundation is planning to enter into key strategic public and private partnerships with organisations that share its social responsibility objectives in order to leverage resources and funding.

Did you know?

Eskom's education programme, The Schoolyard, aims to educate school children about the value of electricity and the important role it plays in our lives. Refer to https://www.eskom.co.za/schoolyard/ to access educational resources on electricity that is tailored for learners and educators.

SR A selection of our flagship CSI projects is highlighted in the 2024 sustainability report



JUST ENERGY TRANSITION

We define our Just Energy Transition as a transition towards a low-carbon, climate-resilient economy and society in a manner that secures the future and livelihoods of workers and their communities. To do so in a manner that is "just" requires us to ensure socio-economic development is not eroded and that sustainable jobs are created throughout this transition.

Given the delays in various IPP programmes, we are pursuing the continued operation up to 2030 of four older coal-fired stations, namely, Camden, Hendrina, Grootvlei and Arnot to retain their dispatchable capacity. Furthermore, our JET strategy has been decoupled from the planned station shutdown, meaning that the repurposing and repowering projects at stations are planned to be rolled out in parallel with continued operations.

To support our JET strategy, we conducted socio-economic impact assessment (SEIA) studies to understand the effects of decommissioning, repurposing and repowering at 10 coal-fired power stations on local communities. Initial studies for Komati, Hendrina and Grootvlei began in 2020, followed by studies for Camden, Arnot, Kriel, Matla, Duvha, Tutuka and Kendal from 2022. These studies were completed in March 2023. The studies identified impacts, risks and opportunities to mitigate economic and societal effects, fostering sustainable livelihoods for affected communities and supporting a just energy transition.

The Komati SEIA has been published and public consultations have been concluded. Based on that experience, we developed a communication strategy to share findings from the other nine stations. Sharing the SEIA reports will further contribute to South Africa's JET programme, promoting a common understanding of risks and opportunities around these power stations.

Our role in communities *continued*

REPOWERING AND REPURPOSING

To support communities currently dependent on coal-fired power stations, Eskom has planned repowering and repurposing (R&R) projects. We will repower and repurpose coal-fired stations to preserve jobs and utilise existing grid infrastructure, regardless of shutdown plans. In Mpumalanga, coal-fired stations will be transformed by utilising existing infrastructure to develop new generation capacity, including solar PV, wind, batteries and synchronous condensers.

By 2030, the Komati repowering and repurposing project is projected to generate around 660 full-time and 8 700 temporary jobs.

IR Refer to "Sustainability indicators selected for reasonable assurance" on page 125 for more information on the targets and outcomes of Komati's repowering and repurposing project for the year

Associated projects have been identified in and around the Komati area, linking it to repurposing efforts at nearby Hendrina. This entrenches economic sustainability in a localised area, which will sustain and grow communities around both stations without duplicating efforts and leveraging the strengths of each area. Similar integrated efforts inform prioritised ventures at other sites such as Grootvlei and Camden. This approach addresses all three areas of the energy trilemma – namely, energy security, energy affordability and access, and energy sustainability – and ensures socio-economic and environmentally sustainable and relevant efforts driven by the JET interventions.

TRAINING

In partnership with the South African Renewable Energy Technology Centre (SARETEC), we have launched a training facility at Komati Power Station to develop local skills and capabilities in the renewables space and support the implementation of our JET strategy. The objective is to upskill and reskill employees at power stations that are due to be shut down, repowered or repurposed, as well as to train beneficiaries from the surrounding communities to ensure that the transition is just. In total, 296 employees and 72 community members have been trained through various training programmes delivered through the Eskom EAL and partnership agreements. Unfortunately, construction of the community training facility at Komati has not been completed due to legal interventions required by SARETEC because the appointed contractor has failed to comply with contractual requirements.

A new welding centre has been established at Komati in partnership with the EAL which will address the scarce skills requirements in welding and other artisanal disciplines, feeding associated initiatives like containerised microgrids and solar PV installations with a regular cohort of dedicated skills. We have also established community gardens and agricultural activities at Komati's agrivoltaics facility.

PUBLIC SAFETY

We are committed to entrenching a culture of Zero Harm, which includes the safety of the public. Sadly, we recorded 32 public fatalities, which includes 12 coal haulage incidents, during the year (2023: 17, including one related to coal haulage), with 10 electrical contact and 10 motor vehicle public recordable fatality incidents (PRFI).

Did you know?

A PRFI is an incident resulting in the electrocution of a member of the public by coming into contact with Eskom apparatus within the point of supply, as well as any work-related incident where an Eskom employee or contractor is responsible for the death of a member of the public. It excludes electrocution resulting from criminal activities or incidents where a member of the public is solely at fault. A minor being electrocuted as a result of criminal activity will, however, be regarded as a PRFI.

We continue to conduct nationwide public safety campaigns aimed at educating the public on the safe and proper use of electricity. This includes raising awareness about the dangers associated with illegal connections, overloaded electrical outlets and the potential risks of purchasing prepaid electricity from unauthorised vendors. Additionally, our safety initiatives urge the public to steer clear of and report hazards such as low-hanging power lines, meter tampering and vandalism of electrical infrastructure within their communities.

FUTURE FOCUS AREAS

- Restoring our reputation and the public's confidence and trust in Eskom
- Diversifying our product and service offerings to adapt to changing customer needs and remain competitive in the evolving electricity supply industry
- Improving reliability of supply, restoration time and billing accuracy to aid in customer retention
- Addressing procurement equity performance with designated groups by reducing B-BBEE non-compliant spend
- Pursuing funding for enterprise development and supplier development in line with the B-BBEE Codes
- Expanding electricity access to rural and remote areas through containerised microgrids
- Uplifting communities through CSI programmes for development of school infrastructure, provision of healthcare services and improvement of electricity infrastructure
- Delivering on the Komati repurposing and repowering project and concluding socio-economic impact assessments in support of our JET strategy
- Delivering on JET-related projects, participating in local and international business platforms related to JET and sourcing funding for future repowering and repurposing projects
- Continuing to raise awareness and educate the public on the safe and correct use of electricity

Supplementary information

Abbreviations

ACI African, Coloured and Indian

AEL Atmospheric emissions licence

ARC Audit and Risk Committee (a Board committee)

B-BBEE Broad-based black economic empowerment

BESS Battery energy storage system

BOPC Business Operations Performance Committee (a Board committee)

CCMA Council for Conciliation, Mediation and Arbitration

CSA Coal supply agreement

CSI Corporate social investment

DEE Department of Electricity and Energy

DFFE Department of Forestry, Fisheries and the Environment

DFI Development finance institution

DMRE Former Department of Mineral Resources and Energy

DoA Delegation of authority

DPE Former Department of Public Enterprises

DWS Department of Water and Sanitation

EAF Energy availability factor (see glossary)

EBITDA Earnings before interest, taxation, depreciation and amortisation and fair value adjustments

ECA Export credit agency

ERI Eskom Rotek Industries SOC Ltd

ESP Electrostatic precipitator

EUF Energy utilisation factor (see glossary)

Exco Executive Management Committee

FFP Fabric filter plant

FGD Flue gas desulphurisation

GCE Group Chief Executive

GCFO Group Chief Financial Officer

GDP Gross domestic product

GSC Governance and Strategy Committee (a Board committee)

Abbreviations *continued*

GW Gigawatt = 1 000 megawatts

GWh Gigawatt-hour = 1 000MWh

HCR Human Capital and Remuneration Committee (a Board committee)

IASB International Accounting Standards Board (part of the IFRS Foundation)

IFC Investment and Finance Committee (a Board committee)

IFRS® International Financial Reporting Standards

IPP Independent power producer (see glossary)

IRP Integrated Resource Plan

ISSB International Sustainability Standards Board (part of the IFRS Foundation)

King IV King IV Report on Corporate Governance for South Africa, 2016

kℓ Kilolitre = 1 000 litres

KPI Key performance indicator

kt Kiloton = 1 000 tons

kV Kilovolt = 1 000 volts

kWh Kilowatt-hour = 1 000 watt-hours (see glossary)

kWhSO Kilowatt-hour sent out

LTIR Lost-time injury rate (see glossary)

MES Minimum Emission Standards

Mℓ Megalitre = 1 million litres

MOI Memorandum of Incorporation

mSv Millisievert

Mt Million tons

MVA Megavolt-ampere = 1 million volts

MW Megawatt = 1 million watts

MWh Megawatt-hour = 1 000kWh

MWhSO Megawatt-hour sent out

MYPD Multi-year price determination

NDP National Development Plan 2030

NEDCSA National Electricity Distribution Company South Africa SOC Ltd

NEMA National Environmental Management Act, 1998

NEMAQA National Environmental Management: Air Quality Act, 2004

NERSA National Energy Regulator of South Africa

NNR National Nuclear Regulator

NTCSA National Transmission Company South Africa SOC Ltd

OCGT Open-cycle gas turbine (see glossary)

OCLF Other capability loss factor (see glossary)

OEM Original equipment manufacturer

PCLF Planned capability loss factor (see glossary)

PFMA Public Finance Management Act, 1999

PPA Power purchase agreement

PV (Solar) photovoltaic

RCA Regulatory clearing account

RE-IPP Renewable energy independent power producer

RMIPPPP Risk Management Independent Power Producer Procurement Programme

SADC Southern African Development Community

SAIDI System average interruption duration index

SAIFI System average interruption frequency index

SALGA South African Local Government Association

SAPP Southern African Power Pool

SARS South African Revenue Service

SCOA Standing Committee on Appropriations

SCOPA Standing Committee on Public Accounts

SES Social, Ethics and Sustainability Committee (a Board committee)

SIU Special Investigating Unit

SOC State-owned company

TMPS Total measured procurement spend

TWh Terawatt-hour = 1 000GWh

UAGS Unplanned automatic grid separations

UCLF Unplanned capability loss factor (see glossary)

WANO World Association of Nuclear Operators

Glossary of terms

Arrear debt as percentage of revenue	Gross arrear debt written off (relating to electricity receivables only) divided by gross electricity revenue multiplied by 100
Base-load plant	Largely coal-fired and nuclear power stations, designed to operate continuously
Cash interest cover (ratio)	Provides a view of the company's ability to satisfy the interest burden on its borrowings by utilising cash generated from operating activities. It is calculated as net cash from operating activities divided by net interest paid (interest paid on financing activities less interest received from financing activities)
Current ratio	(The current portion of inventory, payments made in advance, trade and other receivables and taxation assets) divided by (the current portion of trade and other payables, payments received in advance, provisions, employee benefit obligations and taxation liabilities)
Daily peak	Maximum amount of energy demanded by consumers in one day
Debt/equity including long-term provisions	Net financial assets and liabilities plus non-current retirement benefit obligations and non-current provisions divided by total equity
Debt service cover (ratio)	Cash generated from operations divided by (net interest paid from financing activities plus debt securities and borrowings repaid)
Decommission	To remove a facility (e.g. reactor) from service and either store it safely or dismantle it
Demand-side management	Planning, implementing and monitoring activities to encourage consumers to use electricity more efficiently, including both the timing and level of demand
EBITDA margin	EBITDA as a percentage of revenue (excluding revenue not recognised due to uncollectability)
Electricity operating costs per MWh	Electricity-related costs (primary energy costs, employee benefit costs plus net impairment loss and other operating expenses, less other income) divided by total electricity sales in GWh multiplied by 1 000
Electricity revenue per kWh	Electricity revenue (including electricity revenue not recognised due to uncollectability) divided by total kWh sales multiplied by 100
Embedded derivative	Financial instrument that causes cash flows that would otherwise be required by modifying a contract according to a specified variable such as currency
Energy availability factor (EAF)	Measures power station availability, taking account of both planned and unplanned energy losses under the control of plant management, as well as other non-controllable energy losses
Energy efficiency	Programmes to reduce energy used by specific end-use devices and systems, typically without affecting services provided
Energy utilisation factor (EUF)	Ratio of actual electrical energy produced during a period of time divided by the total available energy capacity. It is a measure of the degree to which the available energy capacity of an electricity supply network is utilised. Available energy capacity refers to the capacity after all unavailable energy (planned and unplanned energy losses) has been taken into account, and represents the net energy capacity made available to the System Operator or national grid
Fatality	A fatality is an incident occurring at work, or arising out of or in connection with the activities of persons at work, or in connection with the use of plant or machinery, in which or in consequence of which, any person (an employee, contractor, or member of the public) dies, regardless of the time intervening between the injury and/or exposure to the cause and death. The date of the incident will reflect the date on which the incident occurred, irrespective of the date of death
Forced outage	Shutdown of a generating unit, transmission line or other facility for emergency reasons or a condition in which generating equipment is unavailable for load due to unanticipated breakdown
Free basic electricity	Amount of electricity deemed sufficient to provide basic electricity services to a poor household (50kWh per month)
Free funds from operations	Cash generated from operations adjusted for working capital
Gross debt	Debt securities and borrowings plus finance lease liabilities plus the after-tax effect of provisions and employee benefit obligations
Gross debt/EBITDA ratio	Gross debt divided by earnings before interest, taxation, depreciation, amortisation and fair value adjustments
Independent non-executive director	A director who: • Is not a full-time salaried employee of the company or its subsidiary • Is not a shareholder representative • Has not been employed by the company and is not a member of the immediate family of an individual who is or has been, in any of the past three financial years, employed by the company in any executive capacity • Is not a professional advisor to the company • Is not a significant supplier or customer of the company • Is not receiving remuneration contingent on the performance of the company
Independent power producer (IPP)	Any entity, other than Eskom, that owns or operates, in whole or in part, one or more independent power generation facilities
Kilowatt-hour (kWh)	Basic unit of electric energy equal to one kilowatt of power supplied to or taken from an electric circuit steadily for one hour

Glossary of terms *continued*

Load	Amount of electric power delivered or required on a system at any specific point
Load curtailment	Typically, larger industrial customers reduce their demand by a specified percentage for the duration of a power system emergency. Due to the nature of their business, these customers require two hours' notification before they can reduce demand
Load management	Activities to influence the level and shape of demand for electricity so that demand conforms to the present supply situation, long-term objectives and constraints
Loadshedding	Scheduled and controlled power cuts that rotate available capacity between all customers when demand is greater than supply in order to avoid blackouts. Distribution or municipal control rooms open breakers and interrupt load according to predefined schedules. Use of the term loadshedding typically includes the concept of load curtailment
Lost-time injury (LTI)	A work injury which arises out of and in the course of employment and which renders the injured employee or contractor unable to perform his/her regular/normal work on one or more full calendar days or shifts other than the day or shift on which the injury occurred. It includes occupational diseases and fatalities
Lost-time injury rate (LTIR)	Proportional representation of the occurrence of lost-time injuries over 12 months per 200 000 working hours
Major incident	An interruption with a severity ≥1 system minute
Maximum demand	Highest demand of load within a specified period
Non-technical losses	Energy losses due to electricity theft through illegal connections, tampering and bypassing of electricity meters, as well as the purchase of electricity tokens from unregistered or illegal vendors. It includes meter reading and billing errors
Occupational disease/illness	Any confirmed disease/illness arising out of, and in the course of, an employee's employment, that is listed in Schedule 3 of the Compensation for Occupational Injuries and Diseases (COID) Act, 1993, or any other condition as determined by an occupational medical practitioner
Off-peak	Period of relatively low system demand
Open-cycle gas turbine (OCGT)	Liquid fuel turbine power station that forms part of peak-load plant and runs on kerosene or diesel. Designed to operate in periods of peak demand
Other capability loss factor (OCLF)	Energy losses outside of a station's control as well as internal non-engineering constraints
Outage	Period in which a generating unit, transmission line, or other facility is out of service
Peak demand	Maximum power used in a given period, traditionally between 7:00 and 10:00 as well as 18:00 to 20:00 in summer; and 6:00 to 9:00 as well as 17:00 to 19:00 in winter
Peaking capacity	Generating equipment normally operated only during hours of highest daily, weekly or seasonal loads
Peak-load plant	Gas turbines, hydroelectric or a pumped storage scheme used during periods of peak demand
Planned capability loss factor (PCLF)	Energy losses due to planned maintenance on power station units, whether due to full shutdowns or partial load reduction
Primary energy	Energy in natural resources, e.g. coal, diesel, uranium, sunlight, wind and water
Pumped storage scheme	A lower and an upper reservoir with a power station/pumping plant between the two. During off-peak periods the reversible pumps/turbines use electricity to pump water from the lower to the upper reservoir. During periods of peak demand, water runs back into the lower reservoir through the turbines, generating electricity
Reserve margin	Difference between net system capability and the system's maximum load requirements (peak load or peak demand)
Return on assets	EBIT divided by the regulated asset base, which is the sum of property, plant and equipment, trade and other receivables, inventory and future fuel, less trade and other payables and deferred income
Sustainability	Refers to practices that can be maintained without harming the environment, society or the economy, and considers future generations. It involves finding a balance between the needs of the present and the ability of future generations to meet their own needs
System minutes	Global benchmark for measuring the severity of transmission network interruptions to customers. One system minute is equivalent to the loss of the entire system for one minute at annual peak. A major incident is an interruption with a severity ≥1 system minute
Technical losses	Naturally occurring losses that depend on the power systems used
Unit capability factor (UCF)	Measure of availability of a generating unit, indicating how well it is operated and maintained
Unplanned capability loss factor (UCLF)	Energy losses due to outages are considered unplanned when a power station unit has to be taken out of service and it is not scheduled at least four weeks in advance
Used nuclear fuel	Nuclear fuel irradiated in and permanently removed from a nuclear reactor. Used nuclear fuel is stored on site in used fuel pools or storage casks
Watt	The watt is the International System of Units' (SI) standard unit of power. It specifies the rate at which electrical energy is dissipated (energy per unit of time)
Wheeling	Refers to the movement of electricity between international customers through Eskom's network, without the power being available to customers on the South African grid

Leadership qualifications and directorships

BOARD OF DIRECTORS

Dr Mteto (M) Nyati (59)

Chairman
Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
B Sc Mechanical Engineering (University of KwaZulu-Natal)
Ph D (Honoris Causa) Information Technology Management (University of Johannesburg)

Directorships
Accelerated Growth Partners (Pty) Ltd
Ammoa (Pty) Ltd
Business Systems Group (Africa) (Pty) Ltd
Sako Green Energy (Pty) Ltd
The Collective X NPC
Wazo Investments (Pty) Ltd

Mr Dan (DL) Marokane (52)

Group Chief Executive
Executive director

Appointed to Board in March 2024

Qualifications and designations
B Sc Chemical Engineering (University of Cape Town)
M Sc Petroleum Engineering (University of London)
DIC (Imperial College London)
MBA (University of Cape Town)

Directorships
Energy Council of South Africa NPC

Mr Calib (C) Cassim (52)

Group Chief Financial Officer
Executive director

Appointed to Board in July 2017

Qualifications and designations
B Com (University of KwaZulu-Natal)
B Accounting Sciences (Unisa)
Chartered Accountant (SA)
Master of Business Leadership (Unisa)

Directorships
Escap SOC Ltd
Eskom Enterprises SOC Ltd
Eskom Finance Company SOC Ltd

Ms Fathima (FBB) Gany (48)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
B Accounting Sciences (Unisa)
B Compt (Hons) (Unisa)
Certificate of Theory in Accounting (Unisa)
Chartered Accountant (SA)
Advanced Certificate in Auditing
Certificate in Strategy Design (GIBS)
Certificate in Strategy Execution (GIBS)

Directorships
Air Chefs SOC Ltd
Kunjali Consulting (Pty) Ltd
Kunjali Investment Holdings (Pty) Ltd
South African Airways SOC Ltd
South African Airways Technical SOC Ltd
South African Post Office SOC Ltd

Mr Lwazi (LL) Goqwana (48)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
B Sc (Hons) Mechanical Engineering (University of Cape Town)
MBA (Milpark Business School)
Pr Eng (Engineering Council of South Africa)

Directorships
Allpides (Pty) Ltd
Infrastructure Specialist Group (Pty) Ltd
MPA Consortium
National Society of Black Engineers of South Africa NPC
Paminar (Pty) Ltd
Rocla (Pty) Ltd
Technicrete ISG (Pty) Ltd
Technicrete Mining Services (Pty) Ltd
Zepide Group (Pty) Ltd

Mr Clive (CR) le Roux (72)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
B Sc Electrical Engineering (cum laude) (University of Witwatersrand)
Advanced Executive Diploma in Leadership (Unisa)

Directorships
None

Ms Ayanda (APZ) Mafuleka (44)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
B Com Management (University of KwaZulu-Natal)
B Compt (Hons) (Unisa)
Chartered Accountant (SA)
Certificate in Advanced Financial Management (University of Johannesburg)

Directorships
Rand Water Foundation NPC

Mr Leslie (LA) Mkhabela (51)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
B Juris (University of Limpopo)
LLB (University of Limpopo)
Admitted Attorney

Directorships
China Africa Joint Arbitration Centre Johannesburg NPC
Dunocol (Pty) Ltd
Jordigraph (Pty) Ltd
Khomanani Group (Pty) Ltd
Mkhabela Huntley Attorneys Inc
Roodt Mkhabela Inc
The Arbitration Foundation of Southern Africa NPC

Ages are shown at 31 March 2024.

Only active directorships and memberships are reflected.

Leadership qualifications and directorships *continued*

BOARD OF DIRECTORS *continued*

Dr Tsakani (TL) Mthombeni (44)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
B Sc (Hons) Electrical Engineering (University of Cape Town)
M Sc Electrical Engineering (Clarkson University)
Ph D Electrical Engineering (Clarkson University)

Directorships
KPTL Investments (Pty) Ltd
Royal Bafokeng Platinum Ltd

Mr Bheki (B) Ntshalintshali (70)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
Comparative Industrial Relations (Ruskin College)
Diploma in Industrial Relations (Allenby College)

Directorships
National Labour and Economic Development Institute NPC
The Rand Mutual Assurance Company Ltd

Ms Tryphosa (T) Ramano (52)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
B Com (University of Cape Town)
Postgraduate Diploma in Accounting (University of Cape Town)
Chartered Accountant (SA)

Directorships
Denel SOC Ltd
GBVF Response Fund1 NPC
K2021862248 (South Africa) (Pty) Ltd
Kwaheri Psychiatry (Pty) Ltd
Longmarket Capital
National Transmission Company South Africa SOC Ltd
Public Investment Corporation SOC Ltd
Solidarity Response Fund NPC
Tumaini Psychiatry (Pty) Ltd
The International Women's Forum South Africa NPC
Urithi Psychiatry (Pty) Ltd
University of Pretoria

Dr Busisiwe (CB) Vilakazi (40)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
B Sc Electrical Engineering (University of Witwatersrand)
M Sc Engineering (University of Witwatersrand)
MBA (University of Witwatersrand)
Ph D Engineering Science (University of Oxford)

Directorships
Macsteel Service Centres SA (Pty) Ltd
Milpark BEE Investment (Pty) Ltd
National Transmission Company South Africa SOC Ltd
Ndilantswa Group (Pty) Ltd
Sako Green Energy (Pty) Ltd
Stadio Holdings Ltd

Dr Claudelle (C) von Eck (53)

Independent non-executive director

Appointed to Board in October 2022

Qualifications and designations
BA Psychology (University of Witwatersrand)
Diploma in Business Management (Institute of Accounting and Commerce)
Certified Director (Institute of Directors South Africa)
Master of Business Leadership (Unisa)
D Phil Leadership (Change Management) (University of Johannesburg)

Directorships
Brave Inflexions (Pty) Ltd
Mapungubwe Institute for Strategic Reflection NPC
MVE Horizons Human Capital Solutions cc

Ages are shown at 31 March 2024.
Only active directorships and memberships are reflected.

Leadership qualifications and directorships *continued*

EXECUTIVE MANAGEMENT COMMITTEE

Mr Dan (DL) Marokane (52)
Group Chief Executive

Appointed to Exco in March 2024
5 years in Eskom (including from 2010 to 2015)

Qualifications and designations
B Sc Chemical Engineering
(University of Cape Town)
M Sc Petroleum Engineering
(University of London)
DIC (Imperial College London)
MBA (University of Cape Town)

Directorships
Energy Council of South Africa NPC

Mr Calib (C) Cassim (52)
Group Chief Financial Officer

Appointed to Exco in July 2017
22 years in Eskom

Qualifications and designations
B Com (University of KwaZulu-Natal)
B Accounting Sciences (Unisa)
Chartered Accountant (SA)
Master of Business Leadership (Unisa)

Directorships
Escap SOC Ltd
Eskom Enterprises SOC Ltd
Eskom Finance Company SOC Ltd

Mr Monde (ML) Bala (50)
Group Executive: Distribution

Attended Exco in a participatory role from April 2023
Appointed to Exco in June 2023
27 years in Eskom

Qualifications and designations
B Sc Electrical Engineering
(University of Cape Town)
Graduate Diploma in Industrial Engineering
(University of Witwatersrand)
Master of Engineering
(University of Witwatersrand)

Directorships
Eskom Rotek Industries SOC Ltd
National Electricity Distribution Company of South Africa SOC Ltd

Ms Faith (FS) Burn (55)
Chief Information Officer

Appointed to Exco in May 2020
3 years in Eskom

Qualifications and designations
B Sc Mathematics and Computer Science
(University of Johannesburg)
B Sc (Hons) Mathematics
(University of Johannesburg)
M Sc Mathematics (University of Johannesburg)
Master of Business Leadership (Unisa)
Certified Internal Auditor (CIA)

Directorships
Kingdom Consultant Center NPC
South African National Blood Services NPC (SANBS)

Mr Bheki (BJ) Nxumalo (55)
Group Executive: Generation

Attended Exco in a participatory role from April 2023
Appointed to Exco in June 2023
27 years in Eskom

Qualifications and designations
National Diploma in Chemical Engineering
(Mangosuthu University of Technology)
National Higher Diploma in Chemical Engineering (Vaal University of Technology)
MBA (North West University)

Directorships
BJ Zwide Nozalo (Pty) Ltd
Eskom Enterprises SOC Ltd
Eskom Rotek Industries SOC Ltd
Fountaindale Farming (Pty) Ltd
Takuwani Holdings (Pty) Ltd

Ms Elsie (EM) Pule (56)
Group Executive: Human Resources

Appointed to Exco in November 2014
26 years in Eskom

Qualifications and designations
BA Social Work (University of the North)
BA (Hons) Psychology (University of Pretoria)
M Sc Business Engineering (Warwick University)

Directorships
None

Ms Jainthree (J) Sankar (52)
Chief Procurement Officer

Appointed to Exco in March 2021
30 years in Eskom

Qualifications and designations
B Com (Unisa)
B Com (Hons) Business (Unisa)
National Diploma in Electrical Engineering
(Durban University of Technology)
MBA Sustainable Business
(University of Southern Queensland)
Master of Project Management
(University of Southern Queensland)

Directorships
None

Ages are shown at 31 March 2024.

Only active directorships and memberships are reflected.

The departure of Ms Elsie Pule, Group Executive: Human Resources, was announced in June 2024, with her last day on 31 July 2024. To ensure leadership stability and business continuity, Mr Monde Bala was appointed to act in the position with effect from 24 June 2024, in addition to his role as Group Executive: Distribution, while the recruitment process is underway.

Leadership qualifications and directorships *continued*

EXECUTIVE MANAGEMENT COMMITTEE *continued*

Mr Segomoco (SM) Scheppers (60)
Group Executive: Transmission

Attended Exco in a participatory role from April 2023
Appointed to Exco in June 2023
30 years in Eskom

Qualifications and designations
B Sc Engineering (University of Witwatersrand)
Graduate Diploma in Engineering (University of Witwatersrand)
MBA (University of Witwatersrand)

Directorships
National Transmission Company South Africa SOC Ltd
South African National Energy Association (SANEA) NPC

Ms Natasha (NN) Sithole (61)
Acting Group Executive: Government and Regulatory Affairs

Appointed to Exco in August 2023
31 years in Eskom

Qualifications and designations
B Com (Unisa)

Directorships
None

Mr Sthembiso (HS) Vezi (50)
Acting Group Executive: Legal and Compliance

Attended Exco in a participatory role from January 2024
1 year in Eskom

Qualifications and designations
B Proc (University of Transkei)
Master of Business Leadership (Unisa)
LLM in Construction Law and Arbitration (Robert Gordon University)
LLM in Oil, Gas and Renewable Energy Law (Robert Gordon University)
Diploma in Corporate Law (Unisa)
Postgraduate Certificate in Construction Project Management (RICS)
Advanced Certificate in Construction Law and Engineering Contracts (University of Pretoria)
Postgraduate Certificate in Compliance Management (University of Cape Town)
Admitted Attorney

Directorships
None

Mr Vuyolwethu (V) Tuku (48)
Group Executive: Transformation Management Office

Appointed to Exco in July 2020
3 years in Eskom

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

Directorships
None

Ages are shown at 31 March 2024.

Only active directorships and memberships are reflected.

Mr Segomoco Scheppers ceased to be a director of the National Transmission Company South Africa SOC Ltd (NTCSA) on 1 February 2024, following the appointment of independent non-executive directors to the NTCSA board. He was subsequently appointed as an executive director in the position of interim CEO on 1 July 2024, when NTCSA commenced trading.

Mr Sthembiso Vezi attended Exco in a participatory role from January 2024 and was appointed to act as Group Executive: Legal and Compliance from 1 April 2024. Subsequent to year end, Mr Jerome Mthembu was appointed as the Head of Legal and Compliance on 1 May 2024.

The fixed-term contract of Mr Vuyolwethu Tuku, Group Executive: Transformation Management Office, came to an end on 30 June 2024.

Technical statistics

Measure and unit	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Customer statistics										
Arrear debt as % of revenue, %	**3.95**	4.80	3.91	3.24	3.69	4.30[RA]	2.73[RA]	2.42	1.14	2.17
Debtors days – municipalities, average debtors days	**212.6**	179.3	149.6	140.7	116.1	94.3[RA]	76.6[RA]	53.3[RA]	42.9	47.6
Debtors days – large power top customers excluding disputes, average debtors days	**15.5**	14.5	14.6	15.0	14.6	13.5[RA]	13.9[RA]	15.3[RA]	15.5	16.8
Debtors days – other large power users (<100 GWh p.a.), average debtors days	**16.5**	16.3	17.5	17.5	17.0	17.2[RA]	16.6[RA]	16.8[RA]	16.2	17.0
Debtors days – small power users (excluding Soweto), average debtors days	**45.2**	46.2	47.7	50.1	44.1	42.6[RA]	43.4[RA]	48.8[RA]	48.2	49.1
Key Customer Delight, %[1]	**88.1**	88.4	85.0	86.2	81.5	81.7	79.5	107.0	104.3[RA]	108.7
Sales and revenue										
Total sales, GWh[2]	**183 311**	188 401	198 281	191 852	205 635	208 319	212 190	214 121	214 487	216 274
(Reduction)/growth in GWh sales, %	**(2.7)**	(5.0)	3.4	(6.7)	(1.3)	(1.8)	(0.9)	(0.2)	(0.8)	(0.7)
Electricity revenue, R million	**294 061**	257 837	244 461	202 644	197 307	177 312	174 905	175 094	161 688	146 268
Growth in revenue, %	**14.0**	5.5	20.6	2.7	11.3	1.4	(0.1)	8.3	10.5	6.9
Electricity output										
Power sent out by Eskom stations, GWh (net)	**184 576**	191 307	205 688	201 400	214 968	218 939	221 936	220 166	219 979	226 300
Coal-fired stations, GWh (net)	**166 607**	171 131	184 568	183 553	194 357	200 210	202 106	200 893	199 888	204 838
Hydroelectric stations, GWh (net)	**1 448**	3 060	1 943	1 387	688	1 029	709	579	688	851
Pumped storage stations, GWh (net)	**4 386**	4 081	4 743	4 795	5 060	4 590	4 479	3 294	2 919	3 107
Gas turbine stations, GWh (net)	**3 634**	3 018	1 826	1 457	1 328	1 202	118	29	3 936	3 709
Wind energy, GWh (net)	**329**	214	253	305	283	328	331	345	311	1
Nuclear power station, GWh (net)	**8 172**	9 803	12 355	9 903	13 252	11 580	14 193	15 026	12 237	13 794
IPP purchases, GWh	**20 183**	17 957	15 973	13 526	11 958	11 344	9 584	11 529	9 033	6 022
Wheeling, GWh	**2 449**	2 904	2 499	2 310	2 491	2 750	2 266	2 910	3 930	3 623
Energy imports from SADC countries, GWh	**9 150**	8 654	8 500	8 812	8 568	7 355	7 731	7 418	9 703	10 731
Total electricity available (generated by Eskom and purchased), GWh	**216 358**	220 822	232 660	226 048	237 985	240 388	241 517	242 023	242 645	246 676
Consumed by pumped storage stations, GWh[3]	**(5 710)**	(5 504)	(6 434)	(6 625)	(6 629)	(5 981)	(6 031)	(4 808)	(4 046)	(4 114)
Total available for distribution, GWh[2]	**210 648**	215 318	226 226	219 423	231 356	234 407	235 486	237 215	238 599	242 562
Supply and demand										
Total Eskom power station capacity – installed, MW	**52 451**	52 451	51 866	51 115	49 517	48 029	48 039	46 407	45 075	44 281
Total Eskom power station capacity – nominal, MW	**46 788**	46 788	47 145	46 466	45 117	44 172	45 561	44 134	42 810	42 090
Total IPP power station capacity – nominal, MW	**7 495**	7 110	6 831	6 083	5 206	4 981	4 779	5 027	3 392	2 606
Peak demand on integrated Eskom system, MW	**27 854**	30 808	31 953	31 470	32 948	34 256	35 457	34 122	33 343	34 768
Peak demand on integrated Eskom system, including load reductions and non-Eskom generation, MW	**33 873**	34 666	35 005	34 155	34 510	35 345	35 769	34 913	34 499	36 156
Loadshedding implemented, number of days	**329[RA]**	280[RA]	65	47	46	30	0	0	81	37
Asset creation										
Generation capacity installed and commissioned, MW	**0[RA]**	799[RA]	794[RA]	1 598[RA]	1 588[RA]	0[RA]	2 387[RA]	1 332[RA]	794[RA]	100[RA]
Transmission lines installed, km	**74.4[RA]**	326.1[RA]	180.5[RA]	65.6[RA]	127.9[RA]	378.7[RA]	722.3[RA]	585.4[RA]	345.8[RA]	318.6[RA]
Transmission transformer capacity installed and commissioned, MVA	**23[RA]**	–[RA]	1 065[RA]	750[RA]	250[RA]	540[RA]	2 510[RA]	2 300[RA]	2 435[RA]	2 090[RA]
Total capital expenditure – group (excluding capitalised borrowing costs), R billion	**37.0**	33.9	30.2	23.9	23.4	33.9	48.0	60.0	57.4	53.1[RA]

1. This measure was introduced in 2020 and is calculated on a 12-month moving average. Prior to 2020, the comparatives are for Eskom KeyCare.
2. The difference between electricity available for distribution and electricity sold is mainly due to energy losses.
3. Used by Eskom for pumped storage facilities and synchronous condenser mode of operation.

[RA] Reasonable assurance provided by the independent assurance provider for the respective year. Refer to pages 126 to 127 for the independent sustainability assurance report relating to 2024.

Technical statistics *continued*

Measure and unit	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Safety										
Employee lost-time injury rate (LTIR) – group, index[1]	**0.29**[RA]	0.26[RA]	0.24[RA]	0.22[RA]	0.30[RA]	0.31[RA]	0.24	0.39	0.30	0.33
Fatalities (employees and contractors), number	**5**	5	6	11	9	7	14	10	17	10
Employee fatalities, number	**2**	2	4	3	–	3	3	4	4	3
Contractor fatalities, number	**3**	3	2	8	9	4	11	6	13	7
Plant performance										
Energy availability factor (EAF), %[2]	**54.56**[RA]	56.03[RA]	62.02[RA]	64.19[RA]	66.64[RA]	69.95[RA]	78.00[RA]	77.30[RA]	71.07[RA]	73.73[RA]
Planned capability loss factor (PCLF), %[2]	**12.04**[RA]	10.39[RA]	10.23[RA]	12.26[RA]	8.92[RA]	10.18[RA]	10.35[RA]	12.14[RA]	12.99	9.91[RA]
Unplanned capability loss factor (UCLF), %[2]	**32.34**[RA]	31.92	25.35	20.04	22.86	18.31	10.18	9.90	14.91[RA]	15.22[RA]
Other capability loss factor (OCLF), %[2]	**1.06**[RA]	1.66	2.40	3.51	1.58	1.56	1.47	0.66	1.03	1.14
Unit capability factor (UCF), %[2]	**55.62**	57.69	64.42	67.70	68.22	71.51	79.47	78.00	72.10	74.87
Generation load factor, %[2]	**44.6**	45.7	49.5	49.0	52.6	54.4	55.9	57.9	58.8	61.5
OCGT load factor, %	**17.2**	14.3	8.7	6.9	6.3	5.7	0.6	0.1	18.6	17.6
Unplanned automatic grid separations (UAGS trips), number[2]	**593**	736[RA]	697[RA]	527[RA]	594[RA]	517	333	444	469	575
Integrated Eskom system load factor (EUF), %[2]	**81.8**	81.5	79.8	76.3	79.0	77.8	71.6	75.0	82.7	83.4
Primary energy										
Coal stock, days	**80**	65	76[RA]	82	81	67	68	74	58	51
Road-to-rail migration (additional tonnage transported on rail), Mt	**2.6**	2.5[RA]	2.5[RA]	3.6[RA]	7.5[RA]	8.2[RA]	11.6[Q]	13.2[Q]	13.6[RA]	12.6[RA]
Coal purchased, Mt	**107.5**	98.4	108.7	110.0	119.3	118.3	115.3	120.3	118.7	121.7
Coal burnt, Mt	**99.5**	102.4	110.3	104.9	108.6	113.8	115.5	113.7	114.8	119.2
Average calorific value, MJ/kg	**19.62**	19.42	19.64	19.82	19.08	19.24	19.81	20.05	19.57	19.68
Average ash content, %	**31.79**	32.13	31.39	31.24	29.65	30.98	30.92	28.62	28.19	27.63
Average sulphur content, %	**0.77**	0.79	0.83	0.82	0.78	0.84	0.87	0.84	1.07	0.80
Overall thermal efficiency, %[3]	**30.71**	30.56	30.05	30.61	30.65	30.99	31.22	31.20	31.08	31.44
Diesel and kerosene usage for OCGTs, Mℓ	**1 129.5**	937.5	580.4	458.7	426.2	385.0	37.8	10.0	1 247.8	1 178.6
Network performance										
Total system minutes lost for events <1, minutes	**3.29**[RA]	4.71[RA]	2.88[RA]	3.48[RA]	4.36[RA]	3.16[RA]	2.09[RA]	3.80[RA]	2.41[RA]	2.85[RA]
Major incidents, number	**1**	1	2	2	3	3	0	0	1	2
System average interruption frequency index (SAIFI), events[4]	**11.7**	11.8	12.3[RA]	13.2[RA]	14.4[RA]	14.9[RA]	17.5[RA]	18.9[RA]	20.5[RA]	19.7[RA]
System average interruption duration index (SAIDI), hours[4]	**34.9**[RA]	35.5[RA]	35.5[RA]	35.4[RA]	36.9[RA]	38.0[RA]	34.9[RA]	38.9[RA]	38.6[RA]	36.2[RA]
Total energy losses, %	**11.9**	11.8	11.4	11.8	9.9	9.7	9.1	8.9	8.6	8.8
Transmission energy losses, %	**2.2**	2.3	2.3	2.3	2.2	2.2	2.0	2.2	2.6	2.5
Distribution energy losses, %	**9.9**[RA]	9.7[RA]	9.6[RA]	10.1[RA]	8.8[RA]	8.5[RA]	7.7[RA]	7.6[RA]	6.4	6.8

1. The employee LTIR includes occupational diseases and fatalities.
2. The calculation of KPIs include all units at Medupi as well as Kusile Units 1 to 4. Units are only included one year after achieving commercial operation, therefore Kusile Unit 5 is still excluded; Kusile Unit 4 has been included since 1 June 2023.
3. Only power stations where all units have achieved commercial operation are included in the calculation. Therefore, Kusile Power Station is excluded from this KPI.
4. SAIDI and SAIFI are reported after allowing for exclusions defined in the National Regulated Standards adopted from 1 April 2018.

[RA] Reasonable assurance provided by the independent assurance provider for the respective year. Refer to pages 126 to 127 for the independent sustainability assurance report relating to 2024.

Technical statistics *continued*

Measure and unit	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Environmental statistics										
Emissions										
Relative particulate emissions, kg/MWh sent out[1, 2, 3]	**0.79[RA]**	0.70[RA]	0.34[RA]	0.38[Q]	0.47[RA]	0.47[RA]	0.27[RA]	0.30[RA]	0.36[RA]	0.37[RA]
Carbon dioxide (CO_2), Mt[2]	**190.4[RA]**	187.5[RA]	207.2[RA]	206.8[RA]	213.2[RA]	220.9[RA]	205.5[RA]	211.1[RA]	215.6[RA]	223.4
Carbon dioxide equivalent (CO_2-eq), Mt[2]	**190.9**	187.9	207.7	207.3	214.0	221.7	–	–	–	–
Sulphur dioxide (SO_2), kt[2]	**1 431**	1 449	1 671	1 604	1 721	1 853	1 802	1 766	1 699	1 834
Nitrous oxide (N_2O), t[2]	**1 382**	1 438	1 561	1 527	2 826	2 844	2 642	2 782	2 757	2 919
Nitrogen oxide (NO_x) as NO_2, kt[4]	**735**	743	822	804	851	890	859	885	893	937
Methane (CH_4), t[2]	**1 523**	1 483	1 466	1 442	–	–	–	–	–	–
Particulate emissions, kt	**145.30[RA]**	129.32	66.65	71.35	94.92	99.87	57.13	65.13	78.37	82.34
Water										
Specific water consumption, ℓ/kWh sent out[1]	**1.43[RA]**	1.39[RA]	1.45[RA]	1.42[RA]	1.42[RA]	1.41[RA]	1.30[RA]	1.42[RA]	1.44[RA]	1.38[RA]
Net raw water consumption, Mℓ	**260 680**	256 430	283 610	270 736	286 553	292 344	276 335	307 269	314 685	313 078
Waste										
Ash produced, Mt	**29.27**	30.20	32.90	30.84	32.04	33.23	31.65	32.61	32.59	34.41
Ash sold, Mt	**2.5**	2.6	2.8	3.1	2.9	2.8	2.7	2.8	2.7	2.5
Ash recycled, %	**9.0**	12.0	11.0	10.1	9.1	8.4	8.6	8.5	8.3	7.3
Asbestos disposed, tons	**143.6**	171.1	39.5	22 475.8	59.8	464.1	144.9	383.0	274.5	991.0
Material containing polychlorinated biphenyls thermally destroyed, tons	**5.1**	96.2	46.5	134.3	238.3	43.1	26.3	61.9	59.8	0.0
Nuclear										
Public individual radiation exposure due to effluents, mSv[5]	**0.0012**	0.0022	0.0010	0.0014	0.0004	0.0026	0.0012	0.0005	0.0006	0.0010
Low-level radioactive waste generated (steel drum), cubic metres	**188.2**	164.6	158.9	147.6	159.3	188.3	164.2	162.9	176.1	164.1
Low-level radioactive waste disposed of, cubic metres	**415.1**	348.3	98.1	117.0	98.3	99.0	118.8	108.0	213.1	377.6
Intermediate-level radioactive waste generated (concrete drum), cubic metres	**43.2**	18.3	34.2	31.2	22.3	20.8	20.8	11.4	33.4	27.6
Intermediate-level radioactive waste disposed of, cubic metres	**168**	192	88	18	38	0	0	0	0	138
Used nuclear fuel, number of elements discharged[6]	**56**	48	56	116	48	56	116	60	56	112
Used nuclear fuel, number of elements discharged, cumulative figure	**2 785**	2 729	2 681	2 625	2 509	2 461	2 405	2 289	2 229	2 173
Legal contraventions										
Environmental legal contraventions, number	**68**	105	65	81	59	24	30	29	20	20
Environmental legal contraventions reported as a result of significant failure of business systems, number[7]	**7**	10	7	7	5	2	2	0	1	1

1. The calculation of KPIs include all units at Medupi as well as Kusile Units 1 to 4. Units are only included one year after achieving commercial operation, therefore Kusile Unit 5 is still excluded; Kusile Unit 4 has been included since 1 June 2023.
2. Figures are calculated based on coal characteristics and power station design parameters using coal analysis and coal burnt tonnages. Figures include coal-fired and gas turbine power stations, as well as oil consumed during power station start-ups. For carbon dioxide emissions, it also includes the underground coal gasification pilot plant.
3. At power stations with unusually high particulate emission levels, such as Kendal Power Station, the monitors often exceed their maximum limits. In instances where these ranges are exceeded, particulate emissions will be reported at the maximum of the monitor range. From February 2019, it is possible that actual emissions exceeded reported emissions based on measurements.
4. NO_x reported as NO_2 is calculated using average station-specific emission factors (which are measured intermittently) and tonnages of coal burnt.
5. The limit set by the National Nuclear Regulator is ≤0.25mSv.
6. The gross mass of a nuclear fuel element is approximately 670kg, with Uranium mass typically between 462kg and 464kg.
7. Specific cases of environmental legal contravention incidents that are considered to be of very high significance in terms of their impact on the environment and/or on Eskom are recorded as incidents as a result of a significant failure of business systems. Prior to 2022, referred to as "legal contraventions reported in terms of the Operational Health Dashboard".

[RA] Reasonable assurance provided by the independent assurance provider for the respective year. Refer to pages 126 to 127 for the independent sustainability assurance report relating to 2024.
[Q] Qualified by the independent assurance provider for the respective year.

Non-technical statistics: Group

Measure and unit	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Finance[1]										
Electricity operating costs, R/MWh	**1 377.09**	1 201.71	981.94	895.05	791.04	712.87	622.41	651.98	617.02	587.97
EBITDA margin, %	**14.67**	13.32	21.39	15.96	18.46	17.46	25.57	21.19	20.29	16.54
EBITDA, R million	**43 410**[RA]	34 565[RA]	52 954[RA]	32 608[RA]	36 816[RA]	31 417	45 359	37 532	32 811	24 186
Cash interest cover, ratio	**1.18**[RA]	1.29[RA]	1.69[RA]	0.85[RA]	0.94[RA]	0.94	1.22	1.73	1.73	1.75
Debt service cover, ratio	**0.46**[RA]	0.58[RA]	0.76[RA]	0.30[RA]	0.52[RA]	0.47	0.87	1.37	1.14	0.91
Current ratio	**0.98**	0.89	0.90	0.95	0.82	1.00	1.03	0.85	0.83	0.81
Gross debt/EBITDA, ratio	**11.58**	13.92	8.54	13.98	14.43	15.73	9.74	10.84	10.95	13.60
Debt/equity (including long-term provisions), ratio	**1.99**	1.88	1.81	2.03	2.44	3.17	2.58	2.11	1.65	2.50
Gearing, %	**67**	65	64	67	71	76	72	68	62	71
Free funds from operations, R million	**53 975**	43 847	63 795	42 972	41 120	29 047	40 022	47 571	39 443	36 179
Free funds from operations after net interest paid, R million	**19 830**	11 567	31 904	6 496	2 606	(5 940)	9 147	21 148	17 927	20 564
Free funds from operations as % of gross debt, %	**10.74**	9.12	14.11	9.42	7.74	5.88	9.06	11.69	10.98	11.00
Building skills										
Headcount (including fixed-term contractors)	**40 625**	39 601	40 421	42 749	44 772	46 665	48 628	47 658	47 978	46 491
Transformation										
Socio-economic contribution										
Corporate social investment committed spend, R million	**93.1**[RA]	63.0[RA]	75.1[RA]	67.4[RA]	123.8[RA]	132.4[Q]	192.0[RA]	225.3	103.6	115.5
Corporate social investment, number of beneficiaries	**272 217**	438 094	785 085	802 635	1 479 395	933 139	1 116 044	841 845	302 736	323 882
Procurement equity										
B-BBEE attributable expenditure, R billion	**178.8**	150.1	134.2	100.4	101.7	84.5	102.3	127.7	125.0	116.0
Black-owned expenditure, R billion	**93.3**	87.6	83.2	53.8	46.9	52.1	57.6	53.9	52.9	49.4
Black women-owned expenditure, R billion	**19.9**	14.9	16.4	19.0	15.6	18.8	20.9	19.4	30.8	9.3
Black youth-owned expenditure, R billion	**10.9**	8.8	9.5	5.4	4.1	3.5	3.9	2.0	1.4	0.9
Procurement from B-BBEE compliant suppliers, %[2]	**74.35**	72.80	75.89	64.51	65.97	58.66	80.25	98.25	81.65	89.39
Procurement from black-owned (BO) suppliers, %	**38.82**	42.48	47.08	34.60	30.38	36.17	45.20	41.49	33.61	34.41
Procurement from black women-owned (BWO) suppliers, %	**8.29**	7.21	9.26	12.24	10.10	13.07	16.41	14.92	19.30	6.49
Procurement from black youth-owned (BYO) suppliers, %	**4.53**	4.26	5.40	3.46	2.65	2.41	3.05	1.52	0.94	0.63
Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS	**0.10**	0.18	0.16	0.22	0.17	0.22	0.20	0.02	0.01	0.00
Procurement spend with qualifying small enterprises (QSE), % of TMPS	**4.50**	4.39	4.91	4.29	4.08	5.17	8.86	8.91	4.62	6.75
Procurement spend with exempted micro enterprises (EME), % of TMPS	**4.65**	5.86	7.88	8.07	9.77	14.01	10.21	11.24	5.89	5.78
Employment equity										
Disabilities, number of employees	**1 201**	1 171	1 188	1 252	1 348	1 416	1 441	1 396	1 311	1 325
Employment equity – disability, %	**2.96**	2.96	2.94	2.93	3.01	3.03	2.96	2.93	2.73	2.89
Racial equity in senior management, % black employees	**78.89**	76.92	76.67	73.72	71.00	69.80	68.31	65.80	61.06	61.70
Racial equity in professionals and middle management, % black employees	**85.11**	83.59	81.68	80.10	78.04	76.22	75.27	73.50	71.68	71.77
Gender equity in senior management, % female employees	**42.52**	42.01	43.33	41.99	41.73	39.85	38.20	36.58	28.13	29.82
Gender equity in professionals and middle management, % female employees	**42.03**	40.92	39.91	38.95	38.24	37.89	37.47	35.98	35.11	35.29

1. Financial ratios that were impacted by the restatements in the annual financial statements were restated where applicable.
2. This measure was renamed to "Preferential procurement" in the shareholder compact from 2020.

RA Reasonable assurance provided by the independent assurance provider for the respective year. Refer to pages 126 to 127 for the independent sustainability assurance report relating to 2024.

Q Qualified by the independent assurance provider for the respective year.

Non-technical statistics: Company

Measure and unit	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Finance[1]										
Electricity revenue per kWh (including environmental levy), c/kWh	**165.43**	141.38	127.32	111.04	101.86	90.01	85.06	83.60	76.24	67.91
Electricity operating costs, R/MWh	**1 384.77**	1 207.29	992.80	906.36	803.01	729.26	634.69	662.98	628.00	600.72
EBITDA margin, %	**14.45**	13.65	20.67	15.48	17.65	16.21[RA]	24.48	20.32	19.13	16.28
EBITDA, R million	**42 733**	35 428	51 178	31 633	35 199	29 168	43 428	35 989	30 932	23 811
Cash interest cover, ratio	**1.19**	1.27	1.63	0.81	0.90	0.91[RA]	1.18[RA]	1.73	1.64	1.62
Debt service cover, ratio	**0.46**	0.56	0.71	0.29	0.49	0.46	0.84	1.37	1.09	0.82
Current ratio	**1.12**	0.90	0.89	0.94	0.82	0.99	1.04	0.86	0.86	0.82
Gross debt/EBITDA, ratio	**11.77**	13.69	8.87	14.48	15.22	17.08	10.26	11.39	11.71	13.84
Debt/equity (including long-term provisions), ratio	**2.06**	2.10	2.00	2.24	2.68	3.50[RA]	2.77[RA]	2.22[RA]	1.71	2.67
Gearing, %	**67**	68	67	69	73	78	73	69	63	73
Free funds from operations, R million	**53 029**	44 941	61 075	41 470	39 465	27 318	39 064	46 336	37 954	36 032
Free funds from operations after net interest paid, R million	**18 495**	12 466	29 053	4 864	818	(7 897)	8 017	19 776	16 260	20 343
Free funds from operations as % of gross debt, %	**10.55**	9.26	13.46	9.06	7.37	5.48[RA]	8.77[RA]	11.30[RA]	10.48[RA]	10.93
Building skills										
Headcount (including fixed-term contractors)	**35 151**	34 518	34 690	36 124	37 765	39 292	41 316	41 940	42 767	41 787
Training spend as % of gross employee benefit costs, %	**4.19[RA]**	3.57[RA]	2.70[RA]	2.58[RA]	3.67[RA]	3.85[RA]	5.21[RA]	4.89[RA]	4.45[RA]	6.18[RA]
Learner intake – Engineers, number[2]	**184[RA]**	144[RA]	58[RA]	0[RA]	16[RA]	10	1 241	1 480	895	1 315
Learner intake – Technicians, number[2]	**184[RA]**	105[RA]	51[RA]	0[RA]	11[RA]	3	838	1 209	415	826
Learner intake – Artisans, number[2]	**173[RA]**	135[RA]	106[RA]	0[RA]	91[RA]	0	1 815	2 155	1 955	1 752
Total learner intake (including plant operators and sector-specific)[2]	**806**	474	335	0	118	21	726[Q]	3 048[Q]	1 370	–
Transformation										
Socio-economic contribution										
Total number of electrification connections, number[3]	**114 800[RA]**	102 590[RA]	97 947[RA]	106 669[RA]	163 613[RA]	191 585[RA]	215 519	207 436	158 312	160 933
Procurement equity										
Local content contracted (Eskom-wide), %[4]	**90.72**	87.02	86.89	65.99[Q]	92.84[Q]	91.51[RA]	87.16[RA]	73.37[Q]	75.22[Q]	25.13
Local content contracted (new build), %[4]	**97.05**	73.08	57.53	56.94	88.53	81.14[RA]	85.59[RA]	85.78[Q]	84.04[RA]	33.62[LA]
B-BBEE attributable expenditure, R billion	**181.9**	152.3	131.4	98.8	97.1	80.3	97.0	137.3	132.0	120.8
Black-owned expenditure, R billion	**90.9**	83.6	78.6	50.1	43.7	48.8	53.5	50.4	51.0	47.5
Black women-owned expenditure, R billion	**18.7**	13.2	14.6	17.4	14.6	18.1	19.7	17.3	30.2	8.9
Black youth-owned expenditure, R billion	**10.0**	7.7	7.9	4.4	3.7	3.1	3.4	1.7	1.3	0.9
Procurement from B-BBEE compliant suppliers, %[5]	**75.55[RA]**	73.44[RA]	73.35[RA]	62.34[RA]	61.57[RA]	54.41[Q]	74.24[RA]	100.75[RA]	83.08[RA]	88.89[RA]
Procurement from black-owned (BO) suppliers, %	**37.76**	40.29	43.85	31.62	27.70	33.08[Q]	40.93[RA]	36.98[RA]	30.98[RA]	34.91
Procurement from black women-owned (BWO) suppliers, %	**7.75**	6.35	8.13	10.98	9.27	12.28[Q]	15.08[RA]	12.67[RA]	17.72[RA]	6.61
Procurement from black youth-owned (BYO) suppliers, %	**4.15**	3.70	4.43	2.76	2.32	2.10[Q]	2.58[RA]	1.25[RA]	0.82[RA]	0.64[LA]
Procurement spend with suppliers owned by black persons living with disabilities (BPwD), % of TMPS	**0.09**	0.18	0.14	0.15	0.12	0.15[Q]	0.11[RA]	0.02[RA]	0.01[RA]	0.00
Procurement spend with qualifying small enterprises (QSE), % of TMPS	**4.06**	3.90	4.01	3.36	3.37	4.47[Q]	7.80[RA]	7.67[RA]	4.03[RA]	6.74
Procurement spend with exempted micro enterprises (EME), % of TMPS	**4.20**	4.73	6.24	6.83	9.12	13.32[Q]	9.32[RA]	10.15[RA]	4.81[RA]	5.12
Employment equity										
Disabilities, number of employees	**1 092**	1 049	1 057	1 113	1 198	1 265	1 292	1 263	1 271	1 294
Employment equity – disability, %	**3.11**	3.04	3.05[RA]	3.08[RA]	3.16[RA]	3.22[RA]	3.13[RA]	3.01[RA]	2.97[RA]	3.12[RA]
Racial equity in senior management, % black employees	**78.55**	76.38	76.80[RA]	73.67[RA]	70.72[RA]	69.44[RA]	67.97[RA]	65.77[RA]	60.90[RA]	61.58[RA]
Racial equity in professionals and middle management, % black employees	**85.10**	83.60	81.71[RA]	80.18[RA]	78.06[RA]	76.25[RA]	75.35[RA]	73.60[RA]	71.98[RA]	72.28[RA]
Gender equity in senior management, % female employees	**42.90**	42.33	43.89[RA]	42.63[RA]	41.71[RA]	39.90[RA]	38.25[RA]	36.69[RA]	28.07[RA]	29.83[RA]
Gender equity in professionals and middle management, % female employees	**42.71**	41.57	40.59[RA]	39.69[RA]	38.99[RA]	38.63[RA]	38.06[RA]	36.65[RA]	36.01[RA]	36.10[RA]

1. Financial ratios that were impacted by the restatements in the annual financial statements were restated where applicable.
2. The definition of learners was changed from 1 April 2018, to account for learners only once when they sign up, and not continuously for the duration of their contract.
3. Electrification connections includes farmworker connections.
4. Local content is measured as procurement of locally manufactured/produced goods and services as a percentage of total contracts awarded for all Eskom company procurement. The definition of local content reported in terms of the shareholder compact in the directors' report measures local content from designated sectors as a percentage of total contracts awarded for all Eskom company procurement.
5. This measure was renamed to "Preferential procurement" in the shareholder compact from 2020.

[RA] Reasonable assurance provided by the independent assurance provider for the respective year. Refer to pages 126 to 127 for the independent sustainability assurance report relating to 2024.
[Q] Qualified by the independent assurance provider for the respective year.
[LA] Limited assurance provided by the independent assurance provider for the respective year.

Plant information

POWER STATION CAPACITIES

at 31 March 2024

The difference between installed and nominal capacity reflects auxiliary power consumption and reduced capacity caused by the age of the plant.

Name of station	Location	Years commissioned, first to last unit	Number and installed capacity of generator sets MW	Total installed capacity MW	Total nominal capacity MW
Base-load stations					
Coal-fired (15)				**44 598**	**39 099**
Arnot	Middelburg	Sep 1971 to Aug 1975	6x370	2 220	2 100
Camden[1, 3]	Ermelo	Mar 2005 to Jun 2008	3x200; 1x196; 2x195; 1x190; 1x185	1 561	1 481
Duvha[2]	Emalahleni	Aug 1980 to Feb 1984	5x600	3 000	2 875
Grootvlei[1, 3]	Balfour	Apr 2008 to Mar 2011	4x200; 2x190	1 180	570
Hendrina[3]	Middelburg	May 1970 to Dec 1976	5x200; 1x195; 1x191; 1x170; 1x167	1 723	1 098
Kendal[4]	Emalahleni	Oct 1988 to Dec 1992	6x686	4 116	3 840
Komati[1, 8]	Middelburg	Mar 2009 to Oct 2013	4x100; 4x125; 1x90	990	–
Kriel	Bethal	May 1976 to Mar 1979	3x430; 3x500	2 790	2 640
Kusile[4]	Ogies	Aug 2017 to Mar 2021	4x799	3 196	2 880
		Under construction	2x800	–	–
Lethabo	Vereeniging	Dec 1985 to Dec 1990	6x618	3 708	3 558
Majuba[4]	Volksrust	Apr 1996 to Apr 2001	3x657; 3x713	4 110	3 807
Matimba[4]	Lephalale	Dec 1987 to Oct 1991	6x665	3 990	3 690
Matla	Bethal	Sep 1979 to Jul 1983	6x600	3 600	3 450
Medupi[4, 9]	Lephalale	Aug 2015 to Jul 2021	5x794; 1x790	4 760	3 600
Tutuka	Standerton	Jun 1985 to Jun 1990	6x609	3 654	3 510
Nuclear (1)					
Koeberg	Cape Town	Jul 1984 to Nov 1985	1x970; 1x964	**1 934**	**1 854**
Peaking stations					
Gas/liquid fuel turbine stations (4)				**2 426**	**2 409**
Acacia	Cape Town	May 1976 to Jul 1976	3x57	171	171
Ankerlig	Atlantis	Mar 2007 to Mar 2009	4x149.2; 5x148.3	1 338	1 327
Gourikwa	Mossel Bay	Jul 2007 to Nov 2008	5x149.2	746	740
Port Rex	East London	Sep 1976 to Oct 1976	3x57	171	171
Pumped storage schemes (3)[5]				**2 732**	**2 724**
Drakensberg	Bergville	Jun 1981 to Apr 1982	4x250	1 000	1 000
Ingula	Ladysmith	Jun 2016 to Feb 2017	4x333	1 332	1 324
Palmiet	Grabouw	Apr 1988 to May 1988	2x200	400	400
Hydroelectric stations (2)[6]				600	600
Gariep	Norvalspont	Sep 1971 to Mar 1976	4x90	360	360
Vanderkloof	Petrusville	Jan 1977 to Feb 1977	2x120	240	240
Total used for capacity management purposes				**52 290**	**46 686**

Plant information *continued*

Name of station	Location	Years commissioned, first to last unit	Number and installed capacity of generator sets MW	Total installed capacity MW	Total nominal capacity MW
Renewable energy					
Wind energy (1)[7]					
Sere	Vredendal	Mar 2015	46x2.2	100	100
Total capacity including renewable energy				**52 390**	**46 786**
Other hydroelectric stations (4)[7]				61	2
Mbashe[10]	Mbashe River		3x14	42	–
First Falls[10]	Umtata River		2x3	6	–
Ncora	Ncora River		2x0.4; 1x1.6	2	2
Second Falls[10]	Umtata River		2x5.5	11	–
Total Eskom power station capacities (30)				**52 451**	**46 788**
Nominal capacity available to the grid – Eskom-owned					89.20%
Nominal capacity of Eskom-owned power stations					**46 788**
Independent power producers (IPP) capacity					**7 495**
Biomass					25
Concentrating solar power					500
Fossil fuels (STPPP)					160
Gas/liquid fuel					1 005
Hydroelectric					18
Landfill					8
Renewable with battery storage (RMIPPPP)					150
Solar PV energy					2 287
Wind					3 342
Total nominal capacity available to the grid – Eskom and IPPs					**54 283**

1. Former moth-balled power stations that have been returned to service. The original commissioning dates were:
   - Camden was originally commissioned between August 1967 and September 1969
   - Grootvlei was originally commissioned between June 1969 and November 1977
   - Komati was originally commissioned between November 1961 and March 1966

   Due to technical and/or financial constraints, some units at these stations have been derated.
2. The Duvha Unit 3 recovery project was cancelled, and the unit removed from the installed base.
3. Certain units are under reserve storage and their capacity removed from the nominal base.
4. Dry-cooled unit specifications based on design back-pressure and ambient air temperature.
5. Pumped storage facilities are net users of electricity. Water is pumped during off-peak periods so that hydroelectricity can be generated during peak periods.
6. Use restricted to periods of peak demand, dependent on the availability of water in the Gariep and Vanderkloof Dams.
7. Installed and operational, but not included for technical performance KPIs.
8. All of Komati's units have been shut down, with the last unit shut down by 1 November 2022.
9. Medupi Unit 4 has been placed in extended inoperability from 1 October 2022 to 31 August 2024 and has been removed from the nominal base.
10. Small hydro stations were placed in reserve storage from 1 April 2021.

Plant information *continued*

POWER LINES AND SUBSTATIONS IN SERVICE

at 31 March 2024

Category	2024	2023	2022	2021	2020
Power lines					
Transmission power lines, km[1]	**33 328**	33 194	33 193	33 158	33 027
765kV	**2 784**	2 784	2 784	2 784	2 784
533kV DC (monopolar)	**1 032**	1 032	1 032	1 032	1 032
400kV	**20 036**	19 916	19 916	19 760	19 743
275kV	**7 395**	7 395	7 342	7 342	7 228
220kV	**1 352**	1 352	1 352	1 351	1 351
132kV	**728**	714	766	889	889
Distribution overhead power lines, km	**367 335**	363 603	363 286	358 100	351 023
132kV and higher	**27 474**	27 378	27 265	26 441	24 777
44 to 88kV[2]	**22 535**	22 219	22 359	21 367	20 767
33kV[2]	**4 061**	3 879	3 851	3 730	3 563
1 to 22kV	**313 264**	310 127	309 811	306 561	301 916
Distribution underground cables, km	**8 425**	8 376	8 339	8 288	7 734
132kV and higher	**70**	70	97	97	86
44 to 88kV[2]	**205**	205	215	209	190
33kV[2]	**330**	330	323	323	4
1 to 22kV	**7 820**	7 771	7 704	7 659	7 454
Total all power lines, km	**409 088**	405 173	404 818	399 546	391 784
Total transformer capacity, MVA	**302 922**	301 893	301 381	310 123	306 949
Transmission, MVA[3]	**155 995**	155 820	155 250	154 500	153 135
Distribution and reticulation, MVA	**146 927**	146 073	146 131	155 623	153 814
Total transformers, number	**415 302**	415 288	414 568	420 455	391 231
Transmission, number	**453**	453	451	449	446
Distribution and reticulation, number	**414 849**	414 835	414 117	420 006	390 785

1. Transmission power line lengths are included as per distances from the Geographic Information System.
2. Under NRS048 part 6, 33kV lines were reclassified in 2019 from high to medium voltage.
3. Base of definition: transformers rated ≥30MVA and primary voltage ≥132kV.

Customer information

Category	2024	2023	2022	2021	2020
Number of Eskom customers					
Distributors	**799**	799	799	804	805
Residential[1]	**7 046 042**	6 944 488	6 833 928	6 720 150	6 577 905
Commercial	**49 968**	50 846	52 736	52 880	52 909
Industrial	**2 516**	2 560	2 601	2 649	2 684
Mining	**894**	906	926	945	961
Agricultural	**71 666**	74 608	77 692	79 115	80 451
Rail	**400**	454	471	475	475
International	**11**	11	11	11	11
	7 172 296	7 074 672	6 969 164	6 857 029	6 716 201
Electricity sales per customer category, GWh					
Distributors	**76 102**	79 480	83 831	82 354	85 898
Residential[1]	**8 559**	9 177	10 520	10 949	11 293
Commercial	**9 427**	9 376	9 872	9 696	10 486
Industrial[2]	**44 231**	44 635	45 220	40 973	45 696
Mining	**28 072**	27 843	28 030	26 991	28 703
Agricultural	**4 911**	4 785	5 382	5 461	5 770
Rail	**1 647**	1 668	2 128	1 931	2 600
International	**10 362**	11 437	13 298	13 497	15 189
	183 311	188 401	198 281	191 852	205 635
International sales to countries in southern Africa, GWh	**10 362**	11 437	13 298	13 497	15 189
Botswana	**179**	370	851	785	1 261
Eswatini	**710**	609	713	677	1 011
Lesotho	**370**	416	341	324	426
Mozambique	**7 662**	8 228	8 215	8 263	8 358
Namibia	**423**	622	1 653	1 493	2 013
Zambia	**83**	25	6	78	238
Zimbabwe	**927**	1 152	1 456	1 791	1 245
Short-term energy market[3]	**8**	15	63	86	637
Electricity revenue per customer category, R million					
Distributors	**124 302**	111 414	105 369	90 228	85 656
Residential[1]	**19 317**	18 052	18 680	16 924	16 069
Commercial	**20 900**	17 622	16 723	14 304	14 067
Industrial[2]	**61 367**	53 269	48 204	37 026	37 946
Mining	**47 923**	39 958	36 630	30 708	29 968
Agricultural	**13 858**	11 660	11 600	10 262	9 839
Rail	**3 835**	3 374	3 477	2 977	3 323
International	**11 457**	10 699	11 450	10 383	12 229
Gross electricity revenue	**302 959**	266 048	252 133	212 812	209 097
Less: Revenue capitalised[4]	**–**	–	–	(3 991)	(5 683)
Less: Revenue not recognised[5]	**(17 245)**	(15 774)	(14 215)	(12 112)	(10 190)
Add: Recognised on the cash basis[6]	**8 347**	7 563	6 543	5 935	4 083
Electricity revenue less capitalised revenue per note 31 in the financial statements	**294 061**	257 837	244 461	202 644	197 307

1. Prepaid electricity and public lighting are included under the residential category.
2. IPP network consumption is included under the industrial category.
3. The short-term energy market consists of all the utilities in the southern African countries that form part of the Southern African Power Pool. Energy is traded on a daily, weekly and monthly basis as there is no long-term bilateral contract.
4. From 1 April 2022, revenue from the sale of production, while testing generating plant not yet commissioned, is no longer capitalised to the plant and instead recognised as revenue in the income statement. The comparative for 2022 was restated accordingly.
5. The principle of only recognising revenue if it is deemed collectable at the date of sale, as opposed to recognising the revenue and then impairing the customer debt when conditions change, has been applied since 2015. External revenue of R17 245 million was thus not recognised at 31 March 2024.
6. Under IFRS 15 *Revenue from Contracts with Customers*, certain supplies to distributors were recognised on the cash basis, due to uncertainty around collectability at the time of sale.

Environmental implications of using or saving electricity

FACTOR 1

Figures are calculated based on total electricity sales by Eskom, which is based on the total available for distribution (including purchases), after excluding losses through Transmission and Distribution (technical losses), losses through theft (non-technical losses), our own internal use and wheeling. Thus to calculate CO_2 emissions per MWh, divide the quantity of CO_2 emitted by electricity sales:

190.4Mt of CO_2 ÷ 183 311GWh sales = 1.04 tons per MWh

FACTOR 2

Figures are calculated based on total electricity generated, which includes coal, nuclear, pumped storage, wind, hydro and gas turbines, but excludes the total consumed by Eskom. Thus the quantity of CO_2 emissions, divided by (electricity generated less Eskom's electricity consumption for pumped storage stations):

190.4Mt of CO_2 ÷ (184 576GWh generated less 5 710GWh own consumption for pumping) = 1.06 tons per MWh

Figures represent the 12-month period from 1 April 2023 to 31 March 2024.

	Factor 1 (total energy sold)	Factor 2 (total energy generated)	If electricity consumption is measured in:			
			kWh	MWh	GWh	TWh
Coal use	**0.54**	**0.56**	kilogram	ton	thousand tons (kt)	million tons (Mt)
Water use[1]	**1.42**	**1.46**	litre	kilolitre	megalitre (Ml)	thousand megalitres
Ash produced	**160**	**164**	gram	kilogram	ton	thousand tons (kt)
Particulate emissions	**0.79**	**0.81**	gram	kilogram	ton	thousand tons (kt)
CO_2 emissions[2]	**1.04**	**1.06**	kilogram	ton	thousand tons (kt)	million tons (Mt)
SO_x emissions[2]	**7.81**	**8.00**	gram	kilogram	ton	thousand tons (kt)
NO_x emissions[3]	**4.01**	**4.11**	gram	kilogram	ton	thousand tons (kt)

1. Volume of water used at all Eskom power stations.
2. Calculated figures based on coal characteristics and power station design parameters. Sulphur dioxide and carbon dioxide emissions are based on coal analysis and using coal burnt tonnages. Figures include coal-fired and gas turbine power stations, as well as oil consumed during power station start-ups and, for carbon dioxide emissions, the underground coal gasification pilot plant.
3. NO_x reported as NO_2 is calculated using average station-specific emission factors, which have been measured intermittently, and tonnages of coal burnt.

Multiply electricity consumption or saving by the relevant factor in the table above to determine the environmental implication.

Example 1: Water consumption
Using Factor 1 Used 90MWh of electricity 90 x 1.42 = 127.8 Therefore 127.8 kilolitres of water used
Using Factor 2 Used 90MWh of electricity 90 x 1.46 = 131.4 Therefore 131.4 kilolitres of water used

Example 2: CO_2 emissions
Using Factor 1 Used 90MWh of electricity 90 x 1.04 = 93.6 Therefore 93.6 tons CO_2 emitted
Using Factor 2 Used 90MWh of electricity 90 x 1.06 = 95.4 Therefore 95.4 tons CO_2 emitted

Sustainability indicators selected for reasonable assurance

Deloitte & Touche has been engaged to provide reasonable assurance on selected sustainability key performance indicators (KPIs) for the year ended 31 March 2024. These KPIs are reported based on internally developed measure specification documents which set out the reporting criteria. These criteria are summarised in the measurement description for each KPI in the table below.

All KPIs refer to Eskom company, except for the lost-time injury rate and the financial sustainability measures, which reflect group performance.

All but one of the 40 KPIs scoped for reasonable assurance received an unqualified opinion.

IR Refer to the independent sustainability assurance report from page 126 for further information

The selected KPIs and corresponding performance for the year ended 31 March 2024 are as follows:

Key performance indicator	Unit of measure	Measurement description	Actual 2024
Safety			
Lost-time injury rate (employees only)[SC]	Rate	Proportional representation of lost-time injuries over 12 months per 200 000 working hours. The measure includes occupational diseases but excludes third party at fault incidents and all passengers in commuting incidents	**0.29**[RA]
Generation			
Energy availability factor (EAF)[SC]	%	Measures power station availability, taking account of both planned and unplanned energy losses under the control of plant management, as well as other non-controllable losses	**54.56**[RA]
Planned capability loss factor (PCLF)	%	Energy losses due to planned maintenance on power station units, whether due to full shutdowns or partial load reduction	**12.04**[RA]
Unplanned capability loss factor (UCLF)	%	Unplanned losses, whether due to full breakdowns or partial unavailability of plant	**32.34**[RA]
Other capability loss factor (OCLF)	%	Energy losses outside of a station's control as well as internal non-engineering constraints	**1.06**[RA]
Post-philosophy outage unplanned capability loss factor (PPO UCLF)[SC]	%	Unplanned breakdowns of power station units that occur within sixty days after the unit has returned from a planned philosophy outage	**31.61**[RA]
Outage readiness indicator (ORI) at T-3[SC]	%	Measures readiness for a planned outage three months prior to the breaker being opened; scored on an internal assessment of various indicators	**69.89**[RA]
Boiler tube failure rate[SC]	Rate	Measures boiler tube failures which occur when a boiler tube's pressure boundary is broken by a leak or rupture, based on number of failures per unit per year	**2.37**[RA]
Particulate emissions	kt	The mass of particulates emitted from Eskom's coal-fired power stations	**145.30**[RA]
Relative particulate emissions[SC]	kg/MWh sent out	The mass of particulates emitted from Eskom's coal-fired power stations per unit of energy sent out	**0.79**[RA]
Specific water usage[SC]	ℓ/kWh sent out	The amount of raw water used for power generation per unit of energy sent out	**1.43**[RA]
Atmospheric emission licence (AEL) compliance[SC]	%	Annual average of AEL compliance, scored on an internal assessment of various indicators per power station which considers average emission limit compliance, number of NEMA section 30 incidents, emission monitor status, gaseous monitor reliability and general AEL compliance	**80.20**[RA]
Carbon dioxide emissions (from fossil fuel generation)	Mt CO_2	Tonnage of CO_2 emitted through fossil fuel generation	**190.4**[RA]
Coal purchase Rand/ton % increase[SC]	%	Determined by comparing the current average fleet purchase price of coal against the previous year's actual price	**6.6**[RA]
Loadshedding implemented[SC]	Number of days	Loadshedding and load curtailment to rotate available capacity between all customers when demand is greater than supply to protect the integrity and stability of the grid to avoid a blackout	**329**[RA]
Generation capacity installed and commissioned (commercial operation)[SC]	MW	New power station units installed and commissioned on Eskom's network	**–**[RA] **Refer to note 1**
Transmission			
System minutes lost <1[SC]	Minutes	Measures the sum of system minutes lost for interruptions on the transmission network. It excludes major incidents with a severity of one minute or more	**3.29**[RA]
Transmission lines installed[SC]	km	New high-voltage transmission lines installed on the transmission network	**74.4**[RA]
Transmission transformer capacity installed and commissioned[SC]	MVA	New transformer capacity installed and commissioned at transmission substations	**23**[RA]

Sustainability indicators selected for reasonable assurance *continued*

Key performance indicator	Unit of measure	Measurement description	Actual 2024
Distribution			
System average interruption duration index (SAIDI)[SC]	Hours	The average duration of interruptions on the distribution network experienced by customers during a year	**34.9[RA]**
Distribution total energy losses[SC]	%	Losses incurred on the distribution network in the process of receiving energy from the transmission network and supplying energy to Eskom's end customers. Losses may arise from technical and non-technical reasons. The latter includes losses due to electricity theft through illegal connections, tampering and bypassing of electricity meters as well as the purchase of electricity tokens from unregistered or illegal vendors. It includes meter reading and billing errors	**9.92[RA]**
Payment levels[SC]	%	Total payments received on amounts invoiced to customers for electricity consumption, including interest	**94.91[RA]**
Total electrification connections[SC]	Number	New connections of households and farm dweller houses in Eskom's licensed areas of supply, funded from Government's electrification programme or directly by Eskom	**114 800[RA]**
Finance			
EBITDA[SC]	R million	Earnings before interest, tax, depreciation and amortisation	**43 410[RA]**
Cash interest cover ratio[SC]	Ratio	Operating cash flows available to service net interest on borrowings	**1.18[RA]**
Debt service cover ratio[SC]	Ratio	Operating cash flows available to service net interest and capital repayments on borrowings	**0.46[RA]**
Savings from turnaround initiatives[SC]	R billion	Capital, operational or working capital savings arising from cost avoidance and optimisation initiatives, as well as other income initiatives, achieved through Eskom's turnaround plan. Measured as the improvement against an initial baseline	**9.9[Q]** **Refer to note 2**
Human resources			
New learner intake: artisans[SC]	Number	Total number of new learners, including artisans, engineers, technicians and sector-specific learners	**173[RA]**
New learner intake: engineers[SC]	Number		**184[RA]**
New learner intake: technicians[SC]	Number		**184[RA]**
New learner intake: sector-specific[SC]	Number		**265[RA]**
Training expenditure as % of budgeted gross employee benefit expense[SC]	%	Training and development cost as a percentage of budgeted gross employee benefit expense	**4.19[RA]**
Procurement			
Preferential procurement[SC]	%	Procurement of goods and services from B-BBEE compliant suppliers. Calculated as a % of total measurable procurement spend	**75.55[RA]**
Local content[SC]	%	Procurement of locally manufactured and/or produced goods and services from designated sectors as a percentage of total contracts awarded	**60.34[RA]**
Enterprise development[SC]	R million	Value of enterprise development initiatives provided to new and existing black-owned enterprises	**6.12[RA]**
Supplier development[SC]	R billion	Value of initiatives undertaken and contracts awarded or subcontracted to qualifying enterprises	**8.31[RA]**
National industrial participation programme[SC]	%	Percentage of contracts with an import content of $5 million or more, which leverage Eskom's procurement to promote industrial development and increase the competitiveness, capability and capacity of the local supply base	**100[RA]**
Corporate social investment (CSI)			
CSI committed spend[SC]	R million	Total amount committed or paid towards corporate social investment	**93.10[RA]**
Just Energy Transition (JET)			
Repowering and repurposing[SC]	Narrative disclosure[1]	Completion of agrivoltaics, microgrid assembly and training facility at Komati	**Refer to note 3[RA]**
Approved partnership strategy[SC]	%	Establish suitable partnership mechanisms and develop a partnership strategy to address capital budget constraints	**100[RA]**

[SC] Indicates that a KPI is included in the shareholder compact.
[RA] Reasonable assurance provided by the independent assurance provider.
[Q] Qualified by the independent assurance provider. Refer to the independent sustainability assurance report from page 126 for further information.
1. The "repowering and repurposing" KPI could not be reasonably measured as a percentage and is instead reported as narrative disclosure.

Sustainability indicators selected for reasonable assurance *continued*

Note 1: Generation capacity installed and commissioned

On 17 September 2022, the gas air heater (GAH) on Kusile Unit 5 caught fire while executing the third boiler steam blows, being the last milestone activity prior to first synchronisation. As a result, all unit commissioning activities were discontinued. At that time, eight key commissioning milestone activities had been successfully achieved. A technical investigation was conducted, and the investigation report was finalised in February 2023.

The GAH fire incident significantly impacted the unit commissioning schedule as the GAH had to be fully repaired before commissioning activities, which included plant optimisation and capability tests, could resume. GAH repairs were completed at the end of August 2023. First synchronisation of the unit to the grid was successfully achieved on 31 December 2023.

Despite the significant schedule delays due to the GAH fire incident, the shareholder advised Eskom not to submit a second addendum to the shareholder compact for the 2024 financial year. The target for commercial operation of Kusile Unit 5 was therefore not revised. Instead, the measure and target were rolled over to the shareholder compact for the 2025 financial year.

Since year end, commercial operation of Kusile Unit 5 was successfully achieved on 30 June 2024, connecting 799MW to the grid.

Note 2: Savings from turnaround initiatives

Eskom recorded turnaround savings of R9.9 billion for the year against a target of R22.4 billion. The target was set using a baseline and methodology established in the 2018 financial year.

Eskom requested the shareholder to amend the target to R10.5 billion, based on a revised methodology using the 2023 financial results as a more reasonable baseline. The revised methodology proposed by Eskom intended to cater for the decline in sales, worsening generation plant performance, change in production mix (specifically the contribution by OCGTs and IPPs) and growth in the cost base since the 2018 baseline. The shareholder denied the request to amend the target for the 2024 financial year, although the revised methodology and baseline has been applied in the 2025 shareholder compact targets.

It should be noted that Deloitte has qualified this KPI on the basis that they were not able to substantiate the estimates and judgements applied in management's estimation of the baseline against which coal savings of approximately R1.3 billion have been recorded.

IR Refer to the qualification contained in the independent sustainability assurance opinion on page 127 for further information

Note 3: Komati repowering and repurposing

A measure focused on the implementation of repowering and repurposing activities at Komati Power Station was incorporated into the shareholder compact for the 2024 financial year, which included the following targets:

- Construction and commissioning of the agrivoltaics test facility, including raised photovoltaics; construction and commissioning of the aquaponics system; as well as conducting community training for the usage of aquaponics
- Complete refurbishment of the training centre at Komati Power Station and construction of a community training centre outside Komati Power Station; obtaining certification from the South African Renewable Energy Technology Centre (SARETEC) for the training programme; and conducting community training
- Establishing the business case for the microgrid assembly

The following outcomes have been noted:

- The photovoltaic component of the agrivoltaics plant was constructed and commissioned during the year. Construction of the aquaponics system was completed in April 2024, after year end. The training of one community member and one Eskom employee on the aquaponics system was also concluded. A training provider has been identified, with procurement of the service provider underway
- Refurbishment of the on-site training centre at Komati could not be completed due to a legal intervention required for SARETEC. However, the on-site facility was in a suitable condition to offer training courses to the surrounding community. Similarly, construction of the off-site community training facility could not be completed due to the legal intervention required because SARETEC's appointed contractor has failed to comply with contractual requirements. Limited community training courses were in place at year end. Further on-site courses are planned for the 2025 financial year and certification of training facilitators is underway
- An initial business case was completed for the assembly of containerised microgrids to support Eskom's electrification programme. Grant funding has been secured by the Development Bank of South Africa for the development of a final business case. Construction of the assembly line was completed during the year and production of microgrid containers commenced in April 2024

Independent sustainability assurance report

INDEPENDENT ASSURANCE PRACTITIONER'S REASONABLE ASSURANCE REPORT ON SELECTED KEY PERFORMANCE INDICATORS TO THE DIRECTORS OF ESKOM HOLDINGS SOC LTD

We have undertaken a reasonable assurance engagement on selected key performance indicators (KPIs), as described below, and presented in the integrated report of Eskom Holdings SOC Ltd (Eskom) for the year ended 31 March 2024. This engagement was conducted by a multidisciplinary team including environmental, safety, social and assurance specialists with relevant experience in sustainability reporting.

SUBJECT MATTER

We have been engaged to provide a reasonable assurance opinion in our report on the following selected KPIs, marked with RA in the integrated report. The selected KPIs described below have been prepared in accordance with Eskom's internal reporting guidelines (reporting criteria), which are set out on pages 123 to 124.

Key performance indicator and unit of measure
Safety
Lost-time injury rate (employees only), rate
Generation
Energy availability factor (EAF), %
Planned capability loss factor (PCLF), %
Unplanned capability loss factor (UCLF), %[1]
Other capability loss factor (OCLF), %[1]
Post-philosophy outage unplanned capability loss factor (PPO UCLF), %
Outage readiness indicator (ORI) at T-3, %
Boiler tube failure rate, rate
Particulate emissions, kt[1]
Relative particulate emissions, kg/MWh sent out
Specific water usage, ℓ/kWh sent out
Atmospheric emissions licences (AEL) compliance, %
Carbon dioxide emissions (from fossil fuel generation), $MtCO_2$
Coal purchases Rand/ton % increase, %
Loadshedding implemented, number of days
Generation capacity installed and commissioned (commercial operation), MW

1. We were not required to provide assurance on these selected KPIs in the prior year.

Key performance indicator and unit of measure
Transmission
System minutes lost <1, minutes
Transmission lines installed, km
Transmission transformer capacity installed and commissioned, MVA
Distribution
System average interruption duration index (SAIDI), hours
Distribution total energy losses, %
Payment levels, %
Total electrification connections, number
Finance
EBITDA, R million
Cash interest cover ratio
Debt service cover ratio
Savings from turnaround initiatives, R billion
Human resources
New learner intake: artisans, number
New learner intake: engineers, number
New learner intake: technicians, number
New learner intake: sector-specific, number
Training expenditure as % of budgeted gross employee benefit expense, %
Procurement
Preferential procurement, %
Local content, %
Enterprise development, R million
Supplier development, R billion
National industrial participation programme, %
Corporate social investment (CSI)
CSI committed spend, R million
Just Energy Transition (JET)
Repowering and repurposing, narrative disclosure[1]
Approved partnership strategy, %[1]

DIRECTORS' RESPONSIBILITY

The directors are responsible for the selection, preparation and presentation of the selected KPIs in accordance with reporting criteria. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal controls relevant to the preparation of the integrated report that is free from material misstatement, whether due to fraud or error. The directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected KPIs and for ensuring that those criteria are publicly available to users.

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Deloitte & Touche applies the International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

ASSURANCE PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a reasonable assurance opinion on the selected KPIs based on the procedures we have performed and the evidence we have obtained. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our engagement to obtain reasonable assurance about whether the selected KPIs are free from material misstatement.

A reasonable assurance engagement undertaken in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the measurement of the selected KPIs and related disclosures in the integrated report. The nature, timing and extent of procedures selected depend on the auditor's professional judgement, including the assessment of the risks of material misstatement of the selected KPIs, whether due to fraud or error.

Independent sustainability assurance report *continued*

In making those risk assessments we have considered internal controls relevant to Eskom's preparation of the selected KPIs. A reasonable assurance engagement also includes:

- Evaluating the appropriateness of quantification methods, reporting policies and internal guidelines used and the reasonableness of estimates made by Eskom
- Assessing the suitability in the circumstances of Eskom's use of the applicable reporting criteria as a basis for preparing the selected information
- Evaluating the overall presentation of the selected sustainability performance information

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

BASIS FOR QUALIFIED OPINION

Included in the "Savings from turnaround initiatives" reported of R9.9 billion is an amount of R1.3 billion as a cost saving initiative measuring the actual cost per ton incurred for uncontracted coal supplied to generation facilities compared to the budgeted cost per ton established as part of the baseline for measurement of this initiative. Management determined the baseline cost per ton based on available market information and management's estimate of coal grading and movement in export coal markets as at December 2022. We were unable to obtain sufficient and appropriate audit evidence to substantiate management's estimation of the baseline and were unable to do so by alternative means.

Consequently, we were unable to determine whether any adjustments were needed to the "Savings from turnaround initiatives" KPI reported.

QUALIFIED REASONABLE ASSURANCE OPINION

In our opinion, except for the possible effects of the matter referred to in the "Basis for qualified opinion" paragraph above, the selected KPIs as set out in the "Subject matter" paragraph above for the year ended 31 March 2024 are prepared, in all material respects, in accordance with the reporting criteria.

OTHER MATTERS

Our report includes the provision of reasonable assurance on selected KPIs, as indicated in the "Subject matter" paragraph above, on which we were previously not required to provide assurance.

The maintenance and integrity of Eskom's website is the responsibility of Eskom's management. Our procedures did not involve consideration of these matters and, accordingly, we accept no responsibility for any changes to either the information in the integrated report or our independent reasonable assurance report that may have occurred since the initial date of its presentation on Eskom's website.

RESTRICTION OF LIABILITY

Our work has been undertaken to enable us to express a reasonable assurance opinion on the selected KPIs to the directors of Eskom in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Eskom, for our work, for this report, or for the conclusion we have reached.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, 2005, we report that we have identified a reportable irregularity in terms of the Auditing Profession Act. We have reported this matter to IRBA. The matter pertaining to the reportable irregularity has been described in item 1 of note 52 of Eskom's annual financial statements for the year ended 31 March 2024.

Deloitte & Touche
Registered Auditors

Per Jyoti Vallabh
Chartered Accountant (SA)
Registered Auditor
Partner

18 December 2024

5 Magwa Crescent
Waterfall City, Waterfall
Private Bag X6, Gallo Manor, 2052
South Africa

Disclosure of information under the PFMA

Section 55(2)(b)(i) of the Public Finance Management Act, 1999 (PFMA) requires that the particulars of any irregular expenditure, any fruitless and wasteful expenditure as well as material losses due to criminal conduct be disclosed in an entity's annual financial statements and annual report. The National Treasury Instruction 4 of 2022/23 on PFMA Compliance and Reporting Framework, effective from 3 January 2023, was applied in this regard when compiling the disclosure in Eskom's annual financial statements and integrated report. The instruction applies to all departments, trading entities, constitutional institutions and public entities listed in Schedules 2 and 3 to the PFMA.

The instruction requires that detailed information be reported in the integrated report, whereas only expenditure relating to the current and comparative financial years be reported in the annual financial statements. The instruction further requires reporting inclusive of value-added tax (VAT). Eskom has historically reported all amounts excluding VAT and has continued to do so in the current year, due to the impracticability of recalculating amounts, particularly on opening balances and multi-year contracts that continued to incur expenditure in the current and comparative years.

The group is further required to report quarterly to National Treasury on current and historical irregular expenditure and fruitless and wasteful expenditure that has not been fully addressed.

The external auditor's report for the 2023 financial year was qualified as it related to disclosures in the annual financial statements of irregular expenditure, fruitless and wasteful expenditure and losses due to criminal conduct. Furthermore, the prior year auditor's report called out material findings in Eskom's compliance with specific matters and key legislation, as well as significant internal control deficiencies. Eskom has once again received a qualified opinion relating to the quantification and disclosure of information required in terms of the PFMA, as associated financial records were not complete or accurately maintained in line with legislative requirements. The auditors have raised material findings in respect of the lack of completeness and accuracy of Eskom's reported PFMA information, both relating to the current year and the cumulative balance.

AFS Refer to the "Report on the audit of the consolidated and separate financial statements – Basis for qualified opinion" and "Other information" in the independent auditor's report in the financial statements for further information

Eskom continues to actively seek ways to enhance PFMA compliance through a proactive and effective approach to address PFMA audit qualifications, which requires a multi-year approach due to the impact of the PFMA on the entire business. The organisation's PFMA compliance status is assessed on a regular basis in accordance with the Compliance Risk Monitoring Plan. We have identified gaps and areas where PFMA compliance has been a challenge and will continue to analyse the root causes of non-compliance to address them effectively. We are enhancing our detailed action plan to address the qualification to include clear objectives, timelines and responsible individuals or teams, the progress of which is monitored regularly.

From an improvement perspective, it is imperative to align Eskom's PFMA procedures and processes with changing regulations and best practice. Eskom's process instruction on the treatment of irregular expenditure has been implemented, together with awareness sessions. The process instruction on the treatment of fruitless and wasteful expenditure is at an advanced stage. PFMA awareness and training sessions will continue to be rolled out to enhance understanding among employees of their responsibilities as well as the importance of PFMA compliance, while also communicating key changes in the process. A dedicated communication channel has been created to enhance communication with the business at large on PFMA-related matters.

Eskom will continue to seek ways to enhance and strengthen internal controls to improve PFMA compliance. These measures are aimed at fostering a culture of transparency and accountability within Eskom while ensuring that individuals responsible for PFMA non-compliance are held accountable for their actions.

AFS Refer to note 51 in the annual financial statements for further information

IRREGULAR EXPENDITURE

Irregular expenditure is defined as expenditure, other than unauthorised expenditure, incurred in contravention of or not in accordance with a requirement of any applicable legislation. The scope includes transgressions of any laws or regulations regardless of whether the expenditure was justified from a business perspective, value was received, the breaches were deliberate or accidental, or the breaches happened unknowingly or in good faith.

Irregular expenditure is incurred when the related transaction is recognised in terms of International Financial Reporting Standards (IFRS). The irregular expenditure is removed from the cumulative balance through a process of condonation by the relevant authority, removal of matters not condoned, recovery of losses or write-off of irrecoverable losses. Irregular expenditure is reported in the following categories:

BREACH OF MORE THAN ONE LEGISLATIVE REQUIREMENT

In certain instances, transgression of more than one legislative requirement was identified.

TENDER PROCESSES NOT ADHERED TO AND INSUFFICIENT DELEGATION OF AUTHORITY

Irregular expenditure was incurred where incorrect tender processes were followed and/or transactions were executed without the appropriate approvals.

MODIFICATIONS EXCEEDING ALLOWED AMOUNTS

National Treasury required that their approval be obtained for any modification made to an original contract from 1 May 2016 to 1 April 2022 where the value of the modification was more than 20% of the contract or purchase order value or R20 million for construction-related goods, works or services, and 15% of the contract or purchase order value or R15 million for all other goods or services. The group did not initially comply with this requirement predominately due to a misinterpretation of the instruction note. The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA Supply Chain Management (SCM) National Treasury Instruction Note 3 of 2021/2022, effective from 1 April 2022. Deviations, expansions and variations of contracts are reported to National Treasury on a monthly basis.

IR Refer to page 134 for a summary of deviations, expansions and variations during the past year

TAX NON-COMPLIANCE

The Preferential Procurement Policy Framework Act, 2000 (PPPFA) regulations stipulate that suppliers must be compliant with SARS regulations.

USE OF SOLE SOURCE

State-owned entities are required to procure goods and services in a manner that is fair, equitable, transparent, competitive and cost-effective. Expenditure was incurred on contract awards which did not meet the National Treasury requirements for limited bidding, where contracts were incorrectly awarded to predetermined suppliers. Sole source requests are now scrutinised to confirm compliance with criteria before approval through the relevant governance processes.

The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA SCM National Treasury Instruction Note 3 of 2021/2022. All procurement through other means is reported to National Treasury within 14 days of transaction approval.

IR Refer to page 134 for a summary of deviations during the past year

Disclosure of information under the PFMA *continued*

CONTRACTS AWARDED WITHOUT FOLLOWING CIDB REQUIREMENTS

The group did not always comply with the Construction Industry Development Board (CIDB) regulations regarding the advertising of tenders, grading of contractors and publishing of awards.

PPPFA: INCORRECT TENDER PROCESS APPLIED

The PPPFA requires that the preferential points calculation is determined inclusive of VAT. Certain procurement was incorrectly done where the preferential points calculation was determined exclusive of VAT.

INCORRECT CLASSIFICATION AS EMERGENCY OR URGENT PROCUREMENT

Irregular expenditure was incurred where emergency purchases did not meet the National Treasury requirements for emergency or urgent procurement.

The requirement to obtain National Treasury approval for these transactions has since been repealed through the PFMA SCM National Treasury Instruction Note 3 of 2021/2022. All procurement through other means is reported to National Treasury within 14 days of transaction approval.

IR Refer to page 134 for a summary of deviations during the past year

EXPENDITURE NOT IN ACCORDANCE WITH OTHER NATIONAL TREASURY INSTRUCTIONS

Non-compliance with National Treasury Instructions, unrelated to supply chain management instructions which are reflected in other disclosure categories.

DESIGNATED SECTORS

Where local production and content is of critical importance in the award of tenders in designated sectors, such tenders must be advertised with a specific tendering condition that only locally produced goods, services or works or locally manufactured goods that meet the stipulated minimum threshold for local production and content will be considered. Contracts were awarded to suppliers despite them having declared a local content threshold that was below the required stipulated threshold as per the Department of Trade, Industry and Competition's list of designated materials.

IRREGULAR EXPENDITURE

Description, R million	Opening balance restated	Confirmed	Total incurred	Condoned	Not condoned and removed	Recovered	Closing balance
2024							
Breach of more than one legislative requirement	**49 579**	**3 272**	**52 851**	**(110)**	**–**	**(500)**	**52 241**
Tender processes not adhered to and insufficient delegation of authority	**22 787**	**1 130**	**23 917**	**(828)**	**–**	**–**	**23 089**
Modifications exceeding allowed amounts	**8 604**	**17**	**8 621**	**–**	**–**	**–**	**8 621**
Tax non-compliance	**5 724**	**239**	**5 963**	**(124)**	**–**	**–**	**5 839**
Use of sole source	**5 030**	**12**	**5 042**	**–**	**–**	**–**	**5 042**
Contracts awarded without following CIDB requirements	**1 240**	**15**	**1 255**	**–**	**–**	**–**	**1 255**
PPPFA: Incorrect tender process applied	**882**	**–**	**882**	**–**	**–**	**–**	**882**
Incorrect classification as emergency or urgent procurement	**647**	**–**	**647**	**(17)**	**–**	**–**	**630**
Expenditure not in accordance with other National Treasury instructions	**609**	**–**	**609**	**–**	**–**	**–**	**609**
Designated sectors	**428**	**–**	**428**	**(80)**	**–**	**–**	**348**
Other	**67**	**53**	**120**	**–**	**–**	**–**	**120**
Total	**95 597**	**4 738**	**100 335**	**(1 159)**	**–**	**(500)**	**98 676**
		Note 1		Note 3	Note 3	Note 3	

Disclosure of information under the PFMA *continued*

Description, R million	Opening balance	Prior period errors	As restated	Confirmed and disclosed 2023	Prior year errors	Restated 2023	Total incurred	Condoned, removed and recovered	Closing balance
2023									
Breach of more than one legislative requirement	43 884	986	44 870	3 751	958	4 709	49 579	–	49 579
Tender processes not adhered to and insufficient delegation of authority	19 814	1 194	21 008	729	1 297	2 026	23 034	(247)	22 787
Modifications exceeding allowed amounts	8 967	(498)	8 469	138	(3)	135	8 604	–	8 604
Tax non-compliance	5 289	87	5 376	142	207	349	5 725	(1)	5 724
Use of sole source	4 891	34	4 925	108	(3)	105	5 030	–	5 030
Contracts awarded without following CIDB requirements	1 164	13	1 177	47	16	63	1 240	–	1 240
PPPFA: Incorrect tender process applied	880	–	880	2	–	2	882	–	882
Incorrect classification as emergency or urgent procurement	647	4	651	–	–	–	651	(4)	647
Expenditure not in accordance with other National Treasury instructions	498	111	609	–	–	–	609	–	609
Designated sectors	313	1	314	113	1	114	428	–	428
Other	26	(4)	22	–	45	45	67	–	67
Total	86 373	1 928	88 301	5 030	2 518	7 548	95 849	(252)	95 597
		Note 2		Note 1				Note 3	

1. Current year expenditure

Description, R million	Note	2024	2023
Expenditure confirmed in the current year	(a)	**4 738**	5 030
Prior year errors for 2023 expenditure	Note 2	**–**	2 518
Total current year expenditure		**4 738**	7 548

(a) Expenditure for the current year

Expenditure of R361 million incurred in 2024 relates to new matters. The remaining amount incurred in 2024 relates to existing multi-year contracts that will continue to attract irregular expenditure until condoned, of which R2 683 million relates to incidents relating to the non-application of the requirements of the National Industrial Participation Programme (NIPP) which occurred in 2023.

The group reported 97 incidents where expenditure was incurred in 2024, 43 of which related to non-compliances that occurred in 2024 and 54 relating to continuing spend on multi-year contracts where the transgression took place in previous years.

2. Prior period errors

Description, R million	2023 expenditure	2023 opening balance
Total prior year errors	**2 518**	1 928

There were restatements to the 2024 opening balance on 264 matters, the net effect of which is an increase of R4 446 million, comprising restatements to 2023 expenditure of R2 518 million and R1 928 million to the 2023 opening balance. In addition to corrections to amounts previously disclosed, irregular expenditure that relates to years prior to 2024 which was concluded and quantified in the current year are disclosed as prior period errors in compliance with National Treasury Instruction Note 4 of 2022/23.

3. Irregular expenditure condoned, recovered, removed and written off

Forty-five matters to the value of R1 159 million were condoned during the financial year (2023: 11 matters of R246 million). A total of R500 million was recovered on two matters (2023: one matter of R4 million). No irregular expenditure that was not condoned was removed during the year (2023: one matter of R2 million). One matter amounting to approximately R120 000 that was not recovered was written off (2023: none).

Disclosure of information under the PFMA *continued*

Details of current and previous year irregular expenditure (under assessment, determination and investigation)

Description, R million	Note	2024	2023
Irregular expenditure under assessment or determination	Note 4	**498**	1 070
Irregular expenditure under investigation	Note 5	**–**	279
Total		**498**	1 349

4. Irregular expenditure under assessment or determination

It should be noted that figures disclosed are estimated. Quantification of actual irregular expenditure incurred takes place during the assessment and determination process. Irregular expenditure under assessment or determination at year end relating to prior period incidents is estimated at R1 578 million.

5. Irregular expenditure under investigation

If a suspicion of fraudulent, corrupt or other criminal conduct arises during the assessment and determination phase, the matter is referred to a mandated investigative function. In certain instances, the suspected criminal conduct does not stem from the assessment and determination process, such as matters that are directly reported to the Forensic and Anti-Corruption Department or other investigative units. Irregular expenditure under investigation relating to prior periods is estimated at R178 million (2023: R4 million).

Details of current and previous year disciplinary action or criminal steps taken as a result of irregular expenditure

Warnings were issued on one new incident relating to 2024, and four warnings were issued on incidents with continuing spend on multi-year contracts where the transgression took place in previous years. Expenditure in 2023 resulted in nine warnings, and 14 for multi-year contracts that ended in 2023.

A sanction of suspension without pay was issued on one matter relating to 2023 continuing expenditure. One employee was dismissed for an incident with continuing spend in 2024.

Disciplinary action is pending or in progress for 42 incidents incurred in 2024, and 45 incidents for continuing spend in 2024. There are also 88 pending matters for 2023, and 35 for multi-year contracts that ended in 2023.

In some instances, no disciplinary sanction was issued due to various reasons, including where the responsible employees left the organisation; disciplinary action was deemed not appropriate and other corrective action was applied; or the employee was found not guilty during the disciplinary process. This was the case in four incidents with continuing spend in 2024, five matters in 2023, and five for multi-year contracts that ended 2023.

FRUITLESS AND WASTEFUL EXPENDITURE

Description, R million	Opening balance	Confirmed	Total incurred	Recovered	Written off	Closing balance
2024						
Project management	**3 625**	**–**	**3 625**	**–**	**–**	**3 625**
Procurement and contract management	**1 627**	**–**	**1 627**	**–**	**(1)**	**1 626**
Interest and penalties	**9**	**–**	**9**	**–**	**(1)**	**8**
Other	**794**	**1**	**795**	**(1)**	**–**	**794**
Total	**6 055**	**1**	**6 056**	**(1)**	**(2)**	**6 053**
		Note 1		Note 3	Note 3	

Description, R million	Opening balance	Prior period errors	As restated	Confirmed and disclosed 2023	Prior year errors	Restated 2023 expenditure	Total incurred	Recovered	Closing balance
2023									
Project management	4 231	(644)	3 587	102	(63)	39	3 626	(1)	3 625
Procurement and contract management	1 621	4	1 625	–	2	2	1 627	–	1 627
Interest and penalties	11	(2)	9	–	–	–	9	–	9
Other	799	(7)	792	3	–	3	795	(1)	794
Total	6 662	(649)	6 013	105	(61)	44	6 057	(2)	6 055
		Note 2			Note 2	Note 1		Note 3	

Disclosure of information under the PFMA *continued*

1. Current year expenditure

Description, R million	Note	2024	2023
Expenditure confirmed in the current year	(a)	**1**	105
Prior year errors for 2023 expenditure	Note 2	**–**	(61)
Total current year expenditure		**1**	44

(a) Expenditure for the current year
Fruitless and wasteful expenditure incurred in 2024 comprises 12 incidents (2023: 29 incidents, restated).

2. Prior period errors

Description, R million	2023 expenditure	2023 opening balance
Total prior year errors	**(61)**	(649)

There were restatements to the 2024 opening balance on 112 matters, the net effect of which is a decrease of R710 million, comprising a reduction in 2023 expenditure of R649 million and a reduction of R61 million to the 2023 opening balance. In addition to corrections to amounts previously disclosed, fruitless and wasteful expenditure that relates to years prior to 2024 which was concluded and quantified in the current year are disclosed as prior period errors in compliance with National Treasury Instruction Note 4 of 2022/2023.

3. Fruitless and wasteful expenditure recovered or written off

Recoveries were achieved on 51 matters of approximately R1.4 million during the financial year, either partial or in full (2023: 53). Losses on 26 matters of approximately R2.4 million were written off as irrecoverable (2023: 22).

Details of current and previous year fruitless and wasteful expenditure (under assessment, determination and investigation)

Description, R million	Note	2024	2023
Fruitless and wasteful expenditure under assessment or determination	Note 4	**4 644**	265
Fruitless and wasteful expenditure under investigation	Note 5	**–**	–
Total		**4 644**	265

4. Fruitless and wasteful expenditure under assessment or determination

It should be noted that figures disclosed are estimated. Quantification of actual fruitless and wasteful expenditure incurred takes place during the assessment and determination process. Fruitless and wasteful expenditure under assessment or determination at year end relating to prior periods is estimated at R3 499 million, of which 76% relates to a compensation event for delays on the Koeberg steam generator replacement project.

5. Fruitless and wasteful expenditure under investigation

If a suspicion of fraudulent, corrupt or other criminal conduct arises during the assessment and determination phase, the matter is referred to a mandated investigative function. In certain instances, the suspected criminal conduct does not stem from the assessment and determination process, such as matters that are directly reported to Forensic and Anti-Corruption Department or other investigative units. Fruitless and wasteful expenditure under investigation on two events relating to prior periods is estimated at an immaterial amount.

Details of current and previous year disciplinary action or criminal steps taken as a result of fruitless and wasteful expenditure

Written warnings were issued in six matters incurred in 2023. Disciplinary action is pending or in progress for 12 incidents for 2024 and 18 matters relating to 2023.

There were four matters relating to 2023 where no disciplinary action was taken due to various reasons, including where the responsible employees left the organisation; disciplinary action was deemed not appropriate and other corrective action was applied; or the employee was found not guilty during the disciplinary process.

MATERIAL LOSSES THROUGH CRIMINAL CONDUCT

Material losses caused by criminal conduct and any disciplinary, civil or criminal action taken in respect of such losses are reported in terms of the Significance and Materiality Framework as previously agreed with the shareholder representative.

Losses incurred

Description, R million	Note	2024	2023
Estimated non-technical energy losses	(a)	**6 441**	5 607
Theft of conductors, cabling and network-related equipment	(b)	**120**	197
Fraud and corruption	(c)	**64**	81
Malicious damage to property	(b)	**67**	122
Common theft	(b)	**26**	–
Attempted theft	(b)	**–**	25
Total material losses		**6 718**	6 032

Losses recovered

Description, R million	Note	2024	2023
Estimated non-technical energy losses		**229**	225
Theft of conductors, cabling and network-related equipment		**3**	9
Fraud and corruption		**1**	–
Malicious damage to property		**13**	–
Common theft		**2**	–
Attempted theft		**–**	1
Total recoveries on material losses	(d)	**248**	235

(a) Estimated non-technical energy losses
Non-technical energy losses relate to losses due to electricity theft through illegal connections, tampering and bypassing of electricity meters, as well as the purchase of electricity tokens from unregistered or illegal vendors. The management of non-technical losses focuses on ensuring that all energy supplied is accounted for, and includes initiatives to minimise non-technical energy losses. The reported losses represent the estimated cost of non-technical energy lost.

Non-technical energy losses are determined by applying a scientific approach to measure total energy losses as the difference between energy produced and energy sold. Technical energy losses are derived based on known factors of the electrical grid such as conductor resistance, as well as transformer and equipment losses. The residual of total losses is attributed to non-technical losses.

Disclosure of information under the PFMA *continued*

(b) Theft of conductors, cabling and network-related equipment, malicious damage to property, common and attempted theft

Theft of network-related equipment includes theft of cable, including airdac, batteries, tower members and transformers.

Unlawful and intentional damage to property belonging to another is reported as malicious damage to property. Vandalism is the action involving deliberate destruction of or damage to public or private property. Damage towards any property without permission of the owner is reported as vandalism.

Common theft consists of the unlawful appropriation of movable property belonging to another with the intent to deprive the owner permanently of the property. Property includes laptops, tools, cell phones, equipment, air conditioners and all other items not included in the list of Eskom essential infrastructure or security crime categories. The losses incurred in 2023 due to criminal conduct relating to this category were below the materiality threshold.

Attempted theft is defined as an attempted crime or unlawful action, which is an unsuccessful effort to commit crime or carry out the action, such as an attempt to steal something but not succeeding or being prevented. The losses incurred in 2024 due to criminal conduct relating to this category were below the materiality threshold.

Actions to combat losses through criminal conduct are managed in collaboration with other affected state-owned entities, industry role players, law enforcement and criminal justice agencies such as SAPS, the NPA, etc.

Some of the initiatives being pursued include but are not limited to the following:

- Realigning of security contracts (scope and resources) and optimisation of deployment
- Improving the Eskom asset disposal process and strategies
- Focusing on asset management and protection, through research and implementation of innovative solutions, such as unique marking and tracking capabilities
- Implementing policy and legislative changes to address scrap and market regulations
- Introducing integrated, intelligent and smart security technologies and systems to reduce dependence on the human factor, such as the use of drones, intelligent cameras and alarm systems
- Implementing focused strategies and projects aimed at combatting revenue loss, through metering, vending, tampering, disruptive operations, etc.
- Minimising breaches that allow easy access to sites and assets by improving housekeeping, appropriate storage of material and equipment with well-functioning delay and deterring solutions to prevent or minimise the impact
- Deploying robust security systems that can detect and prevent crime and provide evidence that can be used for disciplinary or criminal proceedings
- Ensuring consistent and continuous screening and vetting of contractors and staff to prevent and minimise insider threat involvement and collusion
- Making arrests and working with relevant role players to build strong cases and dockets leading to convictions

(c) Fraud and corruption

Eskom concluded 26 investigations into fraud during the year (2023: 56). The internal control measures in the affected areas have been reviewed and enhancements recommended for implementation to the accountable line managers. This includes improving controls, and instituting disciplinary, criminal or civil proceedings against those involved.

(d) Losses through criminal conduct recovered

Eskom recovered R248 million of material losses due to criminal conduct (2023: R235 million). Most of the value relates to non-technical energy losses. Eskom invoiced R307 million of additional revenue during the year (2023: R346 million), of which R229 million has been received (2023: R225 million).

Expansions and deviations reported to National Treasury

To enhance compliance, transparency and accountability in Supply Chain Management (SCM), National Treasury issued PFMA SCM Instruction Note 3 of 2021/2022, effective from 1 April 2022. This instruction note introduced changes in procurement practices, including provisions for handling deviations from competitive bidding and for expanding and varying contracts. The mechanisms include deviations from the normal bidding process, such as written price quotations not within National Treasury thresholds or those prescribed in the institution's SCM Policy, procurement in urgent or emergency situations, and limited bidding, which includes sole, single or limited source procurement. These mechanisms must be seen as the exceptions for procurement, not the norm.

Under the instruction note, state-owned enterprises are authorised to internally approve these procurement mechanisms, whereafter reports must be submitted to both National Treasury and the Auditor-General of South Africa (AGSA). Eskom understands that these transactions must comply with Section 217 of the Constitution of the Republic of South Africa, 1996, which mandates that state-owned entities procure goods and services in a manner that is fair, equitable, transparent, competitive and cost-effective. Consequently, Eskom's supply chain procedures have been amended to include provisions for monitoring and reporting these transactions, and the necessary training was provided to the business.

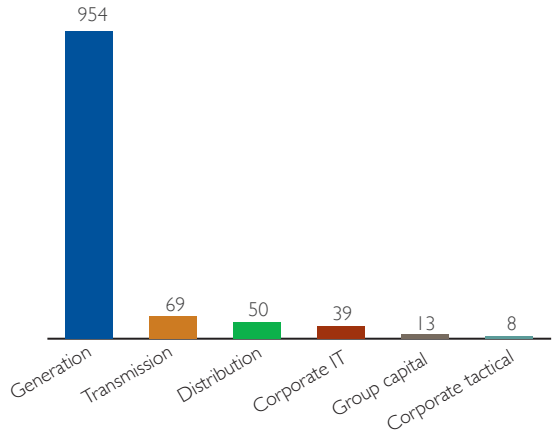
Each method has specific reporting deadlines: deviations must be reported within 14 days of procurement finalisation, while contract expansions and variations are reported monthly. Eskom regularly reports to National Treasury upon concluding such transactions, as required by the instruction note. National Treasury, in turn, reports across state-owned entities on a quarterly basis.

Following the enactment of PFMA SCM Instruction Note 3 of 2021/2022, no delays have been attributed to bottlenecks in procurement mechanisms or processes, as the authority to approve deviations and contract modifications lies within the business.

In accordance with the stipulations outlined in the instruction note, divisions have reported a total of 1 555 transactions during the 2024 financial year. Of these, 1 133 were classified as deviations from the normal bidding process, while 422 were identified as expansions and variations of contracts. The total value of all transactions amounts to over R140.6 billion for the year.

DEVIATIONS AND PROCUREMENT BY OTHER MEANS

The figure below depicts the number of deviations per division for the 2024 financial year.



Out of 774 urgent transactions, Generation executed 92%, Distribution 6% and Transmission 2%.

Following clarification from National Treasury, transactions involving independent power producers (IPPs) are now included in the reporting process. Additionally, transactions previously categorised under "informal tendering" (for values not exceeding R1 million, excluding VAT) have been excluded from the count and value of figures reported due to an error in the NT Instruction Note.

ANALYSIS OF TRENDS

The following divisional reporting trends have been identified:

- The number of transactions increased by 77% from the previous year, in response to measures to improve the reliability, availability and safety of power stations
- The number of deviations increased by 87% year-on-year
- The number of expansions and variations increased by 54% year-on-year
- The value of deviations increased by 688% compared to the previous year
- The value of expansions and variations decreased by 31% year-on-year

TRANSMISSION DEVIATIONS

A sizable portion of the Transmission spend can be attributed to the following:

- A substantial portion of the total value, amounting to R67.24 billion, relates to eight IPP transactions under short-term purchase programmes. These programmes include the Standard Offer and the Emergency Generation Programme
- Three contracts valued at R260.69 million were concluded for the utilisation of National Treasury transversal contracts to procure fleet vehicles
- A contract worth R8 billion was concluded with ERI for substation and line work as part of the Transmission Development Plan over the next decade
- Transmission also had emergencies valued at R94.98 million

GENERATION EXPANSIONS AND VARIATIONS

Generation reported expansions and variations of R28.02 billion. Significant portions include:

- A modification of R4.20 billion for coal supply to Matla Power Station and other designated sites
- A modification of R3.6 billion with DWS for the Vaal River Eastern Sub-System Memorandum of Agreement
- A modification of R17.33 billion for the continuation of the cost-plus coal supply agreement for Matla Power Station

GENERATION DEVIATIONS

Generation reported deviations valued at over R25 billion, including:

- Emergencies valued at R153.45 million
- Sole source transactions valued at R6.04 billion
- Single source transactions valued at R7.75 billion
- Closed tenders valued at R516.17 million

The number of contracts and amounts per division for deviations are set out below, broken down by contract currency, with the total Rand amount also being shown.

Expansions and deviations reported to National Treasury *continued*

Deviations for the 2024 financial year

Division	No	Rand amounts	USD amounts	Euro amounts	GBP amounts	SEK amounts
Generation	954	25 004 373 410.79	51 853 383.28	99 590.30	213 512.00	
Transmission	69	75 794 168 522.78				4 957 433.00
Distribution	50	548 678 923.86				
Group Capital	13	1 291 721 365.46				
Corporate IT	39	2 755 140 153.57	1 765 112.00	401 220.00		
Corporate Tactical	8	16 218 616.12				
Total	**1 133**	**R105 410 300 992.58**	**$53 618 495.28**	**€500 810.30**	**£213 512.00**	**SEK4 957 433.00**
Average exchange rate		1.00	18.91	19.58	23.94	1.76857
Converted Rand value		R105 410 300 992.58	R1 013 925 745.74	R9 805 865.67	R5 111 477.28	R8 767 567.28
Total Rand value of all transactions		**R106 447 911 648.55**				

Deviations for the 2023 financial year

Division	No	Rand amounts	Euro amounts
Generation	447	11 804 011 569.43	11 871 240.00
Transmission	60	99 056 236.91	–
Distribution	79	555 379 523.19	–
Group Capital	7	322 049 460.42	–
Corporate	13	591 547 142.61	–
Total	**606**	**R13 372 043 932.56**	**€11 871 240.00**
Average exchange rate		1.00	17.69
Converted Rand value		R13 372 043 932.56	R210 002 235.60
Total Rand value of all transaction		**R13 582 046 168.16**	

Expansions and deviations reported to National Treasury *continued*

CONTRACTUAL AGREEMENT EXPANSIONS AND VARIATIONS

The number of contracts and amounts per division for expansions and variations are set out below, broken down by contract currency, with the total Rand amount also being shown.

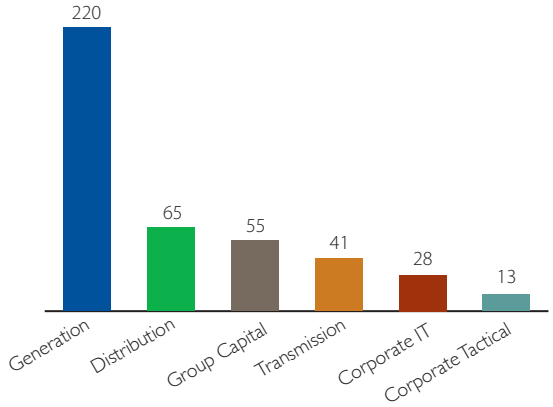
Expansions and variations for the 2024 financial year

Division	No	Rand amounts	Euro amounts	USD amounts
Generation	220	28 020 841 528.66	22 377 291.92	3 436 259.20
Transmission	41	924 237 163.78		
Distribution	65	1 252 031 894.30		
Group Capital	55	1 180 791 204.25		
Corporate IT	28	2 225 537 250.95		1 445 558.49
Corporate Tactical	13	22 916 614.46		
Total	**422**	**R33 626 355 656.40**	**€22 377 291.92**	**$4 881 817.69**
Average exchange rate		1.00	19.58	18.91
Converted Rand value		R33 626 355 656.40	R438 147 375.79	R92 315 172.52
Total Rand value of all transaction		**R34 156 818 204.71**		

Expansions and variations for the 2023 financial year

Division	No	Rand amounts	Euro amounts	USD amounts	Yen amounts
Generation	137	45 925 739 318.67	3 593 027.04	13 734.00	248 615 944.00
Transmission	18	43 785 271.61	–	–	–
Distribution	50	1 308 510 096.28	–	–	–
Group Capital	37	938 972 631.50	–	–	–
Corporate	32	430 686 644.15	14 700.00	–	–
Total	**274**	**R48 647 693 962.51**	**€3 607 727.04**	**$13 734.00**	**JPY248 615 944.00**
Average exchange rate		1.00	17.69	17.02	0.1255
Converted Rand value		R48 647 693 962.51	R63 820 691.34	R233 752.68	R31 201 300.97
Total Rand value of all transaction		**R48 742 949 707.50**			

The figure below depicts the number of expansions and variations per division for the 2024 financial year.



Company information

ESKOM HOLDINGS SOC LTD

Incorporated in the Republic of South Africa
Registration number 2002/015527/30

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Our suite of reports covering our integrated results for 2024 is available at https://www.eskom.co.za/investors/integrated-results/

FORWARD-LOOKING STATEMENTS

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

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

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

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